Annual Report and Accounts

For the year ended 31 March 2023


HPC

Purpose

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

Values

Care

Integrity

Courage

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Inside front cover: Hinkley Point C – Somerset, UK
Back cover: Soho Place - London, UK

KEY PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE

STRONG GROWTH IN PRE-EXCEPTIONAL MANAGED REVENUE AND PRE-EXCEPTIONAL GROUP REVENUE DESPITE CHALLENGING MARKET CONDITIONS, WITH PRE-EXCEPTIONAL TRADING PERFORMANCE IMPACTED BY INFLATIONARY HEADWINDS.

PRE-EXCEPTIONAL MANAGED REVENUE[1]

FY23
£4.0bn

FY22
£3.5bn

FY21
£2.9bn

PRE-EXCEPTIONAL GROUP REVENUE[2]

FY23
£3.4bn

FY22
£3.0bn

FY21
£2.5bn

PRE-EXCEPTIONAL EBIT[3]

FY23
£(78.8)m

FY22
£95.5m

FY21
£76.0m

PRE-EXCEPTIONAL GROSS MARGIN[4]

FY23
3.3%

FY22
9.5%

FY21
9.4%

NET CASH[5]

FY23
£286.3m

FY22
£339.1m

FY21
£276.1m

NET ASSETS[6]

FY23
£199.0m

FY22
£404.8m

FY21
£325.1m

1 Pre-exceptional managed revenue is calculated as pre-exceptional revenue including share of joint ventures and associates as shown in the consolidated income statement, plus inter-segment revenue. See note 4 to the financial statements for reconciliation to statutory measures.

2 Pre-exceptional Group revenue is as shown in the consolidated income statement.

3 Pre-exceptional EBIT is another term for pre-exceptional (loss)/profit from operations as shown in the consolidated income statement.

4 Pre-exceptional gross margin is calculated as pre-exceptional gross (loss)/profit divided by pre-exceptional Group revenue as shown in the consolidated income statement.

5 Net cash is calculated as cash and cash equivalents as shown in the consolidated statement of financial position, less borrowings, excluding bank arrangement fees, and the impact of IFRS 16 Leases. See note 31 to the financial statements for reconciliation to statutory measures.

6 Net assets are as shown in the consolidated statement of financial position.

OPERATIONAL PERFORMANCE

FURTHER STRENGTHENING OF THE ORDER BOOK WITH CONSISTENT SAFETY PERFORMANCE, WHILE THE FY22 SIGNIFICANT REDUCTION IN GROUP CARBON EMISSIONS HAS BEEN MAINTAINED.

ORDER BOOK[1]

FY23
£10.0bn

FY22
£8.6bn

FY21
£7.6bn

ACCIDENT FREQUENCY RATE[2]

FY23
0.12

FY22
0.12

FY21
0.10

CUSTOMER SATISFACTION[3]

FY23
74.6%

FY22
78.3%

FY21
79.9%

GROUP CARBON EMISSIONS SCOPES 1 AND 2 (tCO_2e)[4]

FY23
32,805

FY22
32,556

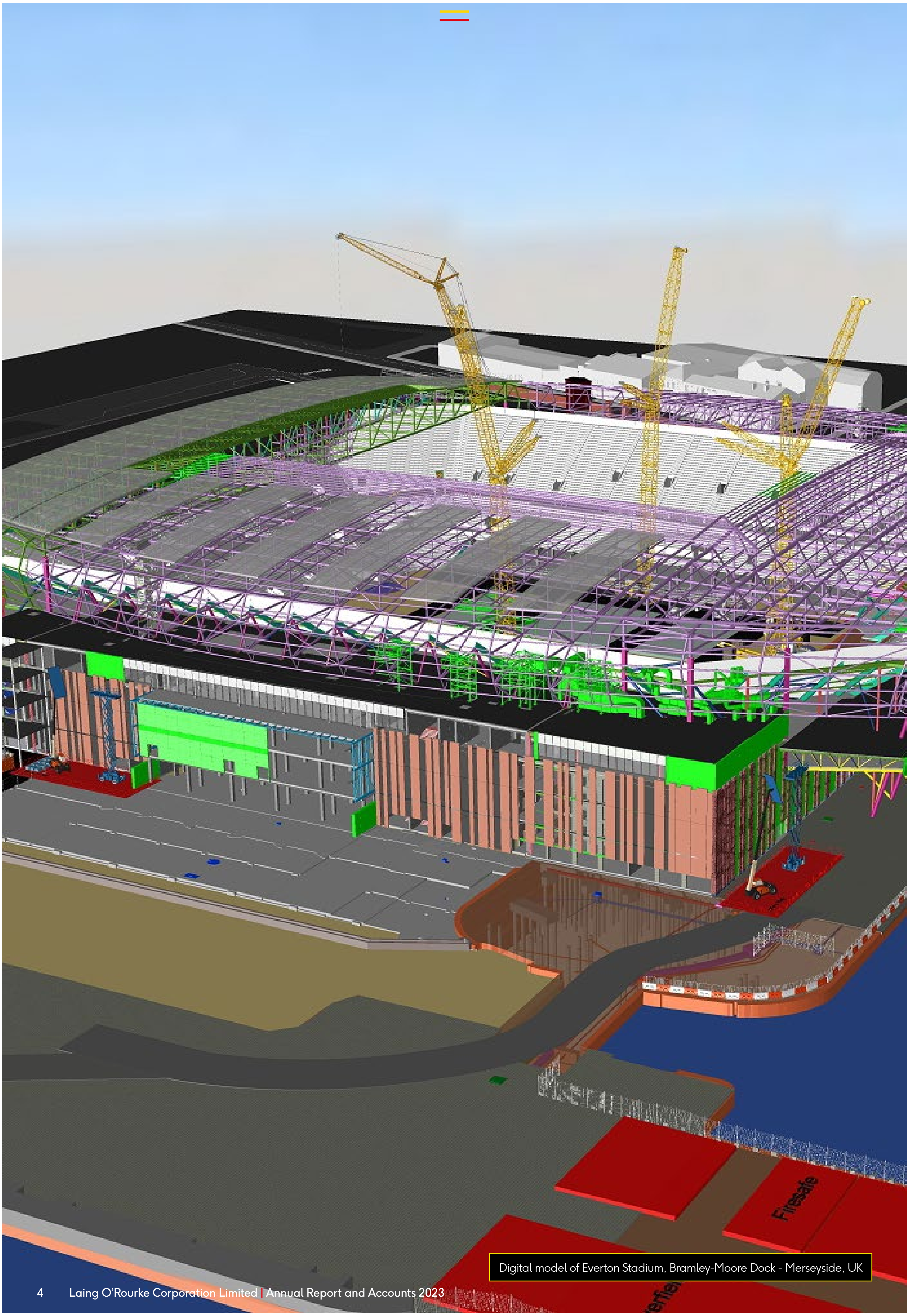
FY21
43,462

1 Order book represents the value of work outstanding on secured, anticipated, and preferred bidder contracts on a managed revenue basis. FY21 and FY22 data has been restated from £7.9bn and £9.0bn respectively as both incorrectly included the value of work outstanding from a payroll services company.

2 Accident frequency rate (AFR) is an industry standard measurement, equivalent to one reportable lost-time incident resulting in more than seven working days' absence per 100,000 hours worked.

3 Customer satisfaction is measured through data collected from clients across all key projects. FY21 and FY22 data has been restated from 83.9 per cent and 79.9 per cent respectively to correct errors in prior year calculations.

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



Digital model of Everton Stadium, Bramley-Moore Dock - Merseyside, UK

Everton Stadium, Bramley-Moore Dock - Merseyside, UK

GROUP CHAIR'S STATEMENT

After the turbulence of recent years, I wrote here a year ago about how good it was to see the communities and economies in both our operating hubs begin to return to something more normal. Just a short period of relative stability, allied to the resilience of Laing O'Rourke and its people, had helped the business to deliver another year of profit and to significantly reduce and restructure its debt. It was reassuring to see the business perform so well through unpredictable and testing circumstances.

I did also mention new challenges, specifically the emergence of inflationary pressures and the devastating war in Ukraine. The latter has made inflation a more acute problem, particularly in the UK, for citizens and businesses in every sector.

Despite these challenges, our Australia Hub has delivered an outstanding pre-exceptional performance, growing pre-exceptional EBIT by 27 per cent year on year, reflecting its collaborative contract base. Our Europe Hub, however, has seen a severe downturn in its profits, driven by the impacts of inflation. Combined, these two hubs reveal a pre-exceptional EBIT loss of £(78.8)m in FY23 (FY22: £95.5m profit).

The situation surrounding a historical claim in Australia continued to evolve during the year and remains under arbitration. We wrote down the remaining contract asset (relating to a contract which was entered into in 2010) and also booked a provision for potential future costs, both of which are considered exceptional in nature. The latest timetable suggests that a final award is likely to be made in mid-2025. This will enable the Australia Hub to build a further two financial years of expected strong profitability and cash generation prior to any cash settlement. The recognition of this provision led to a post-exceptional Group EBIT loss of £(273.9)m (FY22: £19.8m profit).

The factors impacting Laing O'Rourke's UK profitability include:

- The aforementioned high inflation which significantly impacted profits on certain fixed-priced contracts. Official analysis showed inflationary costs for the sector peaked at 26 per cent during 2022, the biggest impact on constructors in 40 years;
- New clients, with high-value projects, requesting major design changes post-contract; and
- Regrettably, anticipated starts on major infrastructure contracts, on which we had worked for some time to provide engineering and cost reduction solutions, were deferred, including those sections of HS2 still going ahead. Similar delays were experienced in relation to the procurement of urgently needed energy and healthcare projects. At the time of writing, the UK government is yet to provide the sector with the pipeline visibility it needs to plan in advance, allocate people and supply chain resources, and improve delivery efficiency.

As a result of these impacts on profitability, Laing O'Rourke will adjust its future exposure to certain clients and sectors in the UK.

As we look at our order book (a record £10.0bn) and the quality of margin across the Group, plus the introduction of further new productivity, risk management, change control, and cost reduction initiatives, we can be confident of a return to profitable trading in FY24 and FY25 as these issues are closed off.

At a Group level, we delivered a 13 per cent increase in pre-exceptional Group revenue (FY23: £3.4bn, FY22: £3.0bn) with the order book up 16 per cent (FY23: £10.0bn, FY22: £8.6bn).

LIVING OUR PURPOSE AND VALUES

Our executive team continues to focus on: the wellbeing of our people; revenue and margin growth; growing our order book through the disciplined pursuit of projects suited to our manufacturing-led operating model; and advancing all aspects of environmental, social, and governance (ESG) initiatives, to make us the sector's most responsible constructor.

In addition, our leaders have worked to embed our purpose (pushing the boundaries of what's possible, in service of humanity) and values (care, integrity, and courage) throughout our decision-making and operations.

When I meet our people, I am always struck by their strong and authentic sense of purpose, regardless of their role or seniority. This stems from their knowledge that the projects they deliver serve humanity and improve lives which gives the Board great confidence in the road ahead.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

Our commitment to living our purpose and values is perhaps best evidenced by the continued progress the business is making on all aspects of ESG. This year, rather than provide all the details in this document, we will publish a standalone FY23 Group sustainability report, which will be downloadable from our website.

I remain proud of our progressive parental leave policy. Uptake in both our operating hubs has been strong, and the feedback from the colleagues and families who are benefiting from it has been extremely positive.

We have continued to introduce other benefits to support people at different stages of their lives and careers – from sponsoring academic certifications to enabling access to new health treatments like fertility, menopause support, or gender identity services.

In terms of the environment, and specifically our net zero targets, I was delighted by our commitment to only use low carbon concrete on our new UK projects since 1 April 2023. We are the first UK contractor to do this, and it is the result of a significant team effort by in-house experts from across the Laing O'Rourke Group. Colleagues in our technical, procurement, and sustainability teams have worked closely with our specialist businesses, Expanded and Explore Manufacturing, and academic partners to make this possible.

Based on our FY22 usage, the switch to low carbon concrete will deliver a 28 per cent reduction in embodied carbon from concrete, which forms a significant part of our Scope 3 emissions, and as such is a significant step forwards as our Technology and Innovation Group plots a route to the use of cement-free concrete on our projects.

In both our operating hubs we have increased investments in creating social value. In the UK we have committed to enrich the lives of two million people and have £2bn of social impact by 2030, and our partnerships with Social Value UK and the Institute of Corporate Responsibility are helping us develop our thinking and plans. Working with social value specialists, Thrive, we have also developed a data-driven approach to more accurately measure our impact and to pinpoint gaps.

In Australia we are also leading positive change in the construction industry in the way we engage with Indigenous people, businesses, and communities, and are incredibly proud of the legacy we are creating. In FY22 we successfully completed delivery of our Innovate Reconciliation Action Plan (RAP). We increased Indigenous employment in the Australia Hub to 3.0 per cent during FY23. We also engaged with 141 Indigenous businesses during the period, with a direct spend of AUD$68m.

OUTLOOK

While governments in both our operating hubs remain committed to investing in infrastructure and see it as vital to future economic growth and the progress towards net zero, during FY23 it was apparent that public procurement and contracting processes in Australia are more efficient and effective than those in the UK, where projects are frequently subject to review and delay. We expect this to improve in FY24 and have already seen encouraging signs of greater urgency in the procurement processes of some government departments, notably the Ministry of Justice (MoJ) and Ministry of Defence (MoD). Allied with the private-sector investment in sectors like science and research and data centres, there are reasons to be optimistic about what lies ahead.

BOARD CHANGES

Further to the appointment of Mark Cutifani to the Board as Senior Independent Director in September 2022, which I commented on in last year's report, we have also made additional key changes to the Board and the Group Executive Committee. Following the sad passing of Greg Branch in August 2022, Heather MacCallum was appointed as an independent non-executive director on 1 November 2022. Heather has more than 20 years' experience gained in global financial services firms, most recently at KPMG where she provided audit and advisory services to the investment management sector.

In March, I was delighted to confirm that Cathal O'Rourke would return to an executive role as our new Group Chief Operating Officer, as well as joining the Board.

Cathal stepped down as Managing Director of the Australia Hub last year to take time to welcome a new baby to his family, after eight and a half years leading the hub and as a member of the Group Executive Committee. During his time in Australia, he transitioned the business from being largely focused on oil and gas infrastructure, to secure a broad pipeline of complex public infrastructure and defence work for the country's state and federal governments.

In his new role he will assist the Group's businesses in working more closely together and sharing learning and best practice across the Company's international operations. This will help us continue to push the boundaries of what's possible in service of humanity, and transform both our business and the wider sector.

Sir John Parker GBE FREng
GROUP CHAIR

GROUP CHIEF EXECUTIVE'S REVIEW

I reflect on a year of contrasting performance in our two operating hubs, leading to a financially challenging outcome for FY23. Geopolitical upheaval has had profound effects, impacting the global economy, our sector, and our business. While our underlying performance in Australia was excellent during the year, we have had to manage an ongoing legacy arbitration relating to a contract entered into in 2010. The associated contract asset write down and provision have been identified as exceptional in nature and therefore have not impacted our pre-exceptional results.

In the UK, our profitability was hit by the effects of inflation on certain fixed-price contracts. During my long career, I cannot recall such a sharp surge in costs. We have sought to collaborate with clients to manage the impacts of this and keep projects on track, but our commitment to finding solutions in a difficult environment has not always been reciprocated. Inequitable risk-sharing adds to the ongoing turbulence across construction. It directly impacts our business and all our people, and it convinces me that the need for radical transformation is more pressing than ever.

The sector must embrace a technology and innovation-enabled shift to manufacturing-led methods of construction. This future is encapsulated in our DfMA 70:60:30 operating model, which is being deployed on projects now and is a visible pathway for the industry to engage in advanced manufacturing.

It is the only way to change the nature of the work we do. Making such a shift will enable us to attract a much more diverse range of people to the best industry there is and achieve a step change in productivity which will give clients certainty. It will also help create a more sustainable built environment and improve the health, safety, and overall wellbeing of our greatest asset – the people who pick up the tools every day to deliver.

In a tough year, our people have continued to produce outstanding work, to push the boundaries of what's possible, and to deliver buildings and infrastructure projects that improve lives and serve humanity. We are grateful to them for all they do.

CLOSER COLLABORATION

Construction is an industry of strategic economic importance and the products we deliver for our clients underpin the quality of life we all enjoy. Our work helps restore economic growth, delivers the green infrastructure we urgently need to decarbonise, and supports the policy objective of 'levelling up' the jobs and opportunities in regional economies. Governments have a vested interest in ensuring their domestic constructors are productive and successful and, certainly in the UK, much more needs to be done to make this happen.

Unlocking the full potential of the construction sector requires closer collaboration between government and industry. For its part, the industry needs to increase productivity, create better work, and improve the wellbeing of its people.

Governments meanwhile, need to provide clarity as to the infrastructure pipeline they want delivered. Procurement is labyrinthine and pedestrian and there is too little collaboration on design to drive delivery efficiencies and value for money.

The automotive sector, aviation, and major shipbuilding have all addressed their commercial models, and it is time for construction to do the same.

A 'delivery partner' approach between client and contractor would do much to encourage better, long-term decision-making with a focus on people, sustainability, digital, and modern methods of construction. We have achieved this in the past on projects like the London 2012 Olympics or the AUD$5bn Woolgoolga to Ballina Pacific Highway project in New South Wales, Australia. Clients can remove red tape and bureaucracy, and constructors can manage scaling-up, resourcing and skills, and be incentivised for programme improvements. These changes create social value and deliver a more sustainable product.

ORDER BOOK AND OUTLOOK

We have continued to secure major contracts to deliver work in our strategic sectors throughout the period. These contracts are well suited to our unique operating model. At the year end, our order book stood at a record £10.0bn (FY22: £8.6bn) and has grown further to £10.5bn as at 30 September 2023.

In Australia, in partnership with Gamuda, we were appointed to deliver the AUD$2.16bn Sydney Metro West – Western Tunnelling Package (WTP) for the New South Wales government, and the business remains focused on significant opportunities in the rail, roads, and defence sectors. In FY23, Australia accounted for 25 per cent of our order book growth.

Looking ahead in the UK, we have a key role to play in delivering the new green infrastructure net zero demands; while as part of the UK's new nuclear supply chain we are well positioned to support the country's energy transition by delivering new nuclear, as well as offshore wind and carbon capture, usage, and storage (CCUS) facilities.

We also added to our strong track record in UK healthcare delivery by completing the Royal Liverpool University Hospital and Phase 1 of The Royal Sussex County Hospital in Brighton, known as the Louisa Martindale Building. This theme has continued since the year end, and in August 2023 we were proud to be awarded the contract to build the new £750m University Hospital Monklands in Lanarkshire, UK. We continue to win new work in strategic sectors including healthcare, education, science and research, and data centres.

I believe we now have the capability to significantly change the way we deliver large infrastructure projects – unlocking substantial productivity gains. This is a journey we began in 2017 when we launched our 'Deliver 2025' strategy, focused on investing in the people, technology, and innovation to transform how major infrastructure is built.

We have now identified and created some of the new products, digital tools, and systems that will soon help realise the productivity, quality, and safety benefits of advanced manufacturing. Based on our own learnings, and those achieved through strategic partnerships with leading manufacturers from other sectors and our academic partners, we already know that we can build projects of significant scale and complexity in a new way. This gives us confidence and optimism about the decades ahead.

GROUP EXECUTIVE CHANGES

In FY24 we created the new role of Group Chief Operating Officer to help maximise the benefits of our 'one business, two hubs' structure. I am delighted that my son, Cathal O'Rourke, has returned to the UK to take on this role, having successfully transformed our business in Australia. I know he can rely on the support of our passionate and dedicated people as he works with me and our experienced leadership team to accelerate our 'Deliver 2025' strategy.

Finally, we bid farewell to Josh Murray, who has worked at my side for the past seven years in Group leadership roles and served a total of 15 years with Laing O'Rourke in both the UK and Australia. In July 2023, he was announced as the new Secretary for Transport for New South Wales, Australia, and leaves for this key public service role with our full support and thanks.

Ray O'Rourke KBE

GROUP CHIEF EXECUTIVE

University Hospital Monklands – Lanarkshire, UK

DELIVER 2025

Laing O'Rourke set its 'Deliver 2025' strategy in 2017. Its principal goal was, by 2025, to dramatically improve productivity in our business and industry, aligning it with the high levels of production seen in the automotive and aerospace sectors.

This was in direct response to the UK government's challenge to our industry. We set out to achieve this by investing in innovation, off-site manufacturing, and digital engineering.

We have had to adapt our plans to respond to the uncertainties of politics, competitors, financial markets, macro-economic conditions, client sentiment, and our financial resources. Yet we remain focused on meeting this key outcome of our Deliver 2025 strategy, knowing it will be a catalyst for wider industry transformation in our core markets, and provide a future platform for more ambitious growth over the rest of the decade.

Over the next two years, we have reframed how we achieve our Deliver 2025 goals and deliver critical buildings and infrastructure for our clients using four key pillars: people, technology and innovation, manufacturing, and operating model.

1. People

- Recruit and develop the best knowledge workers in our industry from a diverse field of professional disciplines;
- Bring in talented individuals from parallel industries to learn from, and adapt their experience to, ours; and
- Invest in our 'Direct Delivery' model, where we employ and train the essential workers who are at the front-line of our industry, to transform their jobs and break the mental model of what construction looks like.

2. Technology and innovation

- Harness the unique understanding of construction that our vertically integrated, direct delivery model affords us, to identify and invent new products, materials, digitally enabled tools, software and systems that accelerate our inclusion and wellbeing, sustainability, productivity, and delivery certainty initiatives; and
- Establish strategic partnerships with leading businesses and academic institutions from parallel industries to foster cross-industry collaboration, knowledge sharing, and research and development.

3. Manufacturing

- Modernise our existing manufacturing footprint in the UK which underpins our DfMA 70:60:30 approach; and
- Prepare to make new investments in advanced manufacturing to transform the delivery of major infrastructure in our existing core markets.

4. Operating model

- Focus on delivering the maximum value for our clients from our vertically integrated model by improving coordination across our Specialist Trading Business Group and investing in their internal and external growth opportunities; and
- Bring innovative and collaborative new delivery models between clients, constructors, and other stakeholders to market to better manage risk and reward, and make our industry a more investible proposition.

OUR PURPOSE

This reframing of Deliver 2025 is aligned with our purpose: Pushing the boundaries of what's possible, in service of humanity.

By transforming how our business delivers we can directly improve the lives of our essential workers, ensuring they go home safely each day, carry out less strenuous work in better working environments, and thus improving both their physical and mental wellbeing.

We will work with the clients who are developing the assets in sectors most critical to society: sustainable energy, healthcare, science and research, data, defence, and transport.

By using digitally enabled, advanced manufacturing techniques, we will accelerate the rate at which they can be commissioned to improve the lives and security of the communities and nations they serve.

Finally, our sustainability approach (see page 42) sets out how all of these ambitions can be met while becoming a fully net zero company delivering nature-positive solutions, with teams that represent our diverse society.

OUR INTEGRATED DELIVERY MODEL

UK

EXPANDED

DfMA-driven civil and structural engineering services specialising in large diameter piling, complex basements, heavy infrastructure, and superstructure construction.

UK, UAE

CROWN HOUSE TECHNOLOGIES

Building services provider delivering high-quality, mechanical, electrical, and plumbing services. Through CHtM, is also a leader in manufacturing of modular MEP components.

UK

EXPLORE MANUFACTURING

Centre of Excellence for Modern Methods of Construction focused on manufacturing of high-quality precast concrete components.

UK, Australia, UAE

SELECT PLANT HIRE

One of the industry's largest and most diverse ranges of construction equipment, cranes, accommodation, and tools.

UK

EXPLORE TRANSPORT

Haulage and plant hire. Joint venture with WS Transport Ltd.

UK

VETTER

Specialist stone contractor with the capability to undertake all aspects of stone work; from design, supply and installation, to precast façade installation, to landscaping and restoration.

UAE

LOR JOINERY

Specialises in interior contracting and the design, manufacture, and installation of high-quality furniture and joinery.

UAE

EMIRATES PRECAST

Designs and engineers, manufactures, and installs high-quality precast concrete solutions.

Digital model of our modular bridge solution, M25 junction 10 - Surrey, UK

Modular bridge for M25 junction 10 - Surrey, UK

OPERATING REVIEW

OPERATING REVIEW – GROUP

The Group has navigated through significant challenges in FY23. Inflationary pressures, which became more acute because of the ongoing war in Ukraine, and delays to capital investment in UK public-sector works, affected the pre-exceptional results of our Europe Hub. In Australia, where a focus on bringing major infrastructure to market has been maintained by state governments, we have seen growth in our pre-exceptional performance; however, our post-exceptional EBIT result was significantly impacted by exceptional items relating to a legacy project in the hub. Our Group Chair and Group Chief Executive Officer reflect on these market conditions in their statements on pages 6 and 8.

Our commitments to embedding strong governance, providing excellence in the delivery of complex projects, and integrating and developing transformative technologies, have all been factors in our ability to weather this turbulence. They also give us reason for cautious optimism.

In both operating hubs we secured prestigious new work across our key sectors, as outlined in the respective hub operating review sections. We retained a focus on our stretching sustainability targets, centred predominantly on a reduction in carbon emissions and an increase in the number of women we employ. Our sustainability progress is summarised on pages 41 to 52 with in-depth detail available in our standalone FY23 Group sustainability report (*Pushing the Boundaries*) which will be downloadable from our website.

The importance of balancing work and family was recognised when we introduced a progressive parental leave policy in July 2022, attracting positive media attention and cross-industry acclaim. This employee benefit is a tangible example of our values in action.

During FY22 we introduced renewed purpose and values to the business. Our purpose – **pushing the boundaries of what's possible, in service of humanity** – is underpinned by three values of **care, integrity, and courage**.

We have been bringing this enduring spirit to life through a series of project and team workshops that encouraged colleagues to bring meaning to the words. An employee network of 'meaning makers' will continue to support the full understanding of our purpose, encouraging peer-to-peer conversation.

ACHIEVEMENTS AND AWARDS

We continued to be recognised for our achievements during the year and secured accolades in innovation, sustainability, and diversity.

In Australia we were the only tier one constructor to be recognised in the top 10 list of innovators in the property, construction, and transport sectors at the Australian Financial Review (AFR) BOSS Most Innovative Companies Awards. This is the fourth time we've been recognised in these national accolades.

Meanwhile, at the Building Innovation Awards in the UK, we collected 'Best Volumetric Modular Innovation' in partnership with KONE, as well as 'Most Innovative Contractor of the Year'.

Our commitment to environmental sustainability was recognised when the Central Station Metro team in Sydney achieved the highest possible Infrastructure Sustainability Rating; and the MELconnx Alliance, of which we are part, was awarded five-star Green Star Certificates for the Ellenbrook to Malaga stations – officially the first certified Green Star train stations in Western Australia.

Our drive to create visible role models in support of attracting more women into the industry was bolstered when Clare Emery, Europe Hub sector specialist for residential, education, science, and research, was presented with the 'Best Woman in Business Development' award at the European Women in Construction and Engineering (WICE) Awards. We went on to collect five awards at the 2023 event.

OPERATING REVIEW – EUROPE HUB

The Europe Hub continued to deliver and secure work within its key sectors: healthcare, science and research, infrastructure and energy transition, defence, and data centres.

During the reporting year, our teams successfully handed over two hospitals: the Louisa Martindale Building in Brighton for University Hospitals Sussex NHS Foundation Trust, and the Royal Liverpool University Hospital, which we were contracted to deliver following the collapse of Carillion in 2018.

The eagerly anticipated Elizabeth Line underground service opened to the public in May 2022, a project that saw us play a significant role in the delivery of five out of the ten new stations. In Edinburgh, HRH The Princess Royal officially opened the new retail-led St James Quarter in September 2022, while Soho Place, a commercial project that houses the first new theatre for London's West End in more than 60 years, opened in time for Christmas 2022.

Our experienced project delivery teams continued to hit key milestones and make good progress on our live projects. The main contract for the new 52,888-seat Everton Stadium on the Merseyside waterfront continues on track, with the project due to complete by the end of 2024. The main construction at Oxford University's Stephen A. Schwarzman Centre for the Humanities continues to make good progress. We have been delivering projects continuously at the University of Oxford for almost 25 years, and this will be the largest single building project ever undertaken by the client and will be delivered to Passivhaus energy performance standards.

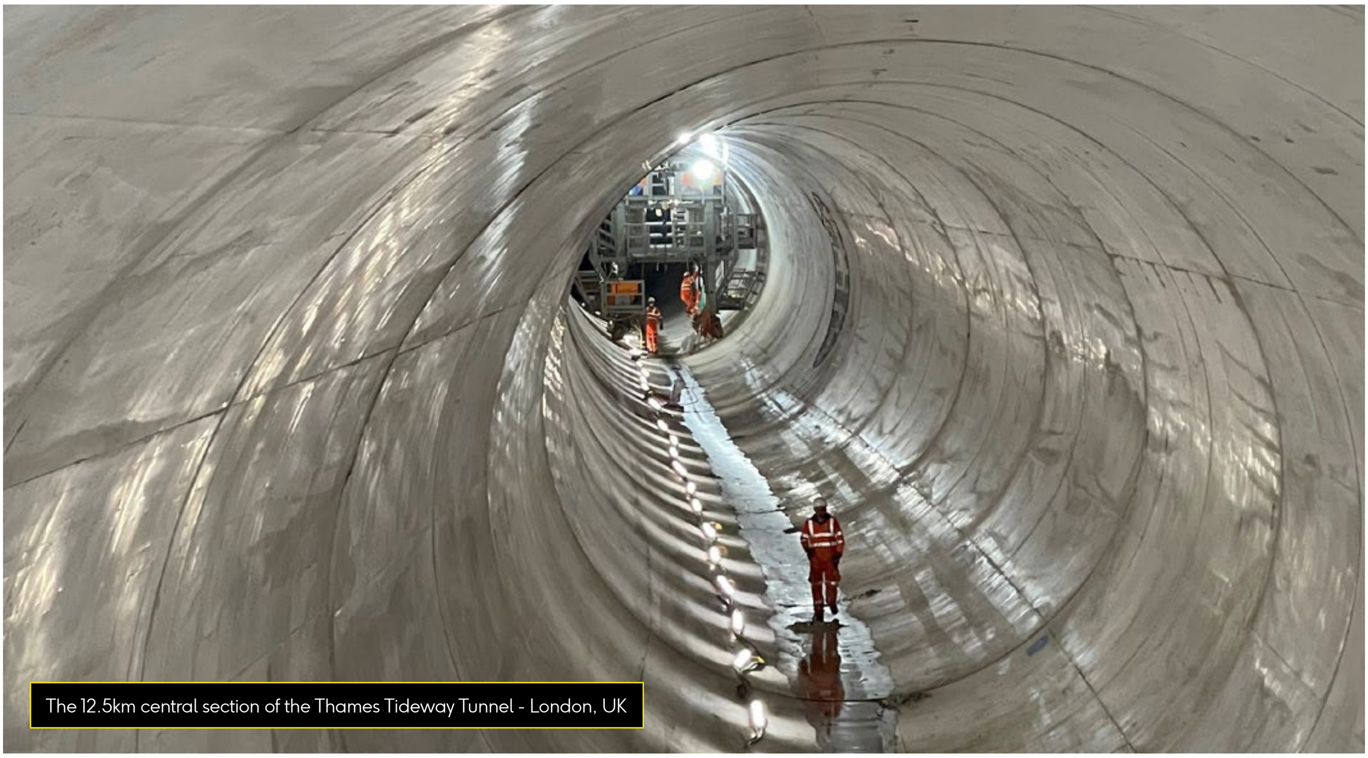
At 25km in length, London's 'super-sewer', the Thames Tideway Tunnel, is part of the largest project ever undertaken in the UK water industry and will clean up the River Thames for future generations. Our team, in a joint arrangement with Ferrovial, has concluded tunnelling, completing the 12.5km central section, the most sizeable of the three contracts.

Meanwhile, working alongside our project partner, Bouygues TP, our BYLOR team continued to meet civil engineering milestones at Hinkley Point C, Britain's newest nuclear power station. We are also actively involved in the next gigawatt nuclear power station, Sizewell C, as well as collaborating on exciting developments in small nuclear reactors (SMRs).

In February 2023 we were appointed by the UK's Crown Commercial Service as a framework partner to its new off-site construction agreement. The agreement places modern methods of construction at its core and aims to support the public sector to innovate, drive efficiency, and continue to work towards its carbon net zero targets.

Our long-standing relationship with HS2 saw us secure further work through our appointment to deliver the new interchange station in Solihull, and our specialist business, Expanded, securing the contract to deliver HS2's Old Oak Common station in London. Another repeat client, Berkeley St James, appointed us to deliver essential highways infrastructure in Milton Keynes. Both projects are currently delivering under a pre-construction services agreement.

Our Middle East business continues with a key focus on data centres. We were appointed by our repeat client Khazna Data Centres to deliver a fifth data centre, under a main contract in Dubai. Our specialist joinery business also secured a significant project with Gulf Asia Contracting for fit-out and joinery at the new Hilton Garden Inn and Embassy Suites Hotel, alongside working on other key projects such as Tilal Al Ghaf Villas and completing works at the One Zabeel development.



The 12.5km central section of the Thames Tideway Tunnel - London, UK

Financial performance was, however, significantly impacted by inflationary pressures which were, and continue to be, more acute due to the ongoing war in Ukraine. Additionally, as outlined above in the Group operating review, global and domestic political turbulence has resulted in delays to capital investment in UK public-sector works. In short, critical work that had previously been announced or committed to by the UK government has either been scaled back or suspended. Despite an increase in the hub's managed revenue to £2.7bn (FY22: £2.3bn), the impact can be seen through a reduction in gross profit to a loss of £(44.4)m (FY22: profit of £156.7m). The resulting post-exceptional EBIT was a loss of £(132.0)m (FY22: profit of £69.2m) with a net cash position at the year end of £65.6m (FY22: £113.7m).

Our robust governance has allowed us to continually review the impact of the escalating inflationary environment and carefully manage and mitigate its effects wherever possible. We continue to manage inflation risk from bid/tender stage throughout the contract life of our projects. Availability and pricing of certain materials and labour continue to require active management through contract negotiations, supplier relationships, and project price contingencies. However, our integrated, self-delivery model reduces our supply chain exposure and therefore serves to ensure that any potential impact is minimised.

The strength of our stable and experienced leadership team supports this governance and bolsters our transformation programme. In addition to the announcement of a new Group Chief Operating Officer, the hub made a number of key appointments that will support our mission of becoming the construction sector's recognised leader for innovation and excellence. Rossella Nicolin was appointed Europe Head of Sustainability. Chetan Kotur was hired from the automotive sector as Head of Technology and Innovation Europe, and senior nuclear industry executive Cameron Gilmour joined us to lead Crown House Technologies.

Our business model is centred around the establishment of long-term partnerships and early engagement. By working together from the earliest opportunity as part of integrated project delivery teams, we are better equipped to deploy the benefits of our value proposition and our internal supply chain, using the power of experience to deliver increased certainty for all stakeholders. The Europe Hub led all trading in the UK, Middle East, and Canada.

OPERATING REVIEW – AUSTRALIA HUB

The Australia Hub continued to deliver in terms of pre-exceptional financial performance, work-winning, project delivery, and industry recognition during FY23.

We began the reporting period with the appointment of Rebecca Hanley to the role of Managing Director for the Australia Hub, after she had served on the Group Executive Committee from 2018 as the Group Strategy and Transformation Director. Having developed the 'Deliver 2025' strategy in her previous role, Rebecca has been maintaining the Australia Hub's focus on deeper collaboration with clients, supporting the supply chain, and investing in our people - all key steps to achieving our mission to be the recognised leader for innovation and excellence in our market.

Also joining the Australia Hub Executive Committee in FY23 was Andrew Jeffrey, replacing Simon Chatwin as Hub Commercial Director. Simon transferred back to the UK for the same role in the Europe Hub.

The Australia Hub posted a strong pre-exceptional Group revenue performance of AUD$2.1bn (FY22: AUD$2.2bn) and a pre-exceptional EBIT of AUD$160.8m (FY22: AUD$132.3m). These results further bolster the resilience of the business into FY24 and beyond. Despite this strong pre-exceptional performance however, our post-exceptional EBIT result has been significantly impacted by exceptional items relating to a legacy project.

We have maintained a disciplined focus on improving productivity in our priority sectors of rail, roads, and defence, underpinning our promise to clients around delivering certainty. Successful work-winning approaches have enabled a current order book as at 30 September 2023 of AUD$6.1bn, with 80 per cent of FY24 budgeted revenue secured, and 92 per cent secured or anticipated, before the beginning of the new financial year. While there were several successful project completions, including the Battlefield Airlifter project at Royal Australian Airforce (RAAF) Base Amberley in Queensland and facilities supporting the Gudai-Darri iron mine in Western Australia, we were also able to celebrate the commencement of new projects.

As part of the South Eastern Project Alliance (SEPA), we were awarded five additional contracts by the Victorian government. These included level crossing removals at Bedford Road, Ringwood; Dublin Road, Ringwood East; Coolstore Road, Croydon; and Cave Hill Road, Lilydale. SEPA was also awarded the contract to deliver Stage One of the upgrade of the South Dynon Train Maintenance Facility.

Also in Victoria, we continued the procurement process for the South Package of the North East Link as part of the North East Link South Alliance (NELSA), and were confirmed as preferred bidder and progressed to the next phase of the process.

In New South Wales, the Transport Access Programme (TAP3) team was awarded the contract for a new footbridge at St Marys station, part of the Sydney Metro-Western Sydney Airport mega-project.

Our commitment to the Department of Defence as a priority client was reflected in the appointment of Major General Roger Noble as the business's new General Manager – Defence. Roger joined the business after a decorated career in the Australian Army, including deployments in East Timor, Afghanistan, and Iraq.

Our industry influence efforts were bolstered by the appointment of Annabel Crookes, Director – Legal, Risk, and Delivery, to the role of President of the Australian Constructors Association as well as the New South Wales Skills Board.

We also gained representation at the Australian Climate Leaders Coalition, with Rebecca Hanley joining the organisation on behalf of the business. The Coalition aims to help Australian businesses accelerate their decarbonisation work by providing the opportunity to collaborate across different industries.

In addition, the Australia Hub gained recognition for focused efforts on increasing gender equality, inclusion, and representation, winning several individual and company accolades from the National Association of Women in Construction (NAWIC). The business won both the New South Wales NAWIC Crystal Vision Award and the NAWIC National Business Award for driving industry change. These awards recognise our efforts to increase women's participation in our sector and our efforts to influence the culture of construction to support female employees and leaders.

With a new Reconciliation Action Plan (RAP) Committee formed in FY23, work began on our Stretch RAP, which has now been published.

We have a proud history of supporting Indigenous businesses and communities. As at March 2023, 3.0 per cent of our employees identified as being Aboriginal and Torres Strait Islander People, and, during FY23, we engaged 141 First Nations businesses in the supply chain, with a spend of AUD$68m.

There were many other industry accolades in FY23. Among them Belinda Murdoch, Head of Indigenous Affairs, won Supply Nation's Supplier Diversity Advocate of the Year award for driving supplier diversity growth and development across the Indigenous business sector.

At the Infrastructure Sustainability Council awards, we were recognised in five categories: Andrew Ackerman, Alliance General Manager – SEPA, won the Enduring Impact award; Sam Donaldson, Hub Sustainability Leader, received the Emerging Leader award; the Armadale Road to North Lake Road Bridge Project in Western Australia was mentioned for outstanding achievement in design; and the Sydenham Metro upgrade project in New South Wales received the Excellence in Environmental Outcomes award and the Excellence in Governance award. The Sydenham Metro project was also awarded the New South Wales Permanent Way Institution award in this period.

Our community and stakeholder engagement teams were recognised at the International Association for Public Participation (IAP2) Australasia Core Value awards for work on the Armadale Road to North Lake Road Bridge project in Western Australia, and we were highly commended for how we engaged with communities during the New South Wales Bushfire Clean-Up Project, following the 'Black Summer' bushfires of 2019 to 2020.

The design and installation of the northern concourse roof at Central Station Metro in New South Wales was recognised with an Australian Steel Institute award.

Innovation remained a key focus, with recognition from the *Australian Financial Review* (AFR) as part of the AFR BOSS Most Innovative Companies List. We were the only tier one constructor to be recognised in the top 10 list of innovators amongst peers in the property, construction, and transport sectors.

Our innovation was also showcased publicly later in FY23 when we announced the purchase of a class-leading electric fleet, including Australia's first 250-tonne electric crawler cranes, which have now arrived. This milestone coincided with the celebration of 15 years of operation for Select Plant Australia, our specialist trading business for plant and equipment hire.

Central Station Metro – Sydney, Australia

CORPORATE GOVERNANCE STATEMENT

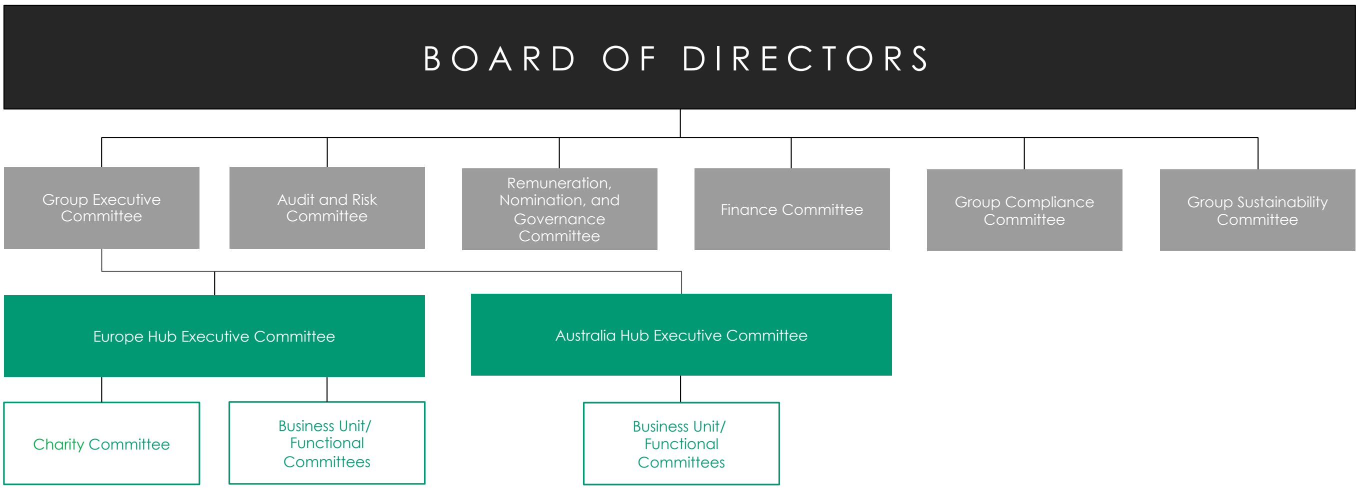
CORPORATE GOVERNANCE PRINCIPLES

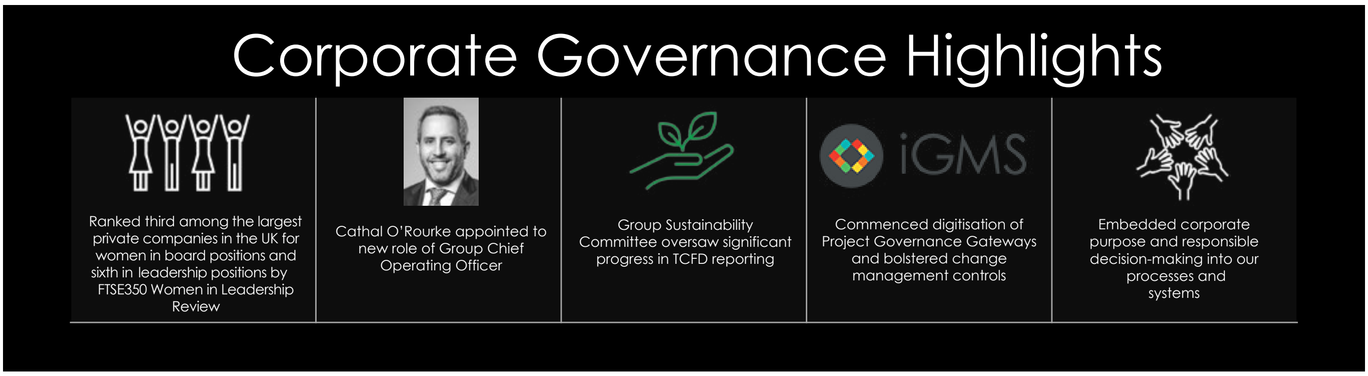
During the year ended 31 March 2023, our relevant UK companies in the Laing O'Rourke Group ('the Group') have considered the Companies (Miscellaneous Reporting) Regulations 2018 and elected to apply the Wates Corporate Governance Principles for Large Companies, as published in December 2018 (the 'Wates Principles'). We reported against the Wates Principles for the first time in the financial year ended 31 March 2020 and the continuance of this reporting assists in assessing what has been done well and also where there remains opportunity for further improvement of our corporate governance framework. It is also recognised that governance requirements and needs will evolve over time. Our ambition continues to be the achievement of best-in-class corporate governance across the Group.

GROUP CORPORATE GOVERNANCE FRAMEWORK

At Laing O'Rourke, we are proud of what has already been achieved. We take the view that good corporate governance is a cornerstone of the creation of a successful business and one that generates value for wider society. Our Group governance framework continues to be applied across our global business and was reviewed during FY23 in line with our annual review cycle.

BOARD STRUCTURE





DIRECTORS

Sir John Parker GBE FREng
Group Chair

Sir John, independent Group Chair at Laing O'Rourke, has built up an enviable reputation across a range of industrial sectors as a leader in the boardroom, including Chair at six FTSE 100 companies. Sir John also chairs the Remuneration, Nomination, and Governance Committee and the Finance Committee.

A former President of the Royal Academy of Engineering and a visiting Fellow at Oxford University, he takes a keen interest in the development of engineering technology, diversity, and talent.

Ray O'Rourke KBE
Group Chief Executive Officer

Shareholder and co-founding director of Laing O'Rourke, Ray chairs the Group Executive Committee and is responsible for leading the Group's strategic direction and operational management. Ray also chairs the Australia Hub Executive Committee and is a member of the Europe Hub Executive Committee (Chair until April 2023), Finance Committee, and Remuneration, Nomination, and Governance Committee.

Ray founded R O'Rourke & Son in 1977. The business acquired the construction arm of John Laing Plc in 2001, and with the acquisition of Barclay Mowlem Australia in 2006 created today's extended international engineering construction group.

Des O'Rourke
Group Deputy Chair

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

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

Rowan Baker
Group Chief Financial Officer

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

An experienced finance executive, Rowan was previously Chief Financial Officer at McCarthy & Stone Plc where she played a key role in the company's successful IPO in 2015. Prior to joining McCarthy & Stone in 2012, she worked in finance for Barclays Bank Plc and PwC. Rowan is a qualified accountant (FCA) and chartered tax advisor (CTA). Rowan is also a Non-Executive Director and Chair of the Audit Committee at Vistry Group Plc.

Cathal O'Rourke
Group Chief Operating Officer

Cathal was appointed Group Chief Operating Officer from 1 April 2023 (previously Managing Director, Australia, resigned 31 March 2022). Upon appointment, Cathal joined the Board and rejoined the Group Executive Committee. He also rejoined the Australia Hub Executive Committee and became Chair of the Europe Hub Executive Committee.

Between November 2020 and April 2022, Cathal held the role of President of the Australian Constructors Association where he led significant reform initiatives to ensure a healthy, dynamic, and thriving construction industry for the future. While leading the Australian business, he played a leading role in securing, delivering, and sponsoring a number of significant building and infrastructure projects. Cathal is a chartered civil engineer and a member of the Institution of Civil Engineers.

Rebecca Hanley
Managing Director, Australia

Rebecca joined the Board in November 2022 having been a member of the Group Executive Committee since June 2018, initially as Group Strategy and Transformation Director and more recently as Managing Director for the Australia Hub. Upon becoming Managing Director of the Australia Hub, Rebecca also joined the Australia Hub Executive Committee. Rebecca temporarily stepped down from the Board in June 2023 in anticipation of her taking parental leave, and is expected to rejoin the Board upon her return.

In her role as Group Director for Strategy and Transformation, Rebecca was instrumental in shaping the Group's 'Deliver 2025' global strategy focused on innovation and excellence. Rebecca previously worked in strategy for Anglo American Plc and in financial leadership positions, including for PwC. Rebecca is a Chartered Accountant with an MBA from INSEAD in Paris.

Jim Edmondson
Group Company Secretary

Jim joined the Group in January 2018 and is a member of the Board. Jim is also a member of the Group Executive Committee.

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

Mark Cutifani
Non-Executive Director

Mark was appointed to the Board as an independent Non-Executive Director in September 2022. Mark is an experienced global chief executive who joined the Board as Senior Independent Director, also chairing the Group Sustainability Committee.

Mark stepped down in April 2022 as Chief Executive and an executive director of Anglo American Plc after nine years leading the global mining giant. He is credited with leading the turnaround of Anglo American after joining as Chief Executive in 2013. The Company reported revenues of USD$41.5bn and record profitability in 2021.

Heather MacCallum
Non-Executive Director

Heather joined the Board as an independent Non-Executive Director in November 2022 and chairs the Audit and Risk Committee.

Heather was a partner in KPMG Channel Islands Ltd's financial services practice from 2001 until her retirement from the partnership on 30 September 2016. She predominantly provided audit and advisory services to the investment management sector and currently serves as a Non-Executive Director on the boards of several companies including Jersey Water and B-FLEXION Fund Management (Jersey) Ltd.

Dr Hayaatun Sillem CBE
Non-Executive Director

Hayaatun was appointed to the Board as an independent Non-Executive Director in March 2022. In addition to her role on the Board, Hayaatun is a member of the Audit and Risk Committee and the Group Sustainability Committee.

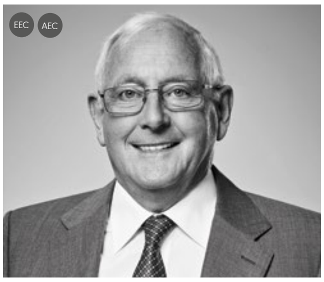
Hayaatun is Chief Executive Officer of the Royal Academy of Engineering and Queen Elizabeth Prize for Engineering Foundation. She co-chairs the UK government's Business Innovation Forum and co-chaired Sir Lewis Hamilton's Commission on improving Black representation in UK motorsport. She was made a CBE for services to International Engineering in 2019. Prior to her current roles, she was Deputy Chief Executive Officer at the Royal Academy of Engineering and served as Committee Specialist and later Specialist Advisor to the House of Commons' Science and Technology Committee.

Charlotte Valeur
Non-Executive Director

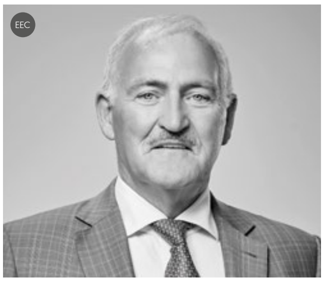
Charlotte was appointed to the Board as an independent Non-Executive Director in March 2018. In addition to her role on the Board, Charlotte is a member of the Audit and Risk Committee, the Group Sustainability Committee, and the Remuneration, Nomination, and Governance Committee.

Charlotte has more than 30 years' experience in the financial services industry and has held a range of executive and non-executive directorships in listed organisations, including Kennedy Wilson Europe Real Estate Plc, 3i Infrastructure Plc, Blackstone/GSO Loan Financing Ltd, DW Catalyst Fund Ltd, NTR Plc, Renewable Energy Generation Ltd, and JPMorgan Global Convertibles Income Fund Ltd.

GROUP EXECUTIVE COMMITTEE



Ray O'Rourke KBE
GROUP CHIEF EXECUTIVE OFFICER



Des O'Rourke
GROUP DEPUTY CHAIR

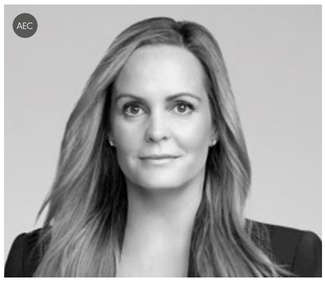
Rowan Baker
GROUP CHIEF FINANCIAL OFFICER

Cathal O'Rourke
GROUP CHIEF OPERATING OFFICER

Madeleina Loughrey-Grant
GROUP DIRECTOR – LEGAL, PROCUREMENT (EU), AND SUSTAINABILITY

Josh Murray
GROUP DIRECTOR – PEOPLE, CORPORATE AFFAIRS, AND OFFICE OF THE CEO
(RESIGNED AUGUST 2023)

John O'Connor
GROUP COMMERCIAL DIRECTOR



Rebecca Hanley
MANAGING DIRECTOR, AUSTRALIA

Andrew Wolstenholme OBE
GROUP TECHNICAL DIRECTOR

Jim Edmondson
GROUP COMPANY SECRETARY

Key:

EEC Also a member of Europe Hub Executive Committee (EEC)

AEC Also a member of Australia Hub Executive Committee (AEC)

MEMBERS OF THE EUROPE HUB EXECUTIVE COMMITTEE (IN ADDITION TO THOSE ALSO ON THE GROUP EXECUTIVE COMMITTEE – SEE PAGE 22)

Glenn Sheedy
DIRECTOR, STRATEGY, CLIENTS, AND MARKETS

Joanna Vezey
TECHNICAL DIRECTOR

Simon Chatwin
DIRECTOR, COMMERCIAL

Rae Avatar Barnett
HEAD OF PEOPLE

Declan McGeeney
DIRECTOR, INFRASTRUCTURE

Paul McNerney
DIRECTOR, BUILDING

Martin Staehr
DIRECTOR, BUILDING

Peter Lyons
BUSINESS UNIT LEADER, SPECIALIST TRADING BUSINESS GROUP

Barry Dye
DIRECTOR, NUCLEAR

Mike Bufalino
GROUP CHIEF DATA AND INFORMATION OFFICER

BUSINESS UNIT LEADERSHIP, EUROPE HUB

Alex Warrington
BUSINESS UNIT LEADER,
SELECT PLANT HIRE UK

Stephen O'Rourke
BUSINESS UNIT LEADER,
EXPANDED

Cameron Gilmour
BUSINESS UNIT LEADER,
CROWN HOUSE
TECHNOLOGIES

Jason Lowe
GENERAL MANAGER,
MIDDLE EAST

Julie O'Dowd
FINANCE DIRECTOR,
MIDDLE EAST

MEMBERS OF THE AUSTRALIA HUB EXECUTIVE COMMITTEE (IN ADDITION TO THOSE ALSO ON THE GROUP EXECUTIVE COMMITTEE – SEE PAGE 22)

Dr Regan Crooks
DIRECTOR, STRATEGY, TRANSFORMATION AND INNOVATION

Sarah Crennan
TECHNICAL DIRECTOR

Andrew Jeffrey
DIRECTOR, COMMERCIAL

Helen Fraser
DIRECTOR, PEOPLE

Paul Teasdale
DIRECTOR, FINANCE

Annabel Crookes
DIRECTOR, LEGAL, RISK, AND DELIVERY

Mark Dimmock
DIRECTOR, CLIENTS AND MARKETS

Andy Hunter
DIRECTOR, DELIVERY

Paul Milne
DIRECTOR, DELIVERY

OTHER LEADERSHIP APPOINTMENTS

Shasi Dharan
GROUP HEAD OF DIGITAL DEVELOPMENT – PLATFORM, PARTNERSHIPS, AND SUPPLY CHAIN

Chetan Kotur
HEAD OF TECHNOLOGY AND INNOVATION EUROPE

Keith Prince
HEAD OF HEALTH AND SAFETY EUROPE

Gavin Body
OPERATIONS LEADER, CROWN HOUSE TECHNOLOGIES EUROPE

Sarah Strange
HEAD OF LEGAL, CLIENTS AND MARKETS EUROPE

Juliette Economo
COMMERCIAL LEADER, CLIENTS AND MARKETS AUSTRALIA

Hollie Hynes
GENERAL MANAGER, SUSTAINABILITY AND ENVIRONMENT AUSTRALIA

Greg Cook
GENERAL MANAGER – OPERATIONS (WESTERN AUSTRALIA)

Roger Noble
GENERAL MANAGER – DEFENCE AUSTRALIA

James Foreman
INTERIM HEALTH AND SAFETY GENERAL MANAGER AUSTRALIA

Stephen A. Schwarzman Centre for the Humanities – University of Oxford, UK

KEY MATTERS CONSIDERED BY THE LAING O'ROURKE CORPORATION LIMITED BOARD DURING THE YEAR ENDED 31 MARCH 2023 INCLUDED:

TOPIC/ACTIVITY	ACTIONS	PROGRESS
PURPOSE AND VALUES	Continued to embed the Group's purpose and values in order to bring together the enduring essence of Laing O'Rourke as a business, which will guide us today and in how we evolve in the future.	Continued to ensure that the Group's purpose and values are consistently applied across the Group and are embedded into our systems and processes, including our responsible decision-making (RDM) framework which helps us consider our values and principles with regard to project governance, recruitment, and learning and development, and when making complex decisions. **Purpose:** ***Pushing the boundaries of what's possible, in service of humanity.*** **Values:** ***Care*** (do the best for our people to improve their lives and the world around us); ***Integrity*** (do things the right way); and ***Courage*** (willingness to confront the unknown and to challenge the status quo).
STRATEGY AND SUSTAINABILITY	Sustainability embedded into Group strategy with current ambition to achieve operational net zero emissions by 2030 and to be fully net zero before 2050.	Appointment of a Europe Hub Head of Sustainability, Rossella Nicolin, supported by sustainability ambassadors throughout the business. Development of Laing O'Rourke values in the year with our 'care' value reflecting the importance of sustainability. This underpins how the business goes to work and creates a requirement for project teams to reflect the community in which they operate. Working towards the reporting obligations for the Task Force on Climate-Related Financial Disclosures (see TCFD disclosures on pages 46 to 52 for further detail). Investment in research and development and modern methods of construction to support low carbon products. Regular reporting to the Board of progress on these initiatives, and connectivity with finance function and operations. Continued careful monitoring by the Board to maintain a realistic view of progress towards environmental and diversity targets.
	Ongoing monitoring of the RDM framework for the Group, a key enabler for our transformation strategy to deliver our 'Deliver 2025' strategy.	Continued work in both hubs to ensure that the RDM framework is applied in all aspects of business and, along with our purpose statement and associated values, is embedded into our processes and systems. RDM assessments made during the year included Berkeley Square (Europe Hub) and Sydney Metro West – Western Tunnelling Package (Australia Hub).
	Reviewed the appropriateness of the Group's corporate structure in the context of the Board and shareholders' continuing drive for simplicity. Continued monitoring of appropriateness of KPIs.	Following creation of a single consolidated UK trading group with effect from 1 April 2022 and reduction in the number of legal entities, work has continued to further streamline the number of legal entities in the Group. Details of the KPIs which have been approved by the Board and against which progress will be measured are outlined on pages 2 and 3.

TOPIC/ACTIVITY	ACTIONS	PROGRESS
FINANCIAL PERFORMANCE	Evaluated the Group's performance against budget and forecast.	Detailed reports to each Board meeting from Group Chief Financial Officer and Group Commercial Director.
	Approved the Group's annual report and accounts.	Annual report and accounts approved by the Board.
	Continued response to the challenges presented by inflationary pressures.	Programme of frequent Board meetings.
	Consideration of the Group's capital requirements.	Regular detailed reports to each Board meeting including full consideration of cashflow forecasts and refinancing options.
LEADERSHIP AND PEOPLE	Continued review of Board composition and merits of gender and ethnic diversity.	Approved appointment to the Board as non-executive directors of Mark Cutifani and Heather MacCallum, and appointment of Cathal O'Rourke and Rebecca Hanley as executive directors. Also considered and approved any new external non-executive appointments held by our Board members.
	Continued consideration of succession planning for senior roles.	Succession planning continuing to evolve under the stewardship of the Group Chair.
	Continued consideration of purpose from an individual leadership perspective.	Executive initiatives around defining purposeful leadership.
	Continued review of Executive Development Programme, a two-year initiative involving circa 30 executives. The purpose is to enable each executive to review personal progress aside from everyday tasks, and to enable the business to arrive at an objective analysis of bench strength in order to inform succession planning.	Excellent executive engagement assisted by professional coaching in core areas of purposeful leadership and high performance.
RISK MANAGEMENT AND INTERNAL CONTROLS	Continued development of Project Certainty (our operating model for how we deliver projects against a set of key principles to drive consistency across our portfolio) and a new approach to rethinking safety through inclusion and wellbeing (see below). Continued work on reviewing processes and controls across the business. A reassessment of the risk and internal audit requirements of the business.	Implementation of Project Certainty as the operating model for all new projects in the UK, ensuring a personal connection between project and business leadership teams. Further progress made in developing and executing the risk and internal audit programme during FY23. In April 2023, decision taken to move from a fully insourced internal audit model to a model that combines a bolstered second line of defence with external, independent assurance where required.
RETHINKING SAFETY THROUGH INCLUSION AND WELLBEING	Continued focus on safety of people, both physical and psychological, in order to embed the appropriate culture, owned by all concerned. This approach focuses on the application of engineered safety (engineering out the risk), modern methods of construction (digital technology and off-site manufacturing), and human performance (leadership, personal capacity, and wellbeing).	Engineered safety is central to the way in which the Group goes to work. This is underpinned by our values, which place care at the heart of the business. Emphasis upon the pillars of engineered safety (engineering out the risk), delivery excellence, human performance, maximising the impact of digital technology in the workplace, and supporting our trades to technicians plan. Significant leadership training rolled out focusing on psychological safety in the Europe Hub, while project level training programmes were also developed in the Australia Hub. Both programmes will be fully rolled out across the Group in FY24.

CORPORATE GOVERNANCE STATEMENT

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

PRINCIPLE ONE
PURPOSE AND LEADERSHIP

As an engineering and construction organisation, we are committed to playing a vital role in building stronger and more sustainable communities and contributing to economic growth. We are committed to the development of a workforce culture based on what we describe as 'Excellence Plus' performance.

At the heart of our business is our 2025 mission which is to become the recognised leader for innovation and excellence in the construction industry and which we will achieve with a strategy based on the values of the founding shareholders - who remain the two shareholders of the Group today and continue to inform our direction. By leveraging the right technology, we will create positive change for our clients, their projects, wider industry, and the communities we serve. These aims are clear, powerful, and relevant to the business challenges of today and in the future, and form a compelling guide to our goals and how they will be achieved.

Further details of our strategy and integrated delivery model are set out on pages 10 and 11.

Last year the Board approved our revised ***purpose*** and ***values*** which have been informed by our Code of Conduct and by listening to a broad span of colleagues in both operating hubs.

The process of consulting on purpose and values emphasised the importance of engagement and dialogue with employees and wider stakeholders when communicating the Group's strategy, governance, and culture. The year under review has been spent embedding the purpose and values in our processes. Details of how and why we engage are set out on pages 36 to 39 in our reporting against Principle Six (Stakeholder Relationships and Engagement) of the Wates Principles.

CONDUCT AND ETHICS

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

The Board approved and continues to endorse the Group's Code of Conduct, which sets out behaviours acceptable to us. The Code of Conduct, which was reviewed and updated during the year, defines our commitment to operating globally in accordance with ethical standards and the behaviours that are expected of employees, supply chain partners, and other stakeholders. The aim is to go beyond minimal compliance. Our Code of Conduct – *Doing the Right Thing* – is publicly available on our website.

We made further enhancements during the period to our Group ethics and compliance programme, with a focus on training our people, raising awareness of expected behaviours, and supplementing our existing suite of compliance policies and controls, following bi-annual control reviews and risk assessments. Our directors and senior executive team are closely aligned with the continued evolution of our ethics and compliance programme by undertaking training, ensuring ethics and compliance is a standing agenda item in our executive governance forums, and increasing their accountability for managing gifts, hospitality, and conflicts of interest.

HIGHLIGHTS:

- Group risk assessment and bi-annual control reviews completed and reported to the Board, Audit and Risk Committee, and Hub Executive Committees;
- Global Code of Conduct training and Pledge certification by all employees;
- Modern slavery training to UK site managers, UAE employees, and Australia HSE managers;
- Modern slavery eLearning module to support Europe and Australia Hub modern slavery statement and legislative requirements;
- Europe Hub executive training on ethics and compliance;
- Group compliance campaign launched;
- UK supply chain due diligence controls further enhanced; and
- Implemented employment onboarding checks for UAE employees.

PRINCIPLE TWO BOARD COMPOSITION

The Board performs its responsibilities with the assistance of six Board Committees: the Group Executive Committee; the Audit and Risk Committee; the Remuneration, Nomination, and Governance Committee; the Finance Committee; the Group Compliance Committee; and the Group Sustainability Committee.

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

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

The Group is confident that the Board has the right skills and experience to discharge its duties effectively. The directors are clear on the amount of time required for their role and are careful to balance this with the requirements of other roles (see biographies on pages 20 and 21).

The Board aims to schedule regular visits to major projects and directors are free to request such information as they may wish on any aspect of the Group's operations. The Group provides formal training for directors across a number of areas of focus including directors' duties and compliance issues and has a clear commitment to professional development. The Group Chair undertakes a programme of discussion and ongoing evaluation with each member of the Board aside from formal meetings.

This evaluation includes a focus upon succession, which is under regular review both at Board and operational level, and is of particular relevance to the drive for transformation over the course of the Group's business plan to 2030. The Group has implemented an executive development programme across both the Europe and Australia Hubs, supported by a global leadership consultancy, designed to identify and address development goals.

Our aspiration to increase diversity across the business is a key focus of our Group Chair, Sir John Parker, and we are proud that, upon the expected return of Rebecca Hanley from parental leave, we will return to 45 per cent of our Board positions being held by women. For the first time, in FY23, the top 50 private companies in the UK were invited to take part in the FTSE 350 Women in Leadership review and we achieved sixth place among the largest private companies in the UK for women in leadership positions and third place for the proportion of women on our Board. Within our sector we achieved first place for women both in leadership and on boards. Our commitment to continue to drive diversity is set out on page 44.

The Group Chief Executive Officer and the Board continuously review memberships of the Board Committees, Hub Executive Committees, and the executive leadership teams that support them, to ensure the right skill sets are focused on the right parts of the business, taking into account the needs and interests of the business as these evolve. Members of the committees and leadership teams are profiled on pages 20 to 26.

GROUP EXECUTIVE COMMITTEE

The Board delegates the day-to-day operation of the Group to the Group Executive Committee, which is chaired by Ray O'Rourke KBE, the Group Chief Executive Officer. The role of the Committee is to recommend the Group strategy to the Board, allocate capital, and monitor execution to maximise stakeholder returns.

Throughout FY23, the Committee also considered matters of inclusion and wellbeing. The Board resolved that the Group Sustainability Committee would encompass inclusion and wellbeing with effect from July 2023.

The Group Executive Committee performs its responsibilities with the assistance of two subcommittees – the Europe and Australia Hub Executive Committees.

Hub Executive Committees

The Europe and Australia Hub Executive Committees were chaired by the Group Chief Executive Officer throughout FY23. The Group Chief Operating Officer became Chair of the Europe Hub Executive Committee from April 2023. The role of the Committees is to execute strategy and maximise free cash flows from operations.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is chaired by Heather MacCallum, a non-executive director. The role of the Committee is to monitor the integrity of the Group's financial statements, to oversee the relationship with the external auditors including a review of independence and fees, and to assess and direct the Group's approach to risk management. For the purposes of the FY23 audit, the Committee met three times in order to review draft financial statements and the information supplied by management on significant accounting judgements, as well as reviewing the going concern statement. The Committee also considered risk management processes and findings, and internal audit outcomes and recommendations, following internal audits undertaken across a number of areas of the business including finance and commercial. The purpose of conducting internal audits is to assess the effectiveness of our internal controls across the business. The Committee also receives updates on our ethics and compliance programme.

REMUNERATION, NOMINATION, AND GOVERNANCE COMMITTEE

The Remuneration, Nomination, and Governance Committee is chaired by Sir John Parker, the Group Chair. The Committee has clearly defined terms of reference, its main function being to make recommendations to the Board for the Group's remuneration structure and to align remuneration to the long-term sustainable success of the Group.

FINANCE COMMITTEE

The Finance Committee is chaired by Sir John Parker, the Group Chair, and is charged by the Board with overseeing and approving significant new financing arrangements. There were no circumstances that arose this year that necessitated a meeting of this Committee.

GROUP COMPLIANCE COMMITTEE

The Group Compliance Committee is chaired by Madeleina Loughrey-Grant, Group Director – Legal, Procurement (EU), and Sustainability, and is supported by Compliance

Committees in each of our two hubs. Following a review of our compliance governance structure, and given the changing regulatory landscape, we appointed a Group Head of Ethics and Compliance and compliance leaders in each hub and undertook a reset to ensure we had the correct membership and strategic focus. The Committees monitor emerging compliance risks and measure mitigation progress on existing compliance risks. The refreshed Group Compliance Committee has strengthened the dialogue between the Board and Group Executive (including at hub level) and the understanding of compliance issues and planned mitigations.

GROUP SUSTAINABILITY COMMITTEE

The Group Sustainability Committee is chaired by Mark Cutifani, a non-executive director, and is charged by the Board with overseeing the environmental impact and sustainability of operations and monitoring progress and performance against targets. Since July 2023, the Committee also encompasses inclusion and wellbeing.

The inaugural Group Sustainability Committee meeting took place in November 2022. The terms of reference include monitoring stakeholder sustainability concerns, considering all significant regulatory and voluntary developments in sustainability, overseeing management processes designed to ensure compliance with relevant policies, reviewing sustainability incidents, and ensuring that learning is shared. The Committee also ensures coordination of risk management work with the Audit and Risk Committee. The Committee is particularly focused on the Net Zero Action Plan and tracking progress on targets and, during FY23, working on our first full TCFD disclosure, where we identify both areas of full compliance and those areas where further work is required. Our three headline targets are to achieve operational net zero by 2030, to be fully net zero before 2050, and to have a 50:50 gender balance in staff members by 2033. Significant progress has been made against all three targets to date, as explained in more detail in the Sustainability Statement. The key challenges that the Group Sustainability Committee recognises are improving the quality of our data, concrete and steel carbon reduction, and reducing supply chain emissions.

PRINCIPLE THREE
DIRECTOR RESPONSIBILITIES

The Group governance framework provides a clear statement of directors' roles and responsibilities and links to policies and procedures and delegations of authority, with the purpose of supporting effective decision-making and independent challenge. This in turn delivers long-term value to the Group and to stakeholders. Governance processes and policies are reviewed and updated on a regular basis as part of the Group's commitment to corporate governance. The Board believes that the Group governance framework – including communication channels between the Company and its shareholders, who continue to hold leadership roles in the Group – is effective and appropriate, with a planned review over the next reporting period to provide additional assurance to the Board and the Company's shareholders.

The Board delegates day-to-day operational management of the Group to the Group Executive Committee. Each of the two hubs have their own executive committee (the Europe Hub Executive Committee and the Australia Hub Executive Committee) which report directly into the Group Executive Committee. The Board further delegates detailed and specific matters to the other committees outlined above, whose role is to consider specific issues of relevance to Group governance and to recommend a course of action to the Board. The Board retains ultimate responsibility for any final decisions, subject to any matters reserved for approval by the Company's shareholders.

The Board includes a significant number of non-executive directors who are also members of – or chair – the Board's key corporate governance committees, including the Audit and Risk Committee, the Finance Committee, the Group Sustainability Committee, and the Remuneration, Nomination, and Governance Committee. These appointments provide assurance that the appropriate independence and balance of Board, executive leadership, and non-executive director representation is maintained across these key governance committees.

The non-executive directors are all wholly independent and have no material business or other relationships with the Group which might influence their independence, judgement, or decisions. Non-executive directors are able to fulfil their roles in an independent and constructive manner and the Group Chair takes an active role in ensuring that the non-executive directors are given appropriate opportunity to support effective decision-making, review business performance, and challenge or influence management's decisions where appropriate.

Directors are aware of their statutory and ethical duties – including in relation to potential conflicts of interest which may compromise objective decision-making. If an actual or potential conflict of interest arises, the Board (or one of its Executive Committees) will manage the matter as appropriate. Depending on the circumstances, any conflicted director may be asked to abstain from contributing to the discussion or voting. The Group reviewed and updated its conflicts of interest policy during the period with approval of the Board. Communications to raise awareness and ensure timely escalation and approval of actual or potential conflicts are maintained throughout the business.

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

The terms of reference and responsibilities of the Board, together with its key officers, committees, and subsidiary boards, are set out clearly in the Group Governance framework, providing clear lines of accountability and responsibility for directors, committee members, and the executive leadership team.

All directors and business unit leaders receive meeting papers and information through a secure digital portal managed by the Company secretariat. Board and committee papers and supporting information are expected to be timely, accurate, comprehensive, and up to date, with a clear indication of what is requested of each recipient and any relevant key performance indicators to support monitoring of financial and non-financial performance. The Board is of the opinion that the Company's key reporting functions are appropriately staffed and competent to ensure the integrity of information, with financial information also externally audited and financial controls regularly reviewed.

PROJECT DELEGATION OF AUTHORITY FRAMEWORK

Strong project governance is fundamental to our resilience and certainty. The Project Delegation of Authority framework is approved by the Board and sets out the cascade of authorisations required for key project-related decisions, including all project gateways, project-related contracts, and key supply chain approvals, via a risk-based approach for decision-making. A digital risk calculator tool helps staff identify and assess risks and select the right delegation of authority for the decision. The aim is to maintain absolute alignment, while reserving authority at the level of the Board, Group Executive Committee, and Hub Executive Committees, to consider the highest risk decisions.

In each hub the Project Delegation of Authority framework is kept under review and amended as and when required by approval of the Hub Executive Committee and then the Board.

PRINCIPLE FOUR OPPORTUNITY AND RISK

The Board oversees a continuous assessment of risks affecting the Group and has in place the necessary oversight procedures for the identification and effective mitigation of risk. Set out below are some of the key controls and procedures that form part of the framework for management of the Group's principal risks identified on pages 61 to 66. These key controls and procedures are regularly reviewed and, if necessary, improved.

As mentioned above in respect of Board composition (Principle Two), there is regular reporting to the Board of the Group's risk and compliance programme and requirements. We continue to focus on improvements to our corporate risk management framework in each reporting period, to ensure that it is fully 'risk-enabled' to best support the Group in achieving its strategic objectives.

RISK AND INTERNAL AUDIT

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

During the year, a review was performed of the Europe Hub internal audit function delivery model. The decision was taken to move from a fully insourced internal audit model to a model that combines a bolstered second line of defence with external, independent assurance where required, giving access to a wider range of expertise. The Australia Hub risk and assurance function continues to build on the already established risk management strategy and will prioritise delivering an enhanced internal audit plan focusing on projects and key internal controls as well as improved analysis of project performance.

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

PROJECT GATEWAYS

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

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

The most significant step forward this year in respect of project gateways has been commencement of a full digitisation programme so that all gateways will, when the programme is completed in the first quarter of FY25, be hosted on the same digital platform. This will greatly enhance the efficiency of the gateway process as projects move from bid stage to set up, and through delivery to completion. It will also support greater collaboration within teams and greater alignment between the hubs, as well as providing more transparency on the status of projects from a governance perspective and better reporting on progress. Other recent enhancements have focused on:

- Managing material change in projects during the delivery phase to ensure that proposed material changes are properly scrutinised and are signed off by the appropriate hub's executive teams;
- Introduction of greater rigour into monthly contract review meetings, supported by the introduction of the Lunar digitised platform. This has also resulted in clearer reporting for contract review meetings across both hubs meaning that issues are flagged early and escalated accordingly;
- Continued evolution of the Australia Hub project set-up and mobilisation (PSUM) phase with its introduction into the Europe Hub in March 2022. This has resulted in good engagement across all projects, with PSUM as an enabler for setting up projects for success at the outset. A review of the success of PSUM and feedback from around the business is presently underway to obtain lessons learnt and allow continuous improvement;
- Introduction of stronger scrutiny for the early bid stages of projects to ensure better alignment of the business in its approach to bids and full consideration of the strategic objectives of the business, so as to ensure that the right opportunities and contracts are pursued; and
- Ensuring that bid settlement meetings better enable our executive members to review and assess key risks associated with bids, through clearer reporting.

All changes are underpinned by training and communication strategies to ensure our people fully understand and comply with our processes as they are implemented. We provide opportunities for our people to give feedback throughout the year so that we can look for ways to improve every aspect of our governance processes.

BID SETTLEMENT MEETINGS

Bid settlement meetings make sure that the right people are together at the right time to discuss and reach alignment on all bids, ensuring that the offers made to clients are risk-balanced and robust. Where appropriate, members of the Board and/or its Executive Committees attend bid settlement meetings. The format and content of discussions in the bid settlement meetings are constantly reviewed to ensure that they are as effective as possible.

INTEGRATED GROUP MANAGEMENT SYSTEM

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

Part of our long-term strategy is to have simple and seamless structures, processes, systems, and tools to enable smarter working. Through our transformation agenda (see page 36) we continue to focus on resilience and certainty to deliver against promises encompassing quality, cost, and time. To achieve this, we have embedded a culture of delivering what has been promised and complying with core business processes.

While improvements are made to iGMS throughout the year, we undertake a comprehensive annual review with key stakeholders and functions to ensure that all content is accurate and reflects our current business practices and ways of working. The iGMS system is also subject to the annual ISO9001 review.

To further provide our people with a clear understanding of iGMS, a mandatory iGMS corporate induction and eLearning module has been implemented Group-wide. This ensures our people are aware of the governance framework and standard processes, guidance, and templates that support the way we go to work. In addition, when change occurs on iGMS, we ensure people are made aware of the changes through our internal social media channel Viva Engage (formerly Yammer), targeted emails to specific functions, general updates through our business unit leaders, team townhall meetings, iGate posts, and pop-ups on iGMS project tabs. Furthermore, where there is a significant change, it is publicised at our LOR Live sessions (see page 37 for further details).

DIGITAL

Our digital strategy has evolved as our digital function and capability have grown, and is focused on continuing to build strong foundations in both our hubs by adopting digital standards, improved digital literacy in our projects, and developing end-to-end digital capabilities to support strategic opportunities. Digital, alongside data, IT, innovation and people, is a critical enabler to help us deliver against our business priorities so that we can drive operational improvement and positive outcomes for our clients and people.

We are systematically rolling out digital standards across our bids and projects in order to: address the challenge of coordinating design, ensure a better-connected workforce, support digitally enabled manufacturing and assembly, ensure engineered safety, and provide our clients with digital assurance and validation.

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

Our clients are acknowledging and appreciating the differentiation and drive to certainty that we can bring through digital. Our focus on digitally-led modern methods of construction and advanced manufacturing which have a positive sustainable impact, is what delivers value for our clients and differentiates us from our peers. The deployment and uptake of digital technologies and ways of working has continued to strengthen across all our projects, with strong buy-in from our clients and supply chain partners. As a result, we have been able to realise tangible benefits for our clients, people, and partners, which include:

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

The use of digital technologies is also a key focus area for our technical function. It enables us to implement real-time reporting and project controls and is supporting us in our readiness for statutory and regulatory change (in particular, the Building Safety Act 2022 which came into force in the UK from 1 April 2023). The use of digital technologies for information sharing is being delivered through our design partner framework (DPF) which was developed in 2020 and has since continued to evolve as we embed design leadership and management in alignment with our design partners.

In that respect, digital is enabling us to deliver the targets that underpin our Design for Manufacture and Assembly (DfMA) 70:60:30 operating model of manufacturing 70 per cent of a project off-site, and so improving productivity by 60 per cent and achieving a 30 per cent reduction in programme. It also underpins our drive to develop an engineered safety approach with the aim of zero safety incidents onsite, to ensure high-quality outcomes with zero defects, and to underpin our sustainability targets of achieving operational net zero carbon by 2030 and net zero before 2050.

PRINCIPLE FIVE REMUNERATION

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

SUBSIDIARY COMPANIES

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

GENDER PAY GAP REPORTING

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

The Group has reported on its gender pay gap annually since 2017 and our most recent Gender Pay Gap Report can be obtained from our website. When our first Gender Pay Gap Report was published in 2017 we acknowledged that our gender pay gap was largely driven by under-representation of women in senior management positions and we made a commitment to do more to attract, develop, and retain women within the organisation. We are pleased to see that the pay gap has narrowed. Upon the expected return of Rebecca Hanley from parental leave, we will return to 45 per cent of our Board members being women. In addition to this, 43 per cent of our UK leadership roles are held by women.

There was also significant improvement in the UK's early talent recruitment which we see as one of the stepping stones to success in our longer-term diversity goals. Through concerted efforts to attract and recruit more female candidates at graduate level, 55 per cent of our 2022 graduate intake were women. In addition, 46 per cent of professional apprentices are women, we had 47 per cent women join our summer and industrial placements, and we achieved a 54 per cent intake of women into our trade apprenticeship programme, made possible through our partnership with Women in Construction. We are also working hard to ensure we support women's career development through our talent programmes, so that women move up the ranks from entry into the industry up into senior management. As a result, we have increased female appointments by 44 per cent year on year and we have seen a 12 per cent increase in the proportion of women in senior project roles.

We are driven by our longer-term goal to achieve 50:50 gender representation in staff roles by 2033 and improve the quality of employment of all colleagues across construction, which we are confident will open up careers to more women and other under-represented groups in our sector. In 2022 we signed up to the Business in the Community Race at Work Charter which outlines a number of commitments that are shaping our Ethnicity Action Plan. As part of those commitments we monitor our ethnicity pay gap data and ensure we are taking positive action to reduce the gap.

Our commitment to sustainable high performance provides a framework for both men and women to increase their energy and capacity through working and living in a more sustainable way. We are confident that the engineering and construction sector provides an exciting and rewarding profession. We are leading the way with our investment in our DfMA 70:60:30 operating model which, among other goals, supports a transition from 'trades to technicians'. These advances will help pave the way for a new generation of men and women to view the industry as attractive, welcoming, and fair.

PRINCIPLE SIX
STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

The Board collectively – and its directors individually – are clear that relationships with stakeholders are fundamental to the business. They also realise that effective and meaningful engagement with stakeholders requires regular dialogue.

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

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
OUR CLIENTS	We invest in early engagement with clients prior to any formal decision-making processes, aiming to gain insights into their needs, challenges, expectations, and priorities, as well as demonstrating our experience and capability to strengthen our position as a trusted advisor. We also seek early engagement with key influencers to clients including consultants and industry bodies to ensure they fully understand our capabilities and offering, particularly in respect of our operating model. Working with clients in this manner, and implementing a detailed strategy to win planning process, has allowed us to demonstrate business value around innovation and excellence and showcase the benefits of our in-house capabilities, to deliver certainty and strengthen relationships with clients. The way in which we engage with clients is strategically planned through this process, with a range of engagement activities such as capability workshops, site tours, presentations, and events, depending on the existing relationship with the client and the purpose of engagement. In February 2023 Group Executive Committee members visited the Australia Hub and met key clients, as well as attending strategic workshops and social engagements with internal operational and functional teams. Feedback from the external engagements was positive with our clients appreciating the opportunity to understand our Group perspective, receive confirmation of our commitment to the Australian market, and enable ongoing engagement opportunities. Interviews by independent researchers continued to take place with clients, offering a live source of feedback for how we are performing in the market and on projects.	Underpinning the approach to engagement is the Board's commitment to continuous improvement through consistent project-level feedback and data insights across the project portfolio. The Laing O'Rourke 2025 Transformation Agenda incorporates five conditions (resilience, certainty, people, next-generation methods and technology, and responsible decision-making) to achieve our strategic objectives and to become the recognised leader for innovation and excellence in the construction industry. The priority conditions for FY23, endorsed by our Board and Group Executive Committee, were resilience and certainty, focusing on client engagement, productivity, and digital data. Our updated client engagement strategy and client relationship management processes and platforms are now embedded and being used to improve the level of digital data and insights. Our Group Chief Executive Officer ensures that regular principal-level meetings are held by our Board and executive committee members with key clients to nurture and deepen our client relationships and to work in partnership, so that we can ensure alignment between clients and our teams, but also support innovation. Our client relationship management system is a centralised digital system, aligned across the business. It delivers consistent and transparent reporting to the Board and our Executive Committees on key performance indicators for engagement with clients, our performance on projects, and application of lessons learnt to upcoming opportunities. Our updated client engagement strategy has also enabled the Board and our Executive Committees to consider and guide our engagement with clients and influencers throughout the lifecycle of a project, from identifying opportunities, to tendering, and through to delivery. In addition, our digital function is leading development of a platform to host our sector plans, which will create a repository enabling clients to understand our capability in areas such as our ability to deliver faster, sustainably, and with value-oriented solutions.

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
OUR PEOPLE	Connecting effectively with our people during the year to understand their experience and to communicate our strategy has been as important as ever. We prioritised communication, engagement, and support for our workforce through many different channels including: – Daily, weekly, or monthly employee communications and meetings from leaders; – Making toolkits available to managers to ensure that they could cascade consistent information to their teams in a personal way; and – Increased interactive communication through LOR Live (live broadcasts by our leadership teams) to all of our staff, facilitating real-time question and answer sessions with thoughts and opinions encouraged from both the live and online audiences. Communication was both proactive and interactive via LOR Live, our internal social media channel Viva Engage (formerly Yammer), our intranet, townhall sessions across the business, and project visits (where possible) with leadership briefings. The primary focus was ensuring that all colleagues understood our purpose and values, the importance we place on safety, the direction in which the business is going, and how this impacts them and their careers. There has also been a renewed focus on learning and development through our LOR Learn platform and the appointment of learning and development representatives across all functions to help create learning pathways and competency assessment frameworks. We undertook our annual employee engagement survey in November 2022, and saw an improvement on an already strong score for overall engagement, which is a measure of how positive our people feel about their work. There were also strong scores recorded across both hubs in other areas, notably regarding confidence in leadership, pride in working for Laing O'Rourke, and trust in leadership to take action to address concerns.	Managing the safety of our people remains a key priority for the Board and our Executive Committees and remains foremost in all operational decisions regarding access to our project sites and offices. The Board and our Executive Committees identified the need to improve communication and collaboration across the business and improve the sense of connectivity between people, projects, and functions. The executive leadership teams in each hub made their expectations clear around the need to be present onsite and in offices, rather than working remotely, in order to support performance and connection. Ongoing measurement and communication continue to ensure that we have a highly collaborative and connected culture, along with our people's access to dynamic working. Other initiatives considered and endorsed by the Board and our Executive Committees during the financial year included: – Rollout of progressive parental leave policy across both hubs; – Release in the Europe Hub in March 2023 of the latest wellbeing bundle focusing on ways to help people with their finances; – Proactive health checks for our leaders and our teams in the Australia Hub; – The ongoing implementation of our Life at LOR portal in the Europe Hub, which is a dedicated one-stop shop for health and wellbeing needs; – Continued development of diversity subcommittees empowering our people to contribute to our diversity and inclusion agenda; and – The launch of 'Knowing Our People' reviews as part of our talent and development agenda, as well as our internal 'Accelerate' mentoring programme in the Europe Hub and external partnership with Mentoring Circle.
OUR SUPPLIERS	We strive for better engagement with our supply chain to improve outcomes and to address key challenges around climate change and sustainability, as well as significant compliance and regulatory requirements. During the year under review, this work included launching a supply chain carbon awareness programme and working with our supply chain to assess biodiversity risk in our value chain.	The Board recognises that its supply chain partners are integral to our ability to deliver world-class projects for our clients. It is also recognised that our partners are critical in helping the Group to achieve its 2025 mission to become the recognised leader for innovation and excellence and to achieve our stretching sustainability targets. Members of the Board and our Executive Committees participate in supply chain forums.

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
OUR SUPPLIERS CONTINUED	One of the most significant regulatory changes the Europe Hub has been dealing with in FY23 is the introduction of the Building Safety Act in the UK and its anticipated enabling regulations, which require close collaboration with our supply chain across product regulation, duty holder obligations, competency, and information. We continue to focus on transformation through data, which enables us to gain supply chain insights and market knowledge by building deeper relationships and also to identify best practice so that we can drive excellence, consistency, and certainty in outcomes. Given the challenging macro-economic climate in the UK, we are in constant dialogue with our key suppliers to collaborate on multiple mitigation headings including successful hedging of fuel, electricity, and gas prices across our portfolio of projects. In Australia, we continued with our Key Supplier programme and held our annual event for suppliers online in July 2022. In August 2023 we held in-person events in Perth, Sydney, Melbourne, and Brisbane, which were hosted and attended by our Australia Hub Executive Committee. We also carried out a supply chain survey and agreed an action plan. The Australia Hub also launched its automated supply chain contract suite in March 2023, which will transform how the Australian business currently approaches supply chain contracts by looking to capture more collaborative outcomes and, through automation, to streamline and simplify the contract generation process. As part of this, a new subcontracts portal was launched to act as a centralised electronic platform for our people to access and generate project-specific supply chain contracts.	Updates on significant activities and developments within our supply chain are provided to the Board and our Executive Committees and are taken into account when setting or approving annual budgets and performance targets, and when making long-term strategic decisions. During the year, the Group Executive Committee realigned some functional portfolios for greater efficiency and focus. For example, the Europe Hub procurement function moved across to be overseen by Madeleina Loughrey-Grant, Group Director – Legal, Procurement (EU), and Sustainability. Supplier payment practices are regularly reviewed and we remain a committed signatory to the UK's Prompt Payment Code.
OUR FINANCIERS	The Group operates strict controls over working capital and cash management, engaging proactively on these controls with its financiers. A regular and transparent reporting dialogue is maintained with lenders, including regular update calls and touch points, visits to our project and manufacturing sites, strategy briefings, general business updates, and reporting against agreed financial performance metrics.	All our financiers have, if needed, direct access to the Group Chief Financial Officer, who is a member of the Board and also of the Group and Hub Executive Committees. This ensures that the directors and our senior leaders are kept regularly informed of developments affecting our financiers and that their views are taken properly into account when making relevant operational and strategic decisions.
OUR COMMUNITY	At hub and project level, our social value team work to achieve our social value strategy so that we build opportunities in local communities that deliver a lasting and positive impact. We engage with a wide range of local stakeholders to keep them informed of our local initiatives and progress on projects, which deliver significant economic and social value to local communities. We use a wide range of communication channels (including social media) to maximise the effectiveness of engagement with the local community across our projects. In the UK, we also organised a series of 'Hearts and Minds' events during Mental Health Awareness Week in May 2023 where we connected our wellbeing challenge to social value, asking our people to raise money for local charities that support our social value strategy and principles. Further details of our social value work are set out within our sustainability statement (see page 44).	The Group Executive Committee has been working on embedding the principles and decision-making mechanisms of our responsible decision-making (RDM) framework into our Group processes and culture. The RDM framework, launched in FY22, is our ethical framework underpinned by universal principles of sustainability that helps our Board, Executive Committees, and people consider our values, principles, and other external factors when making complex decisions.

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
GOVERNMENTS AND REGULATORY BODIES	In the UK, through our trade bodies, the Construction Leadership Council (CLC), and Build UK, we are party to regular dialogue with officials at the Department for Business and Trade and the Department for Energy Security and Net Zero. We also have regular dialogue with the Cabinet Office. During the financial year, this dialogue was focused on economic conditions, including the impacts of unprecedented inflationary pressures on the sector, and the persistent challenge of securing the skills and labour the sector requires. We also maintained dialogue with central UK government departments responsible for delivery of specific infrastructure projects, including the Department of Health and Social Care for hospitals, the Ministry of Justice for prisons, and the Ministry of Defence regarding modernisation of the UK defence estate. We are committed to developing and maintaining open and effective working relationships with regulatory bodies relevant to our business, to ensure there is an understanding of our operating model and infrastructure delivery capabilities in the UK market. Where appropriate, these relationships are managed by senior leaders in our executive team. In Australia, we have continued to drive industry engagement and thought leadership with key government client and procurement agencies through our involvement in the Australian Constructors Association (ACA), the Construction Industry Leadership Forum (CILF), and the New South Wales Skills Board. In November 2022, Annabel Crookes (Director, Legal, Risk, and Delivery, Australia) was appointed President of the ACA. Annabel also joined the New South Wales Skills Board in the reporting period, providing independent advice to the New South Wales government on how best to meet the skills and training needs of individuals, industry, the regions, and the wider economy. We have ongoing dialogue with governments at both state and federal level ensuring that the Group Executive Committee is aware of government policy. Our engagement is geared towards influencing policy practice, particularly in terms of procurement methods and raising awareness of the capabilities we can offer within the Australian market. With a large pipeline of major projects at the state government level, understanding of the political environment in each state is critical to our ability to differentiate our unique offering and value proposition.	Our regular dialogue with government and regulatory bodies includes members of the Group Executive Committee and ensures that the Board and our Executive Committees are briefed on the potential impact of significant developments in government policy, procurement routes, and changes to laws and regulations.

The Louisa Martindale Building, The Royal Sussex County Hospital – Brighton, UK

SUSTAINABILITY STATEMENT

SUSTAINABILITY

This has been a pivotal year in developing our sustainability strategy and setting up the right structure to deliver it. Our experienced and passionate people are focused on driving sustainable practices and innovation across our global operations and the response across the business has been incredible.

I am proud to work with so many people who, regardless of their role or seniority, are ready to take on the challenge of reducing our climate impact. With their support we have achieved some impressive early results, and at the same time have developed our medium- and long-term plans to address the climate and wider sustainability imperatives within the timescales needed.

The cornerstones of our strategy are authenticity, innovation, and targeted action. Open, transparent conversation around our targets, our progress, our successes, and our setbacks is vital to driving meaningful change within our business and across our industry. We recognise that we cannot achieve net zero using today's materials, technologies, and approach. We therefore have teams dedicated to solving the complex technical challenges of decarbonisation in our sector – and a determination to resolve them. We're prioritising our work programmes, moving first on those that will deliver the most transformational impact.

Our sustainability strategy is multi-faceted, integrating carbon reduction, nature protection, social impact, diversity, inclusion, and employee wellbeing. We've focused heavily on improving data integrity this year – particularly our carbon-related data – by building robust, centralised reporting systems and collaborating with supply chain partners and industry to establish common and accurate data practices.

Data integrity is an industry-wide challenge and one that is essential to progress. We're pleased to be initiating data-focused conversations in the wider industry, driving transparency and best practice. We now have Group data for Scopes 1, 2, and 3, which has been verified to a limited level of assurance by an accredited third party, which is a significant step forward. This will remain an area of focus as we develop action plans and measure progress towards our targets.

One of the biggest contributors to our carbon footprint is concrete and we have taken direct, targeted action to reduce the impact of this essential material. Our UK business was a founding member of the ConcreteZero initiative in 2022.

On 1 April 2023, we became the first contractor to mandate the use of only low carbon concrete across our new UK projects. This required significant work by colleagues across our business and is an achievement of which I am particularly proud. It's an important first step for us in accelerating the decarbonisation of concrete, with our research teams now focused on ultra-low carbon options, as well as tackling overall reduction of materials used through innovative design.

In Australia, we are a founding member of the Materials and Embodied Carbon Leaders Alliance (MECLA). This group has been introduced to work with industry to tackle embodied carbon in buildings and infrastructure, helping to develop a common language on low carbon materials in our industry. While our own technical research programme is working on a range of low carbon material initiatives across our high-emitting material items: low carbon concrete is its primary focus, and learnings are being shared across the Group.

Innovative low carbon design is central to our approach and we're working with clients and industry partners to integrate new sustainable solutions into the projects we deliver. This includes the use of a suite of carbon calculation methodologies at both the design stage and during implementation, embedding environmental and carbon measures throughout our projects' lifecycles.

We are very aware our environmental impact goes beyond carbon. As well as implementing biodiversity programmes on our projects, we have taken our commitment to nature further, mapping the nature-related impact of our projects, offices, and depots globally. This has provided an important basis for responsible decision-making across the business. In FY24 we will also be focusing on developing our Group biodiversity strategy and plans, integrating them with our wider environmental and social agenda.

Local communities have always been an important stakeholder for us and we continue to listen to, and partner with, these communities in order to create meaningful social value via our projects. We have updated our social value strategy to make it more people-centric and ensure we're focused on delivering lasting benefits to the communities in which we work. This could take the form of tailored programmes to help people overcome barriers to employment, or helping local businesses to thrive by working with them as supply chain partners.

We also continue to focus on improving diversity and inclusion, and in the last year have introduced initiatives and policies designed to improve diversity across the business. We know there is much more to be done, and we will continue to work in collaboration with our clients, design partners, and supply chain partners to increase the pace of change and make a career in construction appealing to a much wider range of people. Finally, I am delighted to be publishing a standalone FY23 Group sustainability report (*Pushing the Boundaries*) which will be downloadable from our website. This report is more comprehensive than these pages and provides more detail and data about the excellent work we are doing and our progress towards a more sustainable future.

M. Loughrey-Grant

Madeleina Loughrey-Grant
GROUP DIRECTOR LEGAL, PROCUREMENT (EU), AND SUSTAINABILITY

OUR APPROACH

Pushing boundaries sits at the heart of our purpose at Laing O'Rourke. It's what makes us different. It's how we think. It's what we do. We know that actions speak louder than words and it's our philosophy to do what we say and say what we do. Our sustainability strategy is a comprehensive plan that details how we're reducing environmental impacts while positively contributing to society, whether that's our people, our customers, our environment, or the communities we're working in.

Our goals are clear, and we are working to achieve them by transforming the way buildings and infrastructure are engineered and built. By 2030 all our sites will be emission-free. By 2033 we will be deploying truly diverse teams to deliver our projects. Before 2050 we will be a fully net zero company delivering nature-positive solutions with teams that represent our diverse society.

For our clients

Our clients want products and solutions that minimise environmental impacts and better serve the community. Our commitment to innovation and modern methods of construction enables us to help clients meet their sustainability ambitions.

For our people

Building an enduring and innovative organisation requires us to hire, develop, and retain the very best talent. Our business is committed to driving real change in our industry, providing a diverse range of people with rewarding and challenging careers.

For society

From hospitals to railways, we're delivering the infrastructure needed to improve lives and help local communities thrive. By creating employment opportunities and investing in skills development, we create economic growth and help communities prosper.

For the environment

We're driving leadership in low carbon innovation as we work to become a net zero company before 2050. By working collaboratively across the sector to identify decarbonisation solutions, we're solving complex climate challenges and leading the way towards a better built environment.

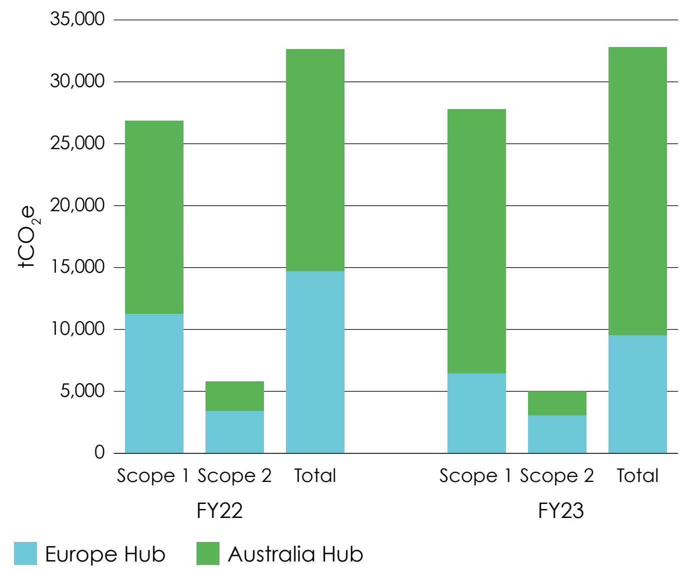
PROGRESS TOWARDS OUR 2030 TARGET

Our 2030 target is to be operationally net zero. That means eliminating carbon emissions from our directly controlled operations, including energy use, fleet, and fuel for heavy plant (defined as Scope 1 and 2 emissions). We are pleased to see our carbon abatement initiatives continuing to take effect, particularly within our Europe Hub where Scope 1 emissions almost halved during FY23. This has been driven by a combination of switching to alternative fuels for heavy plant – either electric or biofuel – and switching our company car fleet over to electric and hybrid vehicles.

While Scope 1 emissions in our Australia Hub have increased in absolute terms, this is the result of a parallel increase in construction activity. Transitioning away from diesel in Australia has been more difficult than anticipated due to the lack of availability of biofuel. Wherever possible, we have deployed electric alternatives and are actively involved in external groups and initiatives to promote diesel-free solutions.

Eliminating the emissions for which we are directly responsible is a business priority. But with Scope 1 and 2 emissions representing less than 10 per cent of our overall emissions, we know we have to do much more to tackle our indirect (Scope 3) emissions and become a net zero company before 2050.

SCOPE 1 AND 2 EMISSIONS FY22 - FY23



PROGRESS TOWARDS OUR 2050 TARGET

We significantly improved our data integrity in FY23 to develop an accurate and reliable picture of our carbon emissions across Scopes 1, 2, and 3, and create a breakdown of exactly how those emissions are generated.

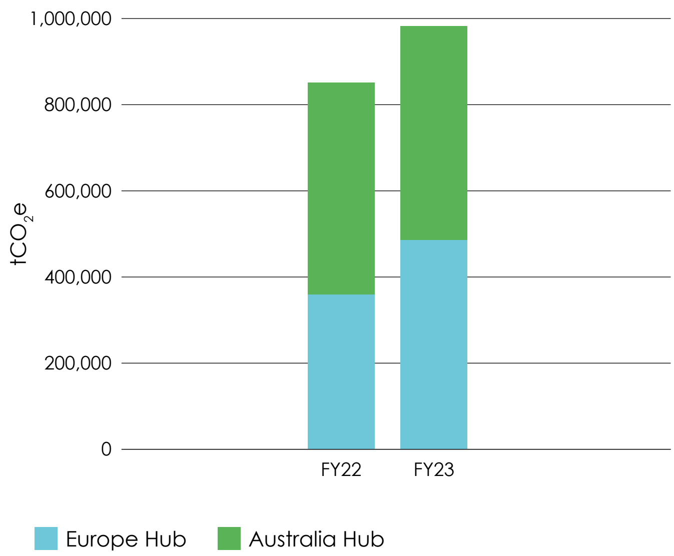
Reducing Scope 3 emissions – those associated with our supply chain and purchased products and services – is the single biggest challenge facing all constructors. Our hope is that as we, and others, develop new innovations, we will be able to become a net zero company sooner than 2050 and we will review this target in the coming year to determine whether we believe that is feasible.

We have developed a consistent methodology for Scope 3 emission data capture, ensuring we have complete metrics for FY22 and FY23. Both data sets have been verified to a limited level of assurance by an accredited third party. The data shows a small increase in Scope 3 emissions for FY23, driven by an uplift in materials purchased to support project delivery in the Europe Hub. We have also witnessed increases in the emissions associated with business travel and employee commuting when compared with FY22, as business operations return to normal levels post-pandemic.

The full Scope 3 breakdown for FY23 is as follows:

	EU Hub tCO_2e	AUS Hub tCO_2e	Total tCO_2e	%
Category 1: Purchased goods and services	446,311	464,554	910,865	92.6
Category 2: Capital goods	16,939	7,489	24,428	2.5
Category 3: Electricity transmission and distribution losses	281	256	537	0.1
Category 4: Upstream distribution	4,688	N/A	4,688	0.5
Category 5: Waste disposal	195	12,734	12,929	1.3
Category 6: Business travel	2,620	3,780	6,400	0.7
Category 7: Employee commuting	9,448	6,624	16,072	1.6
Category 9: Downstream distribution	2,875	938	3,813	0.4
Category 13: Downstream leased assets	2,442	600	3,042	0.3
Total	485,799	496,975	982,774	100.0

SCOPE 3 EMISSIONS FY22 - FY23



Now that we have a more robust picture of the source of our Scope 3 emissions, we are taking targeted actions to reduce them. We know that we can't do all of this alone – the cumulative work of parties across the industry will be pivotal to our success. We are collaborating broadly and widely to stimulate a step change in industry emissions. The work we're doing with ConcreteZero, MECLA, the UK Green Building Council, and the plethora of academic and supply chain organisations that we partner with, among others, will enable us to make small incremental improvements, as well as identify the innovative solutions that will drive more substantial improvements.

Key initiatives include:

- We moved to mandate only low carbon concrete on our new UK projects from 1 April 2023 – and to continue our research and development programme into ultra-low carbon alternatives;
- Founding member of the Climate Group's ConcreteZero initiative, working collaboratively towards a net zero concrete target before 2050;
- Supporting supply chain partners by providing training and education, directly and via our partnership with the Supply Chain Sustainability School. We hold board positions in the Australian and UK branches of the School;
- Working directly with supply chain partners, trade associations, and other industry stakeholders to develop a standardised blueprint for reporting, improving data integrity, reducing the burden for suppliers, and removing barriers for smaller businesses;
- In Australia, we are a founding member of MECLA and have representation within each of its working groups; and
- Roll out of the Australia supply chain portal which facilitates interaction between ourselves and our supply chain partners to streamline procurement processes and supply chain management.

OUR NATURE-POSITIVE APPROACH

We recognise that our responsibility to protect our environment goes beyond carbon and includes working to protect nature.

This year we have undertaken a project to map the nature-related impact of our site operations on a global basis. This is helping us make informed decisions based on the needs of the natural environment in our locations.

We are committed to protecting biodiversity on each of our project sites, with many of our projects in both operating hubs having biodiversity-focused targets.

We have assessed the nature-related impacts and dependencies for key commodities, including PPE, steel, and biodiesel, as part of preliminary supply chain analysis. Our biodiversity work will extend during FY24 as we increase supply chain analysis and the impact of materials sourcing on biodiversity. This will inform a more detailed roadmap of activity.

SOCIAL VALUE

Social sustainability is integral to our commitment to responsible business practices.

In the UK, our goal is to generate £2bn in social impact and enrich the lives of two million people by 2030. In Australia, our goals include increasing our Indigenous and social enterprise spend by 10 per cent year on year, increasing direct Indigenous employment by three per cent and increasing employment of marginalised people.

Our Australian social value programme delivered the following highlights in FY23:

- AUD$68m Indigenous spend (22 per cent increase from the previous year);
- Commenced a three-year partnership programme with an Australian Football League team to attract women and non-binary people to construction careers and connect them to meaningful and sustainable employment opportunities; and
- Commenced a three-year partnership programme with a non-profit organisation supporting Australia's humanitarian entrants (asylum seekers and refugees) into professional careers, with an annual commitment for internship and employment opportunities across our projects.

In the UK we have implemented specialist third-party software (Thrive) to help capture and measure our social value impact. FY23 represents our first full year of data, with highlights including:

- £435m social value created, supporting people within several different communities across the UK;
- 11,242 volunteer hours contributed;
- 369 people employed who previously had barriers to employment, with employability programmes delivered to provide longer-term support to a wider community of individuals;
- 346 work experience placements, giving students first-hand experience of the breadth of roles available in construction; and
- 156 apprenticeships created, providing routes into long-term employment.

We continue to share our experiences and best practice examples with peers via our partnerships with Social Value UK, the Impact Evaluation Standard, and the Institute of Corporate Responsibility and Sustainability.

DIVERSITY AND INCLUSION

We recognise that construction is not a diverse industry. While that is starting to change, there is much more work to do to ensure our industry represents the society and communities in which we operate. Evidence shows diverse organisations are more creative and innovative, and we believe becoming a more diverse business will help us unlock answers to some of the sustainability challenges we need to overcome.

We are making progress towards our target of a 50:50 staff gender split by 2033. In Australia, we have increased the number of female employees over the past four years from 26 per cent to 35 per cent (FY23) with a commitment to increase overall female staff composition by two percentage points every year. We almost doubled the number of women in senior leadership roles on projects from 11 per cent to 19 per cent (FY23) and achieved 47 per cent female representation in our graduate development programme. We also increased our Australia Hub Executive Committee female composition to 46 per cent.

In the UK, our proportion of female staff has increased and now stands at 25 per cent. We ranked highest in our sector within the FTSE Women Leaders Review for both private companies and the FTSE 350. We also ranked third in the top 50 private companies for females on our Board and sixth for women in leadership.

While gender equity remains an important element of our diversity and inclusion work, our scope of interest is far wider, ensuring that all employees across our business – and potential employees – feel a sense of inclusion and belonging.

EMPLOYEE WELLBEING

Our wellbeing strategy is multi-faceted, ensuring that it addresses our employees' physical, mental, workplace, social, and financial wellbeing. We have wide-ranging initiatives in place to support all aspects of wellbeing for our colleagues.

SUSTAINABILITY GOVERNANCE

Our sustainability governance structure was established in FY22 and has been further embedded during FY23.

REPORTING

This report details our first full, voluntary, Taskforce on Climate-related Financial Disclosures (TCFD) statement, identifying both areas of full compliance and those areas where further work is required, following a partial disclosure last year. Climate change is a reality we must take seriously in our strategy, our financial considerations, and our business decision-making. We have a responsibility to make changes within our business to help limit climate change and we are committed to that goal. We also have a responsibility to understand the business impacts of climate change and mitigate them. From using off-site manufacturing to reduce the impact of increasingly inclement weather conditions to factoring in the risk of rising sea levels on coastal projects, the TCFD framework is helping our business to navigate a different kind of future, addressing risks that may be less apparent today, and will ultimately ensure our business operates responsibly and sustainably into the future.

We are pleased to have improved our CDP (previously Carbon Disclosure Project) scores this year. As a business we submit for two assessment categories: climate change, and supplier engagement.

Our climate change score has increased from a B- to a B for 2022. This places us in the 'Management' band, which means that our Company takes a coordinated approach on climate change issues. The average score for the construction industry, as well as for all companies, is a C – which is the 'Awareness' banding.

We are delighted that our efforts to take a leading position are recognised and that we're continuing to improve our score and take seriously our impact on climate change. We're committed to further improvements and hope to see our score improve in the next submission, given the strides we have made to improve data integrity and influence our Scope 3 emissions.

Our CDP supplier engagement rating is an A-, which places us in the 'Leadership' banding. CDP considers that we are implementing current best practices on supply chain engagement. The construction sector average score is a C, as is the global average. It is wonderful to see the result of our intensive supply chain engagement programme recognised, as effective collaboration will be crucial in reducing our impact on the environment both as a Company and as a sector. We will continue to share the knowledge we have obtained and take a best-practice approach with peers as we strive to deliver a more sustainable built environment.

As Madeleina's statement explains, an enormous amount of work has gone into data capture and validation over the last year, both internally and in conjunction with our supply chain partners. This work means that we are incrementally improving the integrity of our Scope 1, 2, and 3 data, which forms part of our greenhouse gas (GHG) reporting and streamlined energy and carbon reporting.

The insight obtained from this more detailed, robust data is vital to informing our carbon abatement strategy and making clear progress towards our net zero targets.

We are also working to establish science-based targets in FY24 and will report our progress in future annual reports.

Rowan Baker
GROUP CHIEF FINANCIAL OFFICER

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Taskforce on Climate-related Financial Disclosures (TCFD) is a mechanism to ensure that climate-related risks are analysed, understood, and embedded within company strategy, taking account of the impacts of climate change on financial management. In our FY22 annual report we completed a voluntary, partial TCFD statement. This year's statement remains voluntary but is a full statement following the structure of the TCFD framework and identifies both areas of full compliance and those areas where further work is required. Our progress over the last year has focused on data integrity, depth of analysis, and continuing to develop our business maturity in relation to sustainability. This has enabled us to complete comprehensive Scope 3 calculations and create a baseline from which we can set interim goals which are aligned with science-based targets. We have also undertaken in-depth climate scenario analysis with senior leaders across our business, ensuring that climate-related risks and opportunities are identified. Over the next reporting year we expect to quantify these outputs and further embed them within our strategic thinking and planning.

The following table summarises the status of our work performed and next steps relating to the recommendations resulting from a gap analysis.

Pillar	Recommendations	Summary of work performed and next steps
GOVERNANCE		
Disclose the organisation's governance around climate-related risks and opportunities.	A. Describe the Board's oversight of climate-related risks and opportunities.	Consistent with TCFD recommendations, there exists a clear, two-way line of sight and communication through Board, executive, management, and business.
	B. Describe management's role in assessing and managing climate-related risks and opportunities.	While progress has been made to embed sustainability principles and targets throughout management, there is further progress to be made to ensure that understanding of sustainability issues is equal to that of commercial issues. This will be a focus during FY24.
STRATEGY		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.	A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Significant work has gone into this during the year, with cross-functional development of climate scenario analysis, aligned with two principal scenarios.
	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The climate-related risks identified through climate scenario analysis form part of our corporate risk register, holding equal status with all other business risks. We'll be focusing on quantifying those risks and opportunities during FY24, ensuring that they are central to strategic and financial planning.
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	As part of the climate scenario analysis, we have completed a vulnerability assessment and prioritised each risk and opportunity for likelihood and impact. We are therefore partially consistent with this recommendation and will continue to build business resilience as risks and opportunities become further embedded.
RISK MANAGEMENT		
Disclose how the organisation identifies, assesses, and manages climate-related risks.	A. Describe the organisation's processes for identifying and assessing climate-related risks.	This has been a key focus this year, with climate scenario analysis underpinning the development of robust climate risk assessment. This will continue periodically, deepening our understanding throughout the business and driving action.
	B. Describe the organisation's processes for managing climate-related risks.	Climate scenario analysis has been a catalyst for identifying climate-related risks. The risks identified have been reviewed at Board and management levels, with particular oversight via our Audit and Risk Committee and Group Sustainability Committee. Our focus for the coming year is embedding and acting upon those risks and opportunities, using financial quantification to support prioritisation and action.
	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Our approach is consistent with that for all other business risks and, as such, our business processes are consistent with TCFD recommendations.

Pillar	Recommendations	Summary of work performed and next steps
METRICS AND TARGETS		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Having focused on the governance, strategy, and risk management pillars this financial year, we'll be prioritising the development of metrics and targets during FY24.
	B. Disclose Scope 1, 2, and if appropriate, Scope 3 GHG emissions, and the related risks.	A significant amount of work has gone into developing new data sources and improving overall data integrity, enabling us to produce a set of Scope 1, 2, and 3 emissions data for our business, verified to a limited level of assurance by an accredited third party. We are now looking to set interim goals in line with science-based targets, using the insight gathered from our climate scenario analysis to inform our carbon abatement actions.
	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Having improved data quality, we will be able to develop interim targets with greater confidence. These will be shared in our FY24 annual report, along with our progress in embedding climate-related risks and opportunities within our business strategy and operations.

GOVERNANCE

Board-level oversight of climate-related risks, opportunities, and strategic direction is provided by our Group Sustainability Committee. The Committee is chaired by Non-Executive Director Mark Cutifani and is attended by the Group Director of Legal, Procurement (EU), and Sustainability, Madeleina Loughrey-Grant, four Board members, two of whom are independent non-executive directors, and the Sustainability Advisor to the Board.

A schedule of meetings for the year is set to ensure that regular communication flows effectively between the Board and the relevant Board committees, as shown in the organisational structure diagram on page 19.

The Group Sustainability Committee has responsibility for: overseeing and inputting into our sustainability strategy; corporate disclosures and communication approach; monitoring and communicating developments and emerging best practice in relation to sustainability; and engaging with employees responsible for delivering our sustainability strategy. There is a thread of common attendance across the Board, the Group Sustainability Committee, the Audit and Risk Committee, the Group Executive Committee, and the two Hub Executive Committees, ensuring that information, recommendations, and progress updates flow appropriately between the Board and the business.

Responsibility for delivering our HSBC sustainability-linked KPIs lies with our Executive Committees, and these focus on carbon intensity, waste management, and gender diversity targets. In addition, the Group Sustainability Committee, with membership drawn from across the Group leadership and non-executive directors, provides oversight and challenge, and broadens the sustainability strategy of the business, by harnessing external perspectives and resources as necessary.

Our Europe Hub appointed Rossella Nicolin as Head of Sustainability during FY23, with responsibility for an integrated sustainability function. Hollie Hynes was appointed as General Manager, Sustainability and Environment, for our Australia Hub at the end of FY23, ensuring the same high level of focus and investment is placed on the sustainability function across both hubs. As functional heads, both Hollie and Rossella are responsible for ensuring that the sustainability strategy is implemented in operations across the hubs, monitoring progress against our sustainability and climate-related targets, and taking action on improvement and mitigation plans.

Their sustainability teams include expertise covering carbon, environmental, and social value fields. Within the business, many of our sustainability senior leadership team have indirect report lines into other functional areas, providing a business-wide focus on sustainability, and supporting healthy, collaborative working practices and communication.

Climate-related metrics form part of Project Certainty (our operating model for how we deliver projects against a set of key principles to drive consistency across our portfolio) controls which must be adopted by project leaders, ensuring a consistently high adherence to sustainability practices across all our construction projects. These metrics are linked to remuneration and require project leaders to report performance against climate-related targets on a monthly basis. Today, each project has targets for the following metrics, all of which must be reported monthly: carbon intensity reduction, increased gender diversity, waste reduction, percentage of low carbon concrete delivered to project, and social value return on investment.

Climate risk is identified as a principal risk for our business and is starting to feed into business plans set by the Board. Climate scenario analysis was conducted in-depth for the first time towards the end of FY23, and the detailed results of this are undergoing discussion within the Group Sustainability Committee and the Audit and Risk Committee. The initial results can be seen within this disclosure. This more detailed insight enables us to place greater focus on tangible climate-related risks and opportunities, further informing core business metrics and financial management decisions.

STRATEGY

With the support of an external consultancy, a cross-functional, cross-hub senior team completed an in-depth review and analysis of climate-related risks and opportunities using two scenarios. These two scenarios were selected as they represent plausible outcomes.

1) A low carbon scenario in which global temperature increases remain close to 1.5°C and below 2°C, there is a rapid transition towards clean energy, and as a company we are exposed to higher transition risks but fewer physical risks.

2) A high carbon scenario in which global temperatures increase by up to 4°C, there is an increase in the use of fossil fuels, and transition risks are lower but there is a significant increase in physical risks.

Including a wide range of stakeholders from the business was integral to the effective development of climate scenario analysis. Representatives from both hubs were responsible for co-developing scenarios and impacts, with membership drawn from functions including finance, risk, strategy, sustainability, technical, commercial, procurement, and corporate affairs. This approach ensured that a comprehensive range of perspectives was considered.

A series of guided workshops and breakout sessions enabled participants to consider climate-related risks and opportunities. These discussions were supported by in-depth quantitative desk-based research, enabling the development of robust scenario analysis. The risks and opportunities were assessed for reach, i.e. the parts of our business that could be impacted, as well as the different time horizons and an assessment of material financial impact. As a result, we have been able to identify the most significant risks and the time at which their impact might materialise.

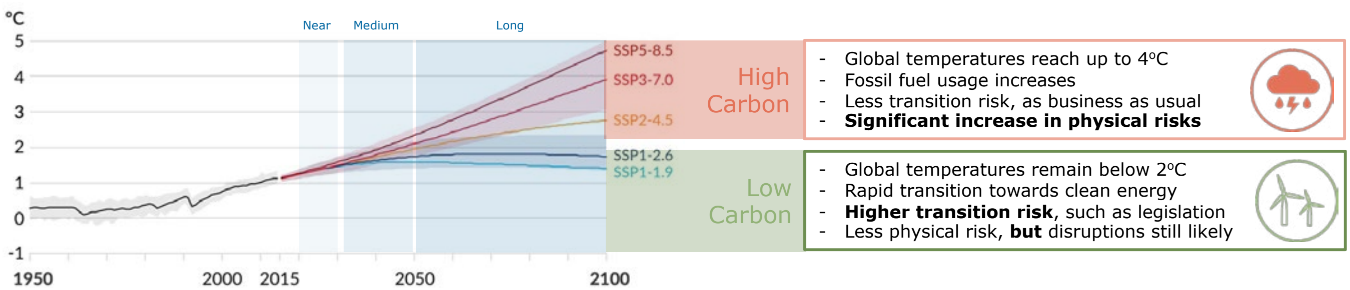
Our short-term horizon is to 2030, by which time we intend to be operationally net zero. Our medium-term horizon is 2050, when we intend to be fully net zero. Our long-term horizon goes beyond 2050, when physical risks will be more significant and will require us to make more fundamental changes to our operational approach.

Finally, exposure modelling and vulnerability assessments have been completed for selected key risks, including qualitative interviews with key individuals within our business who are well positioned to contribute their on-the-ground experience in relation to the risks identified.

CLIMATE SCENARIO ANALYSIS ASSUMPTIONS

The qualitative climate scenario analysis looked at high-level climate-related impacts and how they would affect our main asset types and operations, namely our offices, manufacturing sites, depots, design and construction project activities, materials used, and employee health and wellbeing. It also took into account potential strategic changes in our services and operations. Impacts on individual sites have been estimated for selected priority physical risks, such as flooding and water stress.

The assessment of climate hazards and drivers was conducted based on data readily available on a global, national, or regional basis. The analysis considers the inherent uncertainties in scenarios and climate model outputs, as well as uncertainties surrounding the speed of the energy transition, and the introduction (or not) of climate-related policies by governments across the world. The fact that these changes are outside our control means that we cannot provide exact quantitative estimates of future change. Nonetheless, the analysis allows us to understand the potential consequences and plan accordingly.



Time horizons selected align with key target years for carbon reductions, but time horizons for physical risks have been adapted to ensure alignment with Intergovernmental Panel on Climate Change (IPCC) time horizons. The diagram shows a range of Shared Societal Pathways (SSPs) as a basis for climate scenario analysis. SSPs are commonly used as inputs for climate modelling to explore the way in which societal choices will affect GHG emissions.

RISKS AND OPPORTUNITIES

Our existing risk prioritisation framework was used to categorise risks and opportunities, ensuring that climate-related risks could easily be compared with other types of business risk. Ratings are applied as follows:

5 – Severe, 4 – Major, 3 – Moderate, 2 – Minor, 1 – Insignificant

RISKS

Risk description	Risk type	Time horizon/Scenario	Impact rating
Damage to critical infrastructure. Extreme weather events have the potential to cause significant damage to key infrastructure such as nuclear sites, leading to a potential global catastrophe and disastrous reputational damage.	Physical	Near to medium term High carbon scenario	4 - Major Increased costs due to downtime, reduced revenue from decreased production capacity, and impacts on the workforce.
Energy prices. Increased energy prices due to volatile energy supply because of the transition to clean energy.	Transitional	Near term Low carbon scenario	4 - Major Volatile energy supply will lead to higher prices, both direct and indirect.
Inability to attract/loss of talent. Not embracing sustainability could lead to the Company being unattractive to future employees and impact our ability to retain talent.	Reputational/ market	Near term Low carbon scenario	4 - Major Not being seen as taking enough action will challenge ability to attract and retain talent. This may result in a loss of revenue opportunities and competitive disadvantage.
Government instability. Changing governments can lead to changes in sustainability legislation and regulations, as well as potentially leading to a decrease in opportunity around low carbon infrastructure.	Transitional	Near to medium term Low carbon scenario	4 - Major Potential major negative impact on work opportunities arises from uncertainty on direction of change and the potential need to change focus areas/sectors.
Delays and disruptions. Delays in construction and disruption to supply and distribution because of an increase in the number and intensity of weather-related events, such as flooding, wildfire, and heatwaves.	Physical	Long term High carbon scenario	3 - Moderate to 4 - Major Increased capital costs, reduced revenue from decreased production capacity, and impacts on the workforce.
Impact to sites with large water needs. Materials and processes with a large water footprint (e.g. concrete) could be impacted if regions where we operate are subject to high water stress and construction is not seen as a priority for water use.	Physical	Medium term High carbon scenario	3 - Moderate to 4 - Major Water stress could have a moderate impact on manufacturing if water restrictions are put in place, as it could stop or slow manufacturing.
Productivity and health impact. Heatwaves leading to heat stress for employees in offices, depots, and construction and manufacturing sites, leading to health and safety and wellbeing concerns, as well as decreased productivity.	Physical	Medium term High carbon scenario	3 - Moderate to 4 - Major There is a clear relationship between heat stress and productivity as well as negative impacts on health and wellbeing, especially for those working outdoors. This could lead to moderate impact in terms of injury to employees and delays in construction.
Failure to reach emissions targets. This could result in reputational damage and accusations of greenwashing.	Reputational/ market	Near to medium term Low carbon scenario	3 - Moderate to 4 - Major The consequences of failing to meet targets could have moderate to major impacts, including losing clients, inability to win new work, inability to access capital from investors and borrowings from banks, fewer suppliers wanting to partner with us, and potential legal consequences.

Risk description	Risk type	Time horizon/Scenario	Impact rating
Disruption to traditional ways. Need to move away from materials with high embodied carbon as transition to low carbon intensifies. This poses a risk if we do not invest in the use/development of more sustainable materials.	Transitional	Near term Low carbon scenario	3 - Moderate to 4 - Major Increased operational and capital costs might be incurred due to the price of low carbon materials, associated costs of research, innovation, development, and upskilling in the use of sustainable materials, as well as the potential need to buy or change equipment to enable manufacturing using low carbon materials.
High carbon prices. New and higher prices on carbon will increase direct and indirect costs.	Transitional	Near to medium term Low carbon scenario	3 - Moderate to 4 - Major Increased costs caused by the impact of carbon prices, both direct (e.g. applied to onsite electricity use) and indirect (e.g. applied to construction materials).

OPPORTUNITIES

Opportunity description	Opportunity type	Time horizon/Scenario	Impact
Emerging markets and investment in a low carbon economy. Increased demand for low carbon infrastructure and transport systems. Market leadership in renewable energy, water desalination plants, and low carbon transport.	Transition	Near and medium term Low carbon scenario	Increased revenue, new services.
Low carbon leadership. Increased demand for focus on climate resilience might lead to opportunities to win more work and become leaders.	Physical	Near and medium term High carbon scenario	Opportunity for leadership in the design and construction of infrastructure resilient to physical risks (including both the acute and chronic impacts of climate change), leading to increased revenue and improved reputation.
Transition to renewable energy. Energy consumption may become cheaper through the transition to renewable energy sources.	Transition	Near and medium term Low carbon scenario	The costs associated with renewable energy have been falling compared to traditional fossil fuels, therefore making future energy consumption cheaper and reducing carbon pricing exposure.
Circular economy. Reduction in costs by adopting circular economy principles in design, manufacturing, construction, and operation.	Transition	Near term Low carbon scenario	Implementation of circular economy principles in all activities (design, manufacturing, construction, and operation) may lead to reduced costs and possible development of new services (circular economy in construction materials).
Retrofitting market. Increased opportunity to provide services in retrofitting of buildings and infrastructure.	Transition	Near and medium term Low carbon scenario	Related to the opportunity on circular economy, increased demand for a circular approach could lead to more market opportunities to engage in retrofitting and modification of existing structures as opposed to demolition and complete redesign.

The climate-related risks identified as part of climate scenario analysis and adopted by the business form part of our risk register. Each has been assessed for likelihood and impact and has been allocated an appropriate prioritisation score.

A geographical lens has been applied. Many of the risks and opportunities apply to a similar degree within both hubs; however, implicitly some of the risks inform geographical long-term decision-making. For instance, the risk of rising sea levels is a concern for projects that are intended to be located in coastal regions and this must be factored into our approach. The risk of wildfires is a nearer-term concern for our Australia Hub and is considered accordingly.

Climate-related business impacts feature heavily within our corporate strategy today, and this is set to continue to mature. Key evidence points include:

Products and services

- We have targeted, and continue to target, opportunities which will assist in the decarbonisation of the economy. We are currently providing our expertise in the delivery of major low carbon energy projects, such as Hinkley Point C, Sizewell C, and the UK's Small Modular Reactor Programme, and continue to participate in the green infrastructure agenda;
- Across our plant in 2022, we continued to phase out the use of diesel, replacing it with a combination of electric and biofuel. We're committed to converting our entire fleet to electricity or hydrogen-powered alternatives by 2030, as these technologies become available at scale; and
- Our technical team has developed an industry-leading carbon calculator which can quickly calculate levels of embodied carbon in projects. We have worked closely with industry partners to ensure a level of consistency in carbon calculation from project design and inception through to ongoing monitoring. This is a vital tool in developing design options for clients with quantifiable carbon reduction.

Supply chain

- The work we're doing with our supply chain partners to measure and reduce our environmental impact has been fundamental in helping us to develop our Scope 3 emissions data;
- Our collaborative supply chain work goes beyond carbon. We're also working closely with partners to eradicate modern slavery and support industry-wide common assessment standards;
- We are founding members of ConcreteZero, working towards net zero concrete before 2050. The work we're doing with supply chain partners is instrumental to the progress and success of this initiative; and
- We believe in a partnership approach with our supply chain. We will only get to net zero if we're working collaboratively and with common objectives. We value the expertise that our supply chain holds, and the positive changes that they are making within their own businesses to support our environmental targets.

Investment in research and development

- Our mission is to be the recognised leader for innovation and excellence in the construction industry. To us, that means acting in a responsible and sustainable manner, and leading on environmental issues, and safety and wellbeing;
- With academic and industry partners, we have invested heavily in research and development projects focused on decarbonisation. One key outcome of this research was the move to mandate low carbon concrete for all our new UK projects from 1 April 2023; and
- Research and development continues into low carbon design and use of ultra-low carbon materials.

Operations

- We recognise the risk that climate change poses to the operations of the business and look to reduce the business's carbon footprint. We are committed to becoming operationally net zero by 2030 and fully net zero across Scopes 1, 2, and 3 before 2050; and
- Our £35m unsecured revolving credit facility with HSBC, put in place in October 2021, is one of the construction industry's first to be linked to sustainability targets. This is an important aspect of our transition to a low carbon economy, ensuring that we continue to be held accountable for transformative change in our industry and build resilience into our long-term business strategy.

While it's clear that climate-related issues are increasingly central to business decision-making, more work is needed to truly embed these risks and opportunities into our financial planning process. Our climate scenario analysis is enabling this shift, giving us the tools and metrics needed to help our business to mature. Financial quantification of the risks identified will be completed during FY24, signifying a step change in our approach, and supporting business resilience.

RISK MANAGEMENT

In adopting standard risk management frameworks and processes for climate-related risk identification, we have ensured that they can easily be compared, monitored, and managed alongside other business risks. They are visible at Board and management levels, ensuring their strategic significance is understood and mitigating action can take place. A detailed view of business risks can be found on pages 61 to 66.

In keeping up to date with changes impacting our industry – including regulatory changes – we are actively identifying emerging business risks. Our links with regulatory and industry bodies, including the UK Green Building Council, the Materials and Embodied Carbon Leaders' Alliance, the Royal Institution of Chartered Surveyors, Climate Group, the Construction Leadership Council, Natural England, the Low Energy Transformation Initiative, and the Cabinet Office, among others, are all important connections that support our medium- and long-term strategic planning.

The Audit and Risk Committee is our Board-level risk management committee, and has full visibility of business risks, including those relating to TCFD. Decisions over how to mitigate, transfer, accept, or control climate-related risks follow standard risk management protocols and procedures.

METRICS AND TARGETS

The targets linked to our unsecured revolving credit facility with HSBC are regularly reviewed. Our carbon abatement programme is aligned with our 2030 and 2050 net zero commitments and is reviewed regularly to identify further incremental opportunities to reduce our carbon footprint. As part of our science-based targets work, we will establish interim carbon reduction goals, providing a further, useful set of metrics against which we can measure our progress.

We do not yet have climate-related performance metrics. We anticipate that the climate scenario analysis will support our maturity in this regard. During FY24 we intend to define metrics and targets appropriate to the climate-related risks and opportunities identified, providing true control mechanisms.

The programme of work that has focused on improving data integrity for GHG emissions will continue, unlocking the opportunity for us to establish clearer near-, medium-, and long-term targets for Scopes 1, 2, and 3.

FINANCIAL REVIEW

I am pleased to present the financial review for Laing O'Rourke for the year ended 31 March 2023. The result for the year showed continued growth in revenue but with the Group delivering a pre-exceptional EBIT loss of £(78.8)m (FY22: profit of £95.5m), driven by continued inflationary pressures, challenging delivery on projects experiencing significant change, and delays to capital investment in UK public-sector work.

GROUP FINANCIAL SUMMARY FY20 – FY23

	FY23 (£m)	FY22 (£m)	FY21 (£m)	FY20 (£m)
Pre-exceptional Group revenue*	**3,374.3**	2,965.5	2,510.7	2,448.5
Pre-exceptional EBIT**	**(78.8)**	95.5	76.0	83.6
Post-exceptional EBIT	**(273.9)**	19.8	69.9	72.9
(Loss)/profit before tax	**(288.1)**	2.7	41.4	45.5
Net cash (note 37)	**286.3**	339.1	276.1	155.2
Net assets	**199.0**	404.8	325.1	278.7

* Pre-exceptional Group revenue stated before deduction of an exceptional item of £33.3m (FY22: £69.6m).

** Pre-exceptional EBIT stated before deduction of exceptional items of £195.1m (FY22: £75.7m).

The key financial results are summarised below:

- The Group has experienced significant challenges amidst ongoing global turbulence, resulting in a pre-exceptional EBIT loss of £(78.8)m (FY22: profit of £95.5m). The post-exceptional EBIT loss of £(273.9)m (FY22: profit of £19.8m) and loss before tax of £(288.1)m (FY22: profit of £2.7m) reflects the impact of a write down of £33.3m (FY22: £69.6m) relating to a contract asset for a contract signed in 2010, an associated provision of £143.7m (FY22: £nil) plus legal costs of £15.7m (FY22: £6.1m), as well as the write off of intangible assets of £2.4m (FY22: £nil);
- The Group achieved a strong net cash performance and finished the year with net cash of £286.3m;
- Subsequent to the year end, the unsecured revolving credit facility was extended to 3 April 2026. This extension contains four quarterly £2.5m reductions in the facility commencing from 31 March 2025, reducing the facility to £25.0m by 31 December 2025;
- Pre-exceptional Group revenue has increased by 13.3 per cent to £3.4bn, reflecting a 19.5 per cent increase in the Europe Hub revenue and a 5.9 per cent increase in the Australia Hub revenue;
- The pre-exceptional gross margin has decreased to 3.3 per cent (FY22: 9.5 per cent) for the year ended 31 March 2023, impacted by the inflationary environment and delays to delivery, particularly in the Europe Hub. The impact of inflation has remained under continuous review during the year, and has been carefully managed and mitigated wherever possible;
- Net assets have decreased to £199.0m (FY22: £404.8m) reflecting the current year losses of the Group; and
- At the year end the Group had an order book of £10.0bn (FY22: £8.6bn) which represents approximately three years' revenue (order book is defined as the value of work outstanding on secured, anticipated, and preferred bidder contracts). Our key focus has been on converting our pipeline to secured work, which stood at £6.5bn (65.0 per cent of total order book) at the year end (FY22: £6.1bn and 70.9 per cent of total order book). This will remain a priority for the remainder of FY24.

GROUP SUMMARY INCOME STATEMENT

	FY23 (£m)	FY22 (£m)
Pre-exceptional Group revenue*	**3,374.3**	2,965.5
Pre-exceptional gross profit**	**109.9**	282.3
Pre-exceptional gross profit % (gross margin)**	**3.3%**	9.5%
Pre-exceptional EBIT***	**(78.8)**	95.5
Post-exceptional EBIT	**(273.9)**	19.8
(Loss)/profit before tax	**(288.1)**	2.7
(Loss)/profit after tax	**(196.5)**	11.5
Net cash (note 37)	**286.3**	339.1

* Pre-exceptional Group revenue stated before deduction of an exceptional item of £33.3m (FY22: £69.6m).

** Pre-exceptional gross profit and gross margin are stated before deduction of exceptional items of £177.0m (FY22: £69.6m).

*** Pre-exceptional EBIT is stated before deduction of exceptional items of £195.1m (FY22: £75.7m).

The Group's pre-exceptional EBIT decreased by £174.3m to a loss of £(78.8)m from a profit of £95.5m in FY22, driven by continued inflationary pressures, challenging delivery on projects experiencing significant change, and delays to capital investment in UK public-sector work.

The Group's pre-exceptional EBIT is stated before incurring exceptional items of £195.1m (FY22: £75.7m); exceptional items are summarised in note 5 to the financial statements.

The Group result is made up of the two operating hubs and a corporate centre – a full breakdown of key metrics between the two hubs and the corporate centre can be found in note 4 to the financial statements.

EUROPE HUB FINANCIAL SUMMARY PERFORMANCE

	FY23 (£m)	FY22 (£m)
Group revenue	2,176.9	1,835.1
Gross (loss)/profit	(44.4)	156.7
Gross (loss)/profit % (gross margin)	(2.0)%	8.5%
Pre-exceptional EBIT*	(129.6)	69.2
Post-exceptional EBIT	(132.0)	69.2
(Loss)/profit before tax	(148.7)	56.3
Net cash	65.6	113.7

* Pre-exceptional EBIT is stated before deduction of an exceptional item of £2.4m (FY22: £nil).

The Europe Hub gross profit has decreased by £201.1m to a loss of £(44.4)m with a decreased gross margin year on year driven by continued inflationary pressures, challenging delivery on projects experiencing significant change, and delays to capital investment in UK public-sector work.

The Group's share of cumulative losses in Canada remained unchanged at £219.3m.

The Europe Hub pre-exceptional EBIT decreased to a loss of £(129.6)m (FY22: profit of £69.2m).

AUSTRALIA HUB FINANCIAL SUMMARY PERFORMANCE

	FY23 (£m)	FY22 (£m)
Pre-exceptional Group revenue*	1,197.4	1,130.4
Pre-exceptional gross profit*	153.8	122.3
Pre-exceptional gross profit % (gross margin)*	12.8%	10.8%
Pre-exceptional EBIT**	90.9	71.8
Post-exceptional EBIT	(101.8)	(2.5)
Loss before tax	(101.7)	(6.2)
Net cash	201.5	207.3

* Pre-exceptional Group revenue, pre-exceptional gross profit, and pre-exceptional gross margin are stated before deduction of exceptional items of £33.3m impacting revenue (FY22: £69.6m) and £143.7m impacting cost of sales (FY22: £nil).

** Pre-exceptional EBIT is stated before deduction of exceptional items of £192.7m (FY22: £75.7m).

The Australia Hub pre-exceptional EBIT has increased by £19.1m year on year despite the ongoing political and economic uncertainty, underpinned by its collaborative contracting model and a disciplined focus on priority sectors. This is reflected in the year-on-year increase in gross margin percentage. The Group is working to broaden the adoption of its more resilient contracting model used in Australia across the wider Group, whilst also embedding enhanced processes and controls and improving operational delivery.

EXCEPTIONAL ITEMS

The Group's pre-exceptional EBIT is before incurring certain exceptional items of £195.1m (FY22: £75.7m).

These included, in the Australia Hub, a contract asset write down of £33.3m (FY22: £69.6m) relating to a contract which was entered into in 2010, an associated provision of £143.7m (FY22: £nil), plus legal costs of £15.7m (FY22: £6.1m).

In the Europe Hub, intangible assets of £2.4m (FY22: £nil) have been written-off.

FUNDING

The Group's net cash position (cash less debt but excluding bank arrangement fees and the impact of IFRS 16 Leases) decreased from £339.1m at 31 March 2022 to £286.3m at 31 March 2023.

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

The Group complied with all banking covenants during FY23 and did not require any waivers or relaxation of its covenants. Since the year end the Group has received a waiver for exceeding the loan-to-value covenant related to a property loan (resulting from a lower vacant possession valuation due to a change in market conditions since the original loan was entered into). On 30 June 2023, the Group agreed a reset of its future covenants and, in October 2023, the Group extended its unsecured revolving credit facility and property loan with HSBC to 3 April 2026, which included resolving the property loan covenant breach; further details are provided under the UK Funding section on page 55. The covenants related to the credit facility are also detailed in note 30.4 to the financial statements. 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 them.

As well as debt instruments, such as bank loans and overdrafts, the Group sometimes uses project-related bonding and guarantees to support its activities. These instruments are largely issued by insurance companies but also by other financial institutions. The 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 relaxations of client retentions.

These instruments are unsecured but can 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 seven years the Group has sought to reduce its use of these instruments, predominantly in the UK; however, it is still common practice in Australia and the UAE to provide such instruments, which have increased by £63.0m in total in FY23.

GROUP BONDS AND GUARANTEES

	FY23 (£m)	FY22 (£m)	FY21 (£m)	FY20 (£m)
Surety exposure	**289**	267	222	197
Bank exposure	**144**	100	141	159

UK FUNDING

UK core debt

	FY23 (£m)	FY22 (£m)
RCF/term debt	**–**	–
Property loan	**13.0**	13.0
Other loans	**86.7**	80.0

The Group has in place an unsecured revolving credit facility with HSBC for £35.0m. The loan had an initial expiry date of 3 October 2023, which was extended to 3 April 2024 during FY23 and has been further extended to 3 April 2026 since the year end. As part of the latest extension, covenants related to interest cover and net debt to EBITDA were replaced by an adjusted EBITDA covenant, and the minimum liquidity covenant was amended to include three forecast month-end periods. The facility has been maintained at £35.0m through to 31 March 2025, at which point quarterly £2.5m reductions commence, reducing the facility to £25.0m by 31 December 2025.

The facility incentivises or penalises Laing O'Rourke depending on its progress against the following key sustainability metrics: reducing carbon intensity, diverting waste from landfill, and growing the number of women in project delivery.

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

UK bonds and guarantees

	FY23 (£m)	FY22 (£m)	FY21 (£m)	FY20 (£m)
Surety exposure	**67**	58	52	55
Bank exposure	**–**	–	40	40

In the UK, bonding and similar instruments were £67m at 31 March 2023 (FY22: £58m). The UK business has reduced its exposure to such instruments by 56 per cent since FY18 and 84 per cent since FY16.

AUSTRALIA FUNDING

AUD$38.1m was drawn under bank guarantee facilities at 31 March 2023 (FY22: AUD$39.3m). There are also surety bonding facilities, from which AUD$372.0m was drawn at 31 March 2023 (FY22: AUD$327.9m).

The Australian business utilises equipment finance facilities to support the acquisition of plant and equipment.

UNITED ARAB EMIRATES FUNDING

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

At 31 March 2023, the business had AED nil drawn on its overdraft (FY22: AED nil) and utilised AED523.5m of bonding (FY22: AED333.2m).

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

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

SIGNIFICANT ASSET ACQUISITIONS AND DISPOSALS

On 23 November 2022 Laing O'Rourke Middle East Holdings Ltd (a wholly owned subsidiary) disposed of its joint venture Sand Dunes Building Materials Trading LLC upon liquidation.

On 3 January 2023 Laing O'Rourke Corporation Ltd disposed of its wholly owned subsidiary Canal Harbour Development Company Ltd upon dissolution. Neither of these transactions resulted in a profit or loss on disposal for the Group.

The corporate restructure of the UK entities which the Group substantially completed in FY22 was finalised in FY23. The restructure did not result in any disposals or acquisitions outside of the Group, or discontinuing of any operations.

ORDER BOOK

The Group order book stood at £10.0bn (FY22: £8.6bn) at 31 March 2023. While overall this is considered a strong performance in light of the ongoing market uncertainties, the Group needs to continue to convert its pipeline to achieve its business plan and this will remain a key focus for the remainder of FY24.

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

The Europe Hub order book has improved at 31 March 2023 to £6.7bn compared with £5.7bn at 31 March 2022. This is partly driven by continuing to work closely with the UK government as a strategic supplier to deliver much-needed hospitals and infrastructure in support of its investment agenda.

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

The Australia Hub order book has improved at 31 March 2023 to £3.3bn compared with £2.9bn at 31 March 2022. This increase has been driven by five additional contracts from the Victorian government as part of the South Eastern Project Alliance, a preferred bidder award for the North East Link Project South Package, as well as successful bids for new projects and scope increases in existing projects.

TAX

The Group takes its social and economic responsibilities seriously and pays the appropriate amount of tax in all countries where it operates. The Group recorded a corporation tax credit of £91.6m in the year (FY22: credit of £8.8m) and current tax payable at 31 March 2023 was £0.1m (FY22: £3.0m). See note 12 to the financial statements for full analysis of the tax credit.

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

If insufficient information is available, no provision is made. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental, and could change substantially over time as each dispute progresses. At 31 March 2023, the Group had recognised provisions of £1.0m in respect of uncertain tax positions (FY22: £1.0m).

Factors affecting the tax charge in future years are set out in note 12 to the financial statements. On 3 March 2021, the UK government announced that from 1 April 2023 the corporation tax rate would rise from 19 per cent to 25 per cent. This new law was substantively enacted on 24 May 2021 and therefore UK deferred tax assets and liabilities, that were previously recognised at 19 per cent, were recalculated at 25 per cent, resulting in a £6.5m credit during FY22.

PENSIONS

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

INSURANCE

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

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

Our liability insurance profile tracks and correlates with our safety performance – the number of High Potential (PC1) events reduced from 72 in FY22 to 50 in FY23. The Group remains comfortable with the level of insurance risk it is carrying internally.

INTANGIBLE ASSETS

The Group has £340.2m (FY22: £341.4m) of intangibles on its balance sheet, with goodwill accounting for £322.4m (FY22: £324.8m). The movement in goodwill year on year is largely due to foreign exchange fluctuations. Goodwill is not amortised under International Financial Reporting Standards but is tested annually for impairment. In accordance with IAS 36, the recoverable amount has been tested by reference to four-year forecasts, discounted at the Group's estimated weighted average cost of capital.

As at 31 March 2023, based on internal value-in-use calculations, the Board concluded that the recoverable value of the cash-generating units exceeded the carrying amount. Details of the tests applied can be found in note 13 to the financial statements.

FINANCE AND TREASURY POLICY

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

UK CONSTRUCTION WORKING CAPITAL AND SUPPLY CHAIN PAYMENTS

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

Since the 2008 financial crisis, access to traditional bank funding by tier one contractors and subcontractors alike has reduced due to a loss of appetite for the sector by UK banks. Reliance on off-balance-sheet support has also become more difficult due to a reduction in the attractiveness and the availability of bonding and guarantee facilities.

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

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

In terms of payment data, the UK businesses reported their latest set of payment practices data for the six months to 30 September 2023.

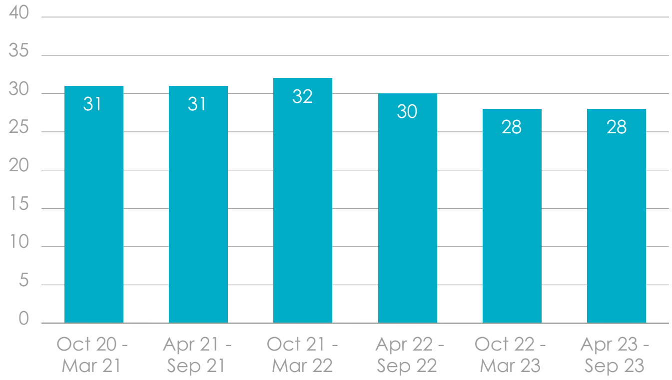
During this period, invoice payment timing has continued to be predominantly impacted by the wider inflationary environment, including rapidly escalating prices of certain commodities leading to advance payments being made ahead of terms in order to fix pricing. The business has also been operating with a lower level of debt in line with its strategy to reduce debt risk. Despite this, progress has steadily improved. There is still progress to be made by the Group in achieving payment to all suppliers within terms, particularly against the backdrop of increased inflationary pressure across the supply chain.

Laing O'Rourke Plc became a signatory to the UK's Prompt Payment Code (PPC) in 2013 and remains committed to improving its payment performance.

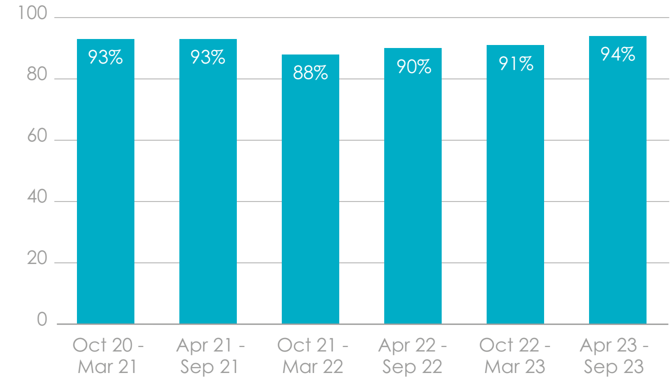
The graphs on page 57 show Laing O'Rourke Delivery Ltd's payment performance for the three years to 30 September 2023. Laing O'Rourke Delivery Ltd is the main trading entity in the UK, a wholly owned subsidiary of Laing O'Rourke Plc, and the main entity subject to the PPC.

Whilst we remained focused on measures which ensure continued improvement in our payment performance, we operate in a sector where supply chains and contractual terms are complex, and prompt payment is often materially impacted by resolution of disputes and alignment to agreed contractual processes.

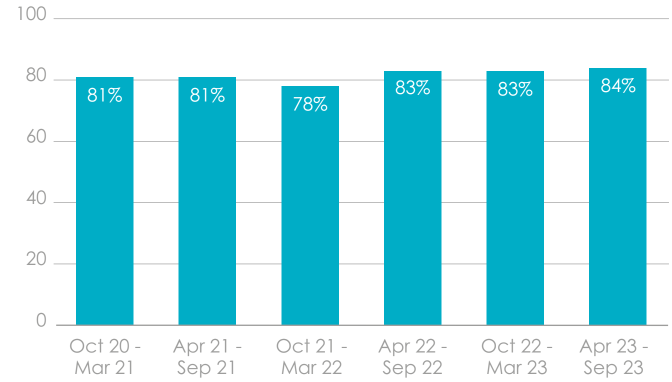
AVERAGE DAYS TO PAY INVOICES



ALL SUPPLIERS AND SUBCONTRACTORS, % INVOICES PAID UNDER 60 DAYS



ALL SUPPLIERS AND SUBCONTRACTORS, % INVOICES PAID TO TERMS



RISK AND ACCOUNTING POLICIES

The Group has been focused on further improving its risk management framework and processes during FY23.

The Board regularly 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 61 to 66 in the audit and risk management section.

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

IMPACT OF THE WAR IN UKRAINE

During FY23, inflationary pressures were exacerbated by the war in Ukraine which has contributed to significant input price inflation and shortages of certain materials and commodities, which has impacted the FY23 financial performance. We continue to manage inflation risk from the bid/tender stage and throughout the contract life through our governance processes and various mitigation strategies. The impact of the inflationary environment remained under review in FY23, with its impact carefully managed and mitigated wherever possible.

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

OUTLOOK

The Group has been impacted by inflationary pressures and delays to capital investment in UK public-sector works due to both global and domestic political turbulence.

Management continues to focus on strengthening the foundation of the business through effective risk management, continuing to embed new processes and controls on project selection, and efficient operational delivery.

Our FY24 forecast and the longer-term delivery of our strategic targets is predicated on continuing to win sufficient opportunities within our pipeline, the continued implementation of our strategic workstreams, and the ability to contain the impact of any further inflationary pressures and public-sector capital investment delays.

The Board remains confident that the strategic plan can be delivered but will continue to closely monitor any further impacts of inflation, exacerbated by the war in Ukraine, together with any changes to key judgements and estimations including the likely timing of the outcome of the ongoing arbitration in Australia. This has been explained in our going concern note on pages 70 to 72 and the impact of climate change on our forecasts and future performance has also been explained in note 2.27 (b) to the financial statements.

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

The UK government has committed to a significant level of infrastructure investment, as set out in the UK National Infrastructure Strategy in September 2022; however, timing of investment remains uncertain. More recently, delays to, or cancellations of, parts of the HS2 line have been announced together with delays to major roadbuilding schemes impacting the previously set out investment timelines. Adoption of modern methods of construction remains central to this investment which the Europe Hub is well placed to respond to, given the pioneering investment and development of our own advanced manufacturing facilities backed by new digital platforms.

Growth in the Australia Hub is expected to continue to be underpinned by the Australian government's ongoing commitment and intention to level up the country's infrastructure and the spending profiles and budgets of the state delivery agencies. In contrast to the UK, during FY23, it became increasingly apparent that public procurement and contracting processes in Australia are more efficient than those in the UK, with public investment progressing at pace. The Australia Hub has a strong order book and has secured a number of new projects in our key strategic sectors of rail, defence, and roads, with the business remaining focused on significant opportunities across these key sectors.

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

The Group now has all of its expected FY24 revenue either secured or anticipated, and 83 per cent of its expected FY25 revenue secured, anticipated, or at the preferred bidder stage. The Group order book stands at £10.5bn as at 30 September 2023.

The UK core debt facility that was due to expire on 3 April 2024 was extended on 19 October 2023 along with a property loan. The expiry date for both is now 3 April 2026.

The Board has considered the Group's financial requirements based on current commitments, its secured order book, and the factors set out above, as well as the latest projections of future opportunities, and has evaluated these against its banking and surety bonding arrangements. It has concluded that the Group is well placed to overcome the inflationary challenges of FY23, manage its business risks, and meet its future financial targets successfully.

Rowan Baker
GROUP CHIEF FINANCIAL OFFICER

31 October 2023

AUDIT AND RISK MANAGEMENT

MEMBERSHIP OF THE AUDIT AND RISK COMMITTEE
- Heather MacCallum: Independent Non-Executive Director (Chair from joining committee on 1 November 2022);
- Charlotte Valeur: Independent Non-Executive Director; and
- Dr Hayaatun Sillem CBE: Independent Non-Executive Director.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE:
- Increase the confidence of recipients of our published financial reports by ensuring the integrity of such reports;
- Assist our Board and shareholders in ensuring the effectiveness of our operating and financial controls;
- Monitor the effectiveness of risk management processes within the Group;
- Review both our internal audit and external auditors' performance; and
- Monitor the effectiveness of the procedures in place to identify breaches of the Code of Conduct and related Group policies, and consider any such breaches that come to its attention.

KEY ACTIONS FROM FY23:
- Heather MacCallum joined the Committee as Chair from 1 November 2022;
- Regular internal audit reports were received by the Audit and Risk Committee based on the approved internal audit plan;
- Reviewed performance of internal audit function delivery model, and took decision to move from an insourced internal audit model to an outsourced model, giving access to a wider range of expertise; and
- Review of the risk maturity of the enterprise risk management (ERM) framework completed and enhancements identified.

PRIORITIES FOR FY24
Priorities remain ongoing from FY23, with focus on:
- Ensuring alignment of risk and internal audit processes across both hubs;
- Demonstrating an improvement in our risk maturity;
- Reassessing the FY24 internal audit plan with audits now to be outsourced; and
- Continuing to improve our internal control environment.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Committee thanks Charlotte Valeur for acting as temporary Chair after the passing of Greg Branch in August 2022.

The Committee held four meetings during the year. Aside from Committee members, meetings were regularly attended by the Group Chair, Group Chief Executive Officer, Company Secretary, Group Chief Financial Officer (and finance team leadership when required), Head of Risk and Internal Audit, Group Director – Legal, Procurement (EU), and Sustainability, and representatives from our external auditors.

During FY23, the Committee monitored the delivery of the approved Europe Hub internal audit plan and received several internal audit reports accordingly, as well as reviewing the enhanced risk management framework (see next section 'Risk Management').

The Europe Hub internal audit plan is divided into commercial and central functions. The commercial audits focused on project delivery, ensuring projects have the requisite control environments to run effectively and efficiently. The central function audits concentrated predominantly on overhead functions including the management reporting process and ensuring adequate controls are in place to allow accurate and timely information to be received by the Europe Hub Executive Committee and Group Executive Committee. We also engaged a leading cyber security specialist to report on our IT control environment.

In the Australia Hub, the risk and assurance function focused specifically on project delivery during the financial year. This included the introduction of monthly project metrics reporting to the Australia Hub Executive Committee (AEC) and routine audits on projects during mobilisation and the delivery phase.

Work is ongoing to develop our enterprise risk strategy, which will enhance our existing risk management framework and progress our risk maturity. This includes methods to leverage systems and utilise data analytics to support risk analysis, management, and oversight.

Execution of the audit plan has continued based on the principal risks faced by the Group. Further details of risk management are contained in the following section.

I am pleased to report that good progress has been made. We are looking to see further improvements in our management of risks and internal control environment in FY24.

Heather MacCallum
CHAIR OF THE AUDIT AND RISK COMMITTEE

RISK MANAGEMENT

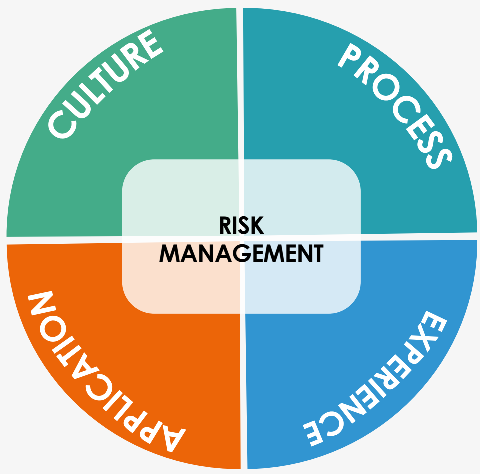
Our approach to risk management is fully in line with the Group's purpose, values, and guiding principles of absolute alignment, complete thinking, and sophisticated simplicity.

CULTURE

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

PROCESS

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



APPLICATION

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

EXPERIENCE

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

Risk competencies: uniform development to increase risk maturity

OUR APPROACH

Our strategic approach to risk management, as defined in our risk management policy, aims to provide a sustainable and value-adding service to help protect and optimise our objectives.

The overall effectiveness of the risk management framework requires consistent and coherent application and focuses on:

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

This is underpinned by the risk competencies as shown above.

Risks are identified top down from our strategy and bottom up from the projects, specialist business units, and functions.

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

Risks that require additional support are escalated to the next management level, up to executive level where appropriate. Course of action recommendations are delegated back to owners for timely implementation.

As with any framework, risk management is only as effective as the information provided. We therefore continue to work to ensure all areas are contributing to the process to allow for informed decision-making.

OVERSIGHT

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

The Board and Executive Committees provide oversight of the effectiveness of risk management systems including the key sources of risk, the monitoring of their status, and the corresponding response plans.

INTERNAL CONTROL

We strive to continually reflect and improve on existing controls, while capturing any new items to ensure robustness and relevance are maintained.

The collaborative effort across multiple functions ensures our practices and processes reflect both external regulatory requirements and internal necessities.

Internal controls are reflected through policies issued by the Board, the governance framework, the delegation of authority, and project gateway authorisations and governing practices. Documentation is located within iGMS (our integrated Group Management System), ensuring that our structured approach is fully accessible to all.

We continue to monitor guidance from the UK government relating to additional reporting regulations and are taking proactive steps to address any potential future requirements.

SUMMARY OF PRINCIPAL RISKS

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

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

Our principal risks and uncertainties are identified below, together with a description of how we manage the risks. This list is not intended to be exhaustive, and some risks and uncertainties have not been included on the basis that they are not considered to have a material or potentially material effect on the business or are not presently known by the Board and Audit and Risk Committee. Where possible, we have established controls and systems to identify and manage these risks and it should be noted that this assessment process is ever evolving within a constantly changing environment.

STRATEGIC

WORK-WINNING

Risk/Impact	How we manage it
Work-winning with unfavourable price, scope, and programme. Misalignment between price, scope, programme, and terms of contract could result in inadequate contractual protection and potential cost escalation, and impact our ability to deliver the financial performance and cashflows which underpin our growth strategy. **GEC sponsor:** Group Commercial Director **Rating trend:** ► (FY22: ►)	The clients and markets function is focused on securing a long-term, sustainable pipeline of work across priority sectors with high-quality clients, ensuring alignment with our strategic objectives and operating model. Our approach to opportunity selection and pursuit is governed using a series of assurance gateways, managed using our integrated Group Management System (iGMS): – Executive authorisation is required before resources are committed to prepare an offer in pursuit of an opportunity, ensuring alignment with our strategic ambitions; – An inter-disciplinary bid settlement process ensures that all aspects of any proposed new contract are transparently recorded, debated, and challenged to mitigate the likelihood of excessive risk exposure; – A delegation of authority framework provides clarity and structure on approvers and approval levels when committing bid resource or making offers to clients; and – Bidding performance, volume, and resourcing is formally reviewed by our executive on a monthly basis against our business plan, informing strategic work-winning decisions.

INFRASTRUCTURE INVESTMENT

Risk/Impact	How we manage it
Decline in government prioritisation of investment in public infrastructure initiatives. A change in government policy which reduces its financial commitment to infrastructure initiatives could result in fewer than expected opportunities in this sector, impacting our financial performance and delivery of our strategy. **GEC sponsor:** Group Chief Executive Officer **Rating trend:** ▲ (FY22: ►) This risk has increased due to variation in UK government guidance in relation to HS2.	We continue to maintain a diverse portfolio of projects for both public- and private-sector clients with a broad exposure to several resilient sectors and geographic markets: – We continue to develop and maintain sustainable, collaborative relationships with key clients, government departments (as a strategic supplier), and related regulatory authorities; – Active engagement and participation in political, economic, and regulatory forums to share knowledge and support legislative development; and – Regular review of government priorities and commitments, particularly during times of political uncertainty or change of government.

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

STRATEGIC (CONTINUED)

OUR PEOPLE

Risk/Impact	How we manage it
Inability to attract and retain appropriately skilled individuals required to deliver strategic objectives. This could affect succession planning and our ability to deliver growth in line with our current and planned commitments, resulting in an impact on our financial performance and therefore delivery of our strategy. The quality and certainty delivered to clients could also be at risk, resulting in reputational damage. **GEC sponsor:** Group Chief Operating Officer **Rating trend:** ▲ (FY22: ►) This risk has increased due to shortages in availability of specialist skilled resources.	People are a primary component of our strategy. We aim to be a progressive employer of choice with a clear commitment to equality, diversity, and inclusion, providing a work environment that champions and invests in the development of our people so that they can perform at their best and excel within their chosen field: – Various equality, diversity, and inclusion subcommittees monitor and enhance our thinking and action to develop and retain our people and improve their experience; – Continued investment in our Design for Manufacture and Assembly (DfMA) operating model in pursuit of an enhanced working experience for our people; – Both hubs have continued to invest in early talent programmes including apprentices, interns, and graduates, regardless of market conditions; – Innovative partnerships with universities to enhance ability to attract leading graduates; and – Continued commitment to achieve an equal number of men and women among our global staff by 2033, including industry-leading gender-focused initiatives to improve representation among frontline construction workers.

CLIMATE CHANGE AND SUSTAINABILITY

Risk/Impact	How we manage it
Failure to manage and respond effectively to climate change. Failure to respond to climate-related challenges that have a fundamental impact on our business strategy. This includes adverse impacts to project planning and delivery, failure to take action to limit exposure to operational vulnerabilities, and negative impacts on work-winning ability, financial planning, access to finance, and our reputation. **GEC sponsor:** Group Director – Legal, Procurement (EU), and Sustainability **Rating trend:** ► (FY22: ►)	Responsible, sustainable decision-making lies at the heart of our business. Modern methods of construction continue to underpin our approach, helping to mitigate some of the climate-related risks identified and providing a point of competitive differentiation. Our sustainability strategy focuses on four key pillars, as described in the sustainability statement. These are focused on taking action for clients, the environment, society, and our people. In addition, the following actions support the mitigation of climate-related risks: – Innovation – taking a fresh approach to technical design, material use, building techniques, and nature protection, to continually find new solutions to today's sustainability-related challenges; – Collaboration – taking an active role within our industry to drive change as a collective, via our partnerships with trade bodies, supply chain, governments, and regulators; – Targeted action – as detailed in our Taskforce on Climate-Related Financial Disclosures (TCFD) section on pages 46 to 52, using climate scenario analysis to drive our activity and priorities, ensuring that we take the most impactful actions first; and – Accountability – ensuring that responsibility for sustainability is shared across our organisation, and that risks, opportunities, and actions are visible at each level, including Board, executive team, management, and staff.

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

OPERATIONAL

HEALTH AND SAFETY

Risk/Impact

Failure to maintain a safe working environment and prevent serious injury/fatality.
Deviations from agreed safe systems of work could potentially expose employees, subcontractors, suppliers, and/or members of the public to dangers or hazards which could lead to injuries, health implications, financial loss/penalties, or serious damage to our reputation.

GEC sponsor: Group Chief Executive Officer

Rating trend: ► (FY22: ►)

How we manage it

The fundamental focus of our health and safety governance framework is to eradicate serious accidents from all our operations by rethinking health and safety through inclusion and wellbeing. During the year we have focused on:

- Continued implementation of our inclusion and wellbeing health and safety programme to drive continuous improvement and excellence by creating enabling, psychologically safe environments;
- Continued innovation to design out risk and engineer in health and safety at the earliest stage of the project lifecycle, by working with designers to implement engineered safety solutions, and using modern methods of construction from the outset, resulting in safer and healthier outcomes;
- Consistent implementation and continuous monitoring and review of our accredited health and safety management system, our leading delivery excellence standards, health and safety procedures, and competence requirements, to ensure a high level of compliance across every workplace;
- Engaging with our people and supply chain at every level to ensure they play an active part in how we go to work, and are curious about the health and safety risks faced on-site; and to support them in managing their energy and capacity, to perform at their best throughout the day; and
- Creating an open and honest learning culture based on trust, integrity, and genuine care for our people and ensuring no repeat incidents via increased health and safety rigour and resilience across all our operations.

PROJECT DELIVERY

Risk/Impact

Failure to deliver projects on time, to budget, and to the expected quality.
Inability to deliver our portfolio of projects across all geographic locations, on time, to budget, and to the right quality, could result in financial loss or reputational damage.

GEC sponsor: Group Chief Executive Officer

Rating trend: ▲ (FY22: ►)

This risk has increased due to active challenges faced on several contracts.

How we manage it

Project Certainty is our operating model for how we deliver projects against a set of key principles to drive consistency across our portfolio, creating a common experience for our customers:

- The Board-approved Project Delegation of Authority framework details the cascade of authorisations required for any substantial changes proposed that would deviate from the key terms and delivery methodology agreed during the bid process;
- Our integrated Group Management System (iGMS) displays our policies, procedures, and guidance on how we deliver projects and must be adhered to across our portfolio;
- Early engagement initiatives, innovative DfMA methodology, and our integrated end-to-end capabilities serve to mitigate risk and give greater surety of delivery;
- Our newly created project support and integration office (PSIO) drives consistent and systematic integration of information across projects and functions, turning data and information into useable knowledge that we act on early; and
- Our digital agenda and engineering technologies continue to achieve time and cost efficiency through a full visualisation of the build sequence and design delivery integration in our programme to build.

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

OPERATIONAL (CONTINUED)

PROCUREMENT/SUPPLY CHAIN

Risk/Impact	How we manage it
Lack of supply chain resilience. Cascading failure in the supply chain (including subcontractors and material procurement) disrupting our ability to deliver to requirement, resulting in potential project overruns, reduced margins, and adverse impacts on customer relationships affecting future work-winning. **GEC sponsor:** Group Commercial Director **Rating trend:** ▲ (FY22: ▲) This risk continues to increase due to continued high inflation and labour shortages.	The procurement function is responsible for the acquisition of services and supplies in support of the Group's business activities: – Exposure to external supply chain failure is mitigated due to our internal, vertically integrated capability, delivering a significant proportion of key work packages and manufactured products in-house; – Continued commitment to develop and maintain strong, long-term relationships with key supply chain partners through focused management to ensure alignment to our needs; – Regular review of our list of preferred suppliers to ensure compliance with legislation and regulations applicable to us and the supply chain's own business; – Robust supplier selection and monitoring processes are in place so that we can respond appropriately to changes in supplier circumstances; and – Greater certainty of supply through long-term strategic framework agreements with key supply chain partners.

CYBER SECURITY

Risk/Impact	How we manage it
Unauthorised access to our IT systems and data. Unauthorised access to our systems and data, or disruption of business operations (e.g. platforms, software, processes, users) from a successful cyber-attack resulting in the unauthorised disclosure of data, disruption to business systems and operations, or a contravention of regulatory compliance requirements. **GEC sponsor:** Group Chief Financial Officer **Rating trend:** ▲ (FY22: ▲) Cyber risks continue to increase due to the expanding use of data and technologies to meet business requirements, and which have to be safeguarded from existing and emerging cyber threats.	Technology is crucial to maintaining a flow of information across our projects and offices and it is therefore important that our systems, controls, and protocols are robust in this area. We continue to look for opportunities to complement or enhance our cyber security position and have delivered: – A dedicated global cyber security team focused on monitoring and managing our cyber defence controls across the Group; – External partners to provide specialist services such as penetration testing and digital forensics; – Additional cyber controls implemented for the Group to satisfy compliance requirements as per the Australian Cyber Security Centre (ACSC) Essential 8 and the UK National Cyber Security Centre (NCSC) Cyber Essentials Plus certifications; – An independent review by internal audit to assess whether the cyber controls and processes are designed and operating effectively; – Defined process to conduct risk assessments as part of onboarding new IT suppliers; and – Regular user education through different channels, including mandatory cyber eLearning modules, phishing simulations, posters, newsletters, and in-person workshops.

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

FINANCIAL

MARKET TURBULENCE

Risk/Impact	How we manage it
Macro environment and inflationary pressure on goods and services. Prolonged market turbulence and disruption from political/economic instability, both domestically and internationally, resulting in shortages of goods and services from our supply chain, which could adversely impact our financial resilience and results. **GEC sponsor:** Group Commercial Director **Rating trend:** ▲ (FY22: ▲) This risk continues to increase while inflationary pressures remain uncertain.	We monitor the continued economic turbulence and inflation instability and use the following to mitigate where possible adverse impacts to project delivery and our financial position: – Regular financial review and monitoring of project performance so that timely action can be taken and themes identified; – Review and monitoring of relevant procurement price and lead time data in a centralised manner, allowing timely action; and – Scenario analysis to consider the impact of high inflation, with relevant actions identified.

FINANCIAL RESILIENCE

Risk/Impact	How we manage it
Failure to maintain adequate financial resilience and/or comply with financial covenants. Inability to secure funding – in the form of refinancing facilities – could impact our ability to bid for work, make investments, or meet our ongoing liquidity needs, which could adversely impact profitability, cash flow, and future growth. Failure to meet predetermined financial covenants could lead to an event of default if any breach is not remedied within the relevant grace period. **GEC sponsor:** Group Chief Financial Officer **Rating trend:** ▲ (FY22: ►) This risk has increased due to the macro environment, inflationary pressures, and performance-related project delivery issues.	Our experienced in-house cash management, treasury, and finance teams take a prudent approach to liquidity, constantly monitoring and maintaining sufficient cash reserves, as well as available bank facilities, to meet liabilities and financing needs as they fall due. The team also takes a proactive stance on 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 available cash when required: – We have ensured that our lender groups are fully informed of all developments in relation to liquidity management on a regular basis and we have received full support from our financial stakeholders throughout the year; – Financial covenants were recently reset with HSBC to reflect current macro-environmental challenges and the unsecured revolving credit facility has been extended to 3 April 2026; and – We continue to pursue cash and financing opportunities, for example asset finance secured against plant and machinery or the disposal of legacy assets, to ensure we can be agile in meeting our liabilities and financing needs as they fall due.

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

GOVERNANCE

GLOBAL BUSINESS INTEGRITY

Risk/Impact	How we manage it
Fraud, bribery, and corruption activities. Failure to detect and prevent illicit activities resulting in severe reputational damage and loss of licence to operate and therefore our ability to win work. **GEC sponsor:** Group Director – Legal, Procurement (EU), and Sustainability **Rating trend:** ► (FY22: ►)	We take a zero-tolerance approach to fraud, bribery, and corruption and expect all employees and partners to act in accordance with our published Global Code of Conduct and established business integrity policies. There are several focus areas that support this approach: – Continued awareness programmes regarding our business integrity policies, covering bribery and corruption, fraud, money laundering, modern slavery, sanctions compliance, and competition; – Continuous training of our staff and workforce to ensure they understand our commitments regarding fraud, bribery and corruption, and the implications for our business of failing to properly address them; – Ensuring that effective arrangements are in place to allow people to raise concerns about inappropriate behaviour, and to ensure that such concerns are investigated appropriately; – Interacting with business units and functions via an annual risk assessment and bi-annual control review to ensure we maintain effective controls to prevent and detect fraud, bribery, and corruption; – Undertaking effective due diligence on our clients, suppliers, and other business partners; and – Reviewing our Global Code of Conduct and business integrity policies regularly to ensure their effectiveness.

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

CONTINUED MONITORING

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

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

Our in-house delivery capability allows us to work independently whenever possible, reducing our reliance on third parties. Joint arrangements are only established when our interests are complementary to those of our partners.

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

Lilydale Station, delivered by the South Eastern Program Alliance as part of the Level Crossing Removal Project – Victoria, Australia

DIRECTORS, OFFICERS, AND ADVISORS

DIRECTORS	Sir J Parker (Chair) R G O'Rourke KBE (Group CEO) H D O'Rourke R C Baker (Group CFO) C H O'Rourke (appointed 15 March 2023) R Hanley (appointed 1 November 2022, resigned 19 June 2023) J F Edmondson G J Branch (deceased 22 August 2022) M Cutifani (appointed 1 September 2022) S G French (resigned 31 October 2022) H MacCallum (appointed 1 November 2022) Dr H Sillem CBE K C Valeur
COMPANY SECRETARY	J F Edmondson
COMPANY NUMBER	130524
REGISTERED OFFICE	Level 4, International Finance Centre 1 St Helier Jersey JE2 3BX
UK CONTACT ADDRESS	Laing O'Rourke Plc Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN United Kingdom
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
BANKERS	HSBC UK Bank Plc 7th Floor Thames Tower Reading RG1 1LX United Kingdom National Australia Bank 395 Bourke Street Melbourne VIC 3000 Australia Emirates NBD Bank P.J.S.C Head Office, Baniyas Road Deira, PO Box 777 Dubai, UAE
INSURANCE ADVISORS	Marsh Limited Tower Place London EC3R 5BU United Kingdom
INSURERS	QBE Europe SA/NV Ltd 30 Fenchurch Street London EC3M 3BD United Kingdom

CONSOLIDATED MANAGEMENT REPORT

The Board presents its annual management report together with the audited consolidated financial statements of the Laing O'Rourke Corporation Limited group (the 'Group') for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Group's principal activities are:

CONSTRUCTION

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

MANUFACTURING

- Building products; and
- Manufacturing construction products.

PLANT HIRE

- Plant hire and operations.

SERVICES

- Design services; and
- Building operations management.

A list of principal subsidiaries, joint arrangements, and associates can be found in note 38 to the financial statements.

A review of the Group's activities and performance for the year is presented on pages 14 to 58.

CHANGES IN GROUP STRUCTURE

During the year, the Group completed those dissolutions and the disposals as described on page 102 in note 14 to the financial statements. The corporate restructure of the UK entities which the Group substantially completed in FY22 was finalised in FY23. The restructure did not result in any disposals, acquisitions, or discontinuing of operations outside of the Group.

GENERAL INFORMATION

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

BRANCHES OUTSIDE JERSEY

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

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE

Details of future developments are presented on pages 14 to 58.

RESEARCH AND DEVELOPMENT

The Group expenditure on research and development of £47.2m (FY22: £34.9m) supports the development of construction techniques to deliver quality, certainty, and value for our customers.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated income statement and show a loss for the year after tax of £196.5m (FY22: profit after tax of £11.5m).

The Company paid no dividends during the year (FY22: £nil). The directors do not recommend the payment of a final dividend (FY22: £nil).

POST BALANCE SHEET EVENTS

The Group has in place an unsecured revolving credit facility ('RCF') with HSBC for £35.0m. The loan had an initial expiry date of 3 October 2023, which was extended to 3 April 2024 during FY23 and further to 3 April 2026 since the year end. As part of the latest extension, covenants related to interest cover and net debt to EBITDA were replaced by an adjusted EBITDA covenant, and the minimum liquidity covenant was amended to include three forecast month-end periods. The facility has been maintained at £35.0m through to 31 March 2025, at which point quarterly £2.5m reductions commence, reducing the facility to £25.0m by 31 December 2025.

DIRECTORS AND THEIR INTERESTS

Those directors who served during the year and up to the date of signing are set out on page 68, with their appointment/ resignation date if applicable if after 1 April 2022. R G O'Rourke KBE and H D O'Rourke are shareholders who own all of the shares of the Company. No other directors have an interest in the share capital of the Company. Details of related party transactions can be found in note 34 to the financial statements.

HEALTH, SAFETY, AND WELFARE

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

EMPLOYMENT POLICY

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

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

Further details are set out on page 44.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the Group's policies and procedures for managing risk are set out on pages 59 to 66.

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

Financial risks are detailed in note 30 to the financial statements.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

Details of the Group's financial instruments are set out in note 30 to the financial statements.

SHARE CAPITAL

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

GOING CONCERN

The Group continued to show growth in revenue, however delivered a pre-exceptional EBIT loss of £(78.8)m in FY23, driven by continued inflationary pressures, challenging delivery on projects experiencing significant change, and delays to capital investment in UK public-sector work.

Despite these pressures, year-end net cash continued to perform strongly at £286.3m (FY22: £339.1m) and the year-end order book grew by 16 per cent to £10.0bn (FY22: £8.6bn). Despite the very high inflationary environment experienced in FY23 and the continued (albeit limited) impact of Covid-19, the Group's order book has continued to grow, its transformation plan is progressing well, and the Group remains committed to its strategic targets.

As a result of its continued careful cash management, the Group did not request any waivers, or breach any, of its banking covenants during the financial year. After the year end, on 30 June 2023, the Group agreed a reset of its future covenants and on 19 October, the term of the Group's UK core bank debt, an unsecured £35.0m RCF, was extended by two years, with a revised expiry date of 3 April 2026. Prior to this extension the Group received a temporary waiver of its loan-to-value covenant related to a property loan which was then remedied as part of the extension and was also extended to 3 April 2026.

Following the covenant reset, full covenant compliance continues to be forecast within both the Group's 'management case' business plan and its 'severe but plausible' downside scenario over the period assessed to 31 March 2025. Details of RCF covenants are provided in note 30.4 to the financial statements.

In forming their conclusion as to the appropriateness of continuing to apply the going concern basis of accounting in preparing these financial statements, the directors have reviewed both the Group's 'management case' forecast, representing management's best estimate of the future performance of the Group, including cash flow forecasts to 31 March 2025, and a severe but plausible downside scenario. The directors have also considered the way in which the Group governs and manages its cash reserves and exercises tight control over its working capital as illustrated by its liquidity performance during the Covid-19 pandemic, Brexit and subsequent inflationary period.

The directors applied a consistent approach in assessing going concern across each of the Group's main businesses in the UK, Australia, and the Middle East in preparing a management case and considering a severe but plausible mitigated downside scenario. The directors also carefully considered the forecast period to be reviewed as part of the going concern assessment and, due to the lead time for securing new projects, the period of visibility on future cash flows and management's usual forecast cycle, concluded that considering a 17-month period to March 2025 was appropriate.

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

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

- Construction activity is assumed to continue in line with current levels, with no additional material deterioration in project gross margins or the working capital position;
- Inflationary pressures forecast to be experienced during FY24 and FY25 can be accommodated within the forecasts of future costs already made in FY23, existing project inflation allowances and general contingencies. The Group has undertaken a detailed review of the possible impact of inflation on the estimated final cost of its projects and has concluded that existing contingencies are expected to be sufficient to materially cover the risk on existing projects in the period to 31 March 2025, with this risk being addressed at the tender stage for new projects;
- The 'management case' cash assumption, based on the latest arbitral timetable, forecasts for the settlement of the claim described in note 2.26(b) and note 25 outside of the going concern period (June 2025, being the earliest expected settlement date), but has considered the impact of the claim on the Group as part of this review and concluded that this claim does not adversely affect the Group's longer term viability;
- Work-winning continues to reflect current expectations and is in line with average win rates in previous years;
- Continued support of our supply chain in terms of product material, labour supply and flexibility in payment terms. Based on our detailed assessment, our supply chain management, direct delivery model and experience to date, disruption to the supply of materials to projects and shortages of labour, if experienced, can be accommodated within existing project programmes or programme contingencies;
- No imposition of a Covid-19 related lockdown on the construction sector in the Group's main markets;
- The underlying relevant market drivers continue as expected for construction work in infrastructure, power generation, education, healthcare, justice, and residential house building; and
- The 'management case' cash assumption is that there are not expected to be any adverse material cash settlements in the period to 31 March 2025 relating to the contingent liability matters disclosed in note 29 of the financial statements.

The Board's 'management case' forecast does not anticipate any breaches of new banking covenants relating to the UK RCF in the period to 31 March 2025 and this forecast delivers a comfortable level of Group operating cash liquidity headroom across the same period in each of the UK, Australia, and Middle East.

In addition to consideration of its 'management case' most likely outcome, the directors have also considered a number of downside scenarios and mitigating actions in light of the potential uncertainties created by the inflationary environment, timing and quantum of provisions described in note 25, supply chain disruption risk and the impact of any contingent liabilities or legacy disputes. These scenarios have been prepared using certain key assumptions, with particular focus on compliance with financial covenants in the UK and Australia and liquidity headroom across the Group and all three regions. Of these downside scenarios, the severe but plausible scenario described further below is the most severe.

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

- Lower revenue and trading volumes in the UK and Australia and three-month delay of all new construction work in the Middle East;
- Potential negative impact on the Group's ability to maintain its project-level working capital profile. Note that the Group has consistently achieved/delivered the management case working capital profile across the last 4 years despite a challenging market backdrop;
- Certain specific project risks described in note 2.26(a) and risks to cash generation initiatives; and
- Potential cost impacts of inflation on the current portfolio of projects over and above those that have already been adjusted for cannot be dealt with via contingencies, resulting in lower margins;

The overall impact of the above downside assumptions results in an approximately £106m reduction in inflows and a £2m increase in outflows during FY24 and FY25.

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

- Halting discretionary spend in FY24 and FY25 across a number of long-term strategic initiatives;
- Delaying any discretionary reward spend;
- Sale and leaseback of property owned by the Group; and
- Delaying non-essential capital expenditure.

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

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

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

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

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

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

- This considers the revenue reduction required versus the 'management case' in order for liquidity to drop below zero during the period to March 2025. This would require revenue to reduce or be delayed by £1.1bn across FY24 and FY25 (a 22.3 per cent reduction or delay in revenue compared to the management case), with resultant loss of margin, with no mitigation; and
- A similar reduction in revenue would be required for a sustained breach of the minimum liquidity covenant under the UK RCF.

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

- Laing O'Rourke's investment in developing sector-leading modern methods of construction (MMC) capability, its proven track record against a challenging market backdrop, a lower inflationary environment and reduced Covid-19 uncertainties, integrated delivery model, strong client engagement and resilience to supply chain risk ensure that it is well positioned to continue to win work;
- The current order book for the Group has increased to £10.5bn (as at 30 September 2023) (£8.6bn as at 31 March 2022) as a result of continued work-winning success in both the Europe and Australia hub. The Group now has 98 per cent of its expected FY24 revenue either secured or anticipated and 82 per cent of its expected FY25 revenue is at the secured, anticipated, or preferred bidder stage; and
- Cash performance in the six months ended 30 September 2023 is above the management case forecast for the Group.

In reaching its conclusion on going concern, the Board has also considered the likely timing of the cash outflow associated with the provisions described in note 25. The timing of this outflow is expected to fall outside the going concern review period which runs until 31 March 2025 and has, therefore, not been incorporated into the going concern assessment. However, the Board has considered a range of plausible downside outcomes associated with this provision and remains confident that, given the continued and projected strength of the Australian business performance, it has adequate resources to manage the plausible downside. In the event that a plausible downside scenario materialises in mid-2025, the Group could pursue a number of mitigating actions in order to ensure its continued financial viability. These would be similar to those detailed within the severe but plausible going concern review above and could also include: further reductions in discretionary spend, further headcount reductions, further reductions in capital expenditure, a possible disposal of Group assets, and further actions to manage working capital.

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

The Group has sufficient financial resources, committed banking facilities, secured revenue, and a strong order book. Based on this assessment, the directors have a reasonable expectation that the Group has adequate resources to continue in existence and pay its debts as they fall due in the period to 31 March 2025 and there are no material uncertainties that may cast significant doubt on the Group's going concern status.

The Group has, therefore, continued to adopt the going concern basis of accounting in preparing the Group's financial statements. The financial statements do not, therefore, include the adjustments that would result if the Group were unable to continue as a going concern.

Refer to note 2.26 e) and pages 70 to 72 relating to going concern.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for ensuring that the financial statements comply with The Companies (Jersey) Law, 1991 and for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

APPROVAL

This report was approved by the Board on 31 October 2023 and signed on its behalf by:

Rowan Baker
DIRECTOR

Ray O'Rourke KBE
DIRECTOR

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

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

OPINION

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's loss, the company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 March 2023; the consolidated and company income statements, the consolidated and company statements of comprehensive income, the consolidated and company statements of cash flows and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

INDEPENDENCE

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

EMPHASIS OF MATTER – VALUATION OF PROVISION AND DISCLOSURES IN RELATION TO A DISPUTE (APPLICABLE TO THE GROUP FINANCIAL STATEMENTS ONLY)

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.26 (b) to the group financial statements, and the valuation of the provision of £143.7m (AUD$254.5m) (2022: a contract asset of £33.7m (AUD$59m)) recognised, in relation to the claim for payment received from the counterparty to a contract terminated during the financial year 2017. The resolution of the claim remains subject to private arbitration, which is ongoing and the outcome of which is subject to a high degree of estimation uncertainty.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

REPORTING ON OTHER INFORMATION

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

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES (JERSEY) LAW 1991 EXCEPTION REPORTING

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

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Simon Morley
FOR AND ON BEHALF OF

PRICEWATERHOUSECOOPERS LLP
Chartered accountants

LONDON, 31 October 2023

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2023

	Note	Pre-exceptional items 2023 £m	Exceptional items (note 5) 2023 £m	Total 2023 £m	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
Revenue including share of joint ventures and associates		**3,638.0**	**(33.3)**	**3,604.7**	3,165.9	(69.6)	3,096.3
Share of revenue of joint ventures and associates		**(263.7)**	**–**	**(263.7)**	(200.4)	–	(200.4)
Group revenue[1]	3	**3,374.3**	**(33.3)**	**3,341.0**	2,965.5	(69.6)	2,895.9
Cost of sales		**(3,264.4)**	**(143.7)**	**(3,408.1)**	(2,683.2)	–	(2,683.2)
Gross profit/(loss)		**109.9**	**(177.0)**	**(67.1)**	282.3	(69.6)	212.7
Administrative expenses		**(201.7)**	**(18.1)**	**(219.8)**	(191.2)	(6.1)	(197.3)
Other operating income	8	**10.3**	**–**	**10.3**	5.0	–	5.0
Group operating (loss)/profit		**(81.5)**	**(195.1)**	**(276.6)**	96.1	(75.7)	20.4
Profit on disposal of subsidiaries and joint ventures	9	**–**	**–**	**–**	5.7	–	5.7
Share of post-tax profits/(losses) of joint ventures and associates	16	**2.7**	**–**	**2.7**	(6.3)	–	(6.3)
(Loss)/profit from operations	6	**(78.8)**	**(195.1)**	**(273.9)**	95.5	(75.7)	19.8
Finance income	10	**5.2**	**–**	**5.2**	1.0	–	1.0
Finance expense	11	**(19.4)**	**–**	**(19.4)**	(18.1)	–	(18.1)
Net finance expense		**(14.2)**	**–**	**(14.2)**	(17.1)	–	(17.1)
(Loss)/profit before tax		**(93.0)**	**(195.1)**	**(288.1)**	78.4	(75.7)	2.7
Tax	5, 12	**33.3**	**58.3**	**91.6**	(13.9)	22.7	8.8
(Loss)/profit for the year		**(59.7)**	**(136.8)**	**(196.5)**	64.5	(53.0)	11.5
Attributable to:							
Owners of the Parent	28	**(59.7)**	**(136.8)**	**(196.5)**	64.5	(53.0)	11.5
Non-controlling interests		**–**	**–**	**–**	–	–	–
		(59.7)	**(136.8)**	**(196.5)**	64.5	(53.0)	11.5

1. Group revenue equates to revenue as defined under IFRS 15, 'Revenue from contracts with customers'.

The notes on pages 85 to 128 form an integral part of these consolidated financial statements.

COMPANY INCOME STATEMENT

for the year ended 31 March 2023

	Note	Pre-exceptional items 2023 £m	Exceptional items (note 5) 2023 £m	Total 2023 £m	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
Revenue	3	**0.5**	**–**	**0.5**	0.2	–	0.2
Cost of sales		**–**	**–**	**–**	–	–	–
Gross profit		**0.5**	**–**	**0.5**	0.2	–	0.2
Administrative expenses		**(5.4)**	**–**	**(5.4)**	(3.1)	–	(3.1)
Dividend income		**14.8**	**–**	**14.8**	8.0	–	8.0
Profit from operations	6	**9.9**	**–**	**9.9**	5.1	–	5.1
Finance expense	11	**(5.7)**	**–**	**(5.7)**	(1.4)	–	(1.4)
Profit before tax		**4.2**	**–**	**4.2**	3.7	–	3.7
Tax		**–**	**–**	**–**	–	–	–
Profit for the year		**4.2**	**–**	**4.2**	3.7	–	3.7

The notes on pages 85 to 128 form an integral part of the parent company financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Note	Pre-exceptional items 2023 £m	Exceptional items (note 5) 2023 £m	Total 2023 £m	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
(Loss)/profit for the year		**(59.7)**	**(136.8)**	**(196.5)**	64.5	(53.0)	11.5
Other comprehensive (expense)/income:							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translating foreign operations		**(9.2)**	**–**	**(9.2)**	6.8	–	6.8
Movement in fair value of financial assets	16	**–**	**–**	**–**	(0.7)	–	(0.7)
Other comprehensive (expense)/ income for the year, net of tax	12	**(9.2)**	**–**	**(9.2)**	6.1	–	6.1
Total comprehensive (expense)/ income for the year		**(68.9)**	**(136.8)**	**(205.7)**	70.6	(53.0)	17.6
Attributable to:							
Owners of the Parent	28	**(68.9)**	**(136.8)**	**(205.7)**	70.6	(53.0)	17.6
Non-controlling interests	28	–	**–**	–	–	–	–
		(68.9)	**(136.8)**	**(205.7)**	70.6	(53.0)	17.6

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 85 to 128 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Note	**Pre-exceptional items 2023 £m**	**Exceptional items (note 5) 2023 £m**	**Total 2023 £m**	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
Profit for the year		**4.2**	**–**	**4.2**	3.7	–	3.7
Other comprehensive income:							
Other comprehensive income for the year		**–**	**–**	**–**	–	–	–
Other comprehensive income for the year, net of tax		**–**	**–**	**–**	–	–	–
Total comprehensive income for the year		**4.2**	**–**	**4.2**	3.7	–	3.7

The notes on pages 85 to 128 form an integral part of the parent company financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	13	**340.2**	341.4
Investments in joint ventures and associates	16	**14.1**	11.6
Loans to joint ventures	16	**8.0**	8.0
Property, plant, and equipment	17	**107.4**	107.1
Right-of-use assets	18	**230.5**	222.8
Deferred tax assets	26	**142.2**	47.0
Trade and other receivables	20	**27.8**	21.9
Contract assets	19	**42.1**	84.9
Total non-current assets		**912.3**	844.7
Current assets			
Inventories	21	**29.2**	26.2
Contract assets	19	**330.9**	192.0
Trade and other receivables	20	**208.7**	186.7
Current tax assets		**20.8**	12.0
Cash and cash equivalents	22	**428.1**	456.1
Total current assets		**1,017.7**	873.0
Total assets		**1,930.0**	1,717.7
Liabilities			
Current liabilities			
Borrowings	23	**(67.9)**	(50.2)
Contract liabilities	19	**(321.6)**	(331.4)
Trade and other payables	24	**(800.5)**	(601.5)
Provisions	25	**(133.7)**	(74.7)
Current tax liabilities		**(0.1)**	(3.0)
Total current liabilities		**(1,323.8)**	(1,060.8)
Non-current liabilities			
Borrowings	23	**(172.9)**	(179.6)
Contract liabilities	19	**(4.0)**	(2.8)
Trade and other payables	24	**(46.7)**	(34.6)
Provisions	25	**(177.2)**	(35.1)
Deferred tax liabilities	26	**(6.4)**	–
Total non-current liabilities		**(407.2)**	(252.1)
Total liabilities		**(1,731.0)**	(1,312.9)
Net assets		**199.0**	404.8
Equity			
Share capital[1]	27	**0.0**	0.0
Share premium	27	**344.6**	344.6
Fair value reserve	28	**–**	–
Hedging reserve	28	**–**	–
Foreign currency translation reserve[2]	28	**22.5**	31.7
(Accumulated losses)/retained earnings[2]	28	**(168.1)**	28.4
Total equity attributable to owners of the Parent		**199.0**	404.7
Non-controlling interests	28	**–**	0.1
Total equity		**199.0**	404.8

1. These financial statements are rounded to the nearest £100,000. Share capital of the parent company of the Group as at 31 March in both years was £6,211.
2. Management has restated the financial statements to correct a prior year error. The foreign currency translation reserve have increased by £29.3m from £2.4m to £31.7m. Retained earnings have decreased by £29.3m from £57.7m to £28.4m.

The financial statements were approved and authorised for issue by the Board on 31 October 2023 and were signed on its behalf by:

Rowan Baker
Director

Ray O'Rourke KBE
Director

The notes on pages 85 to 128 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investments in subsidiaries	15	**478.9**	478.9
Property, plant, and equipment	17	**0.4**	0.5
Trade and other receivables	20	**93.8**	76.9
Total non-current assets		**573.1**	556.3
Current assets			
Cash and cash equivalents		**0.1**	0.1
Total current assets		**0.1**	0.1
Total assets		**573.2**	556.4
Liabilities			
Current liabilities			
Borrowings	23	**(202.0)**	(196.2)
Trade and other payables	24	**(30.6)**	(23.8)
Total current liabilities		**(232.6)**	(220.0)
Net assets		**340.6**	336.4
Equity			
Share capital[1]	27	**0.0**	0.0
Share premium	27	**344.6**	344.6
Accumulated losses	28	**(4.0)**	(8.2)
Total equity		**340.6**	336.4

1. These financial statements are rounded to the nearest £100,000. Share capital of the Company as at 31 March in both years was £6,211.

The financial statements were approved and authorised for issue by the Board on 31 October 2023 and were signed on its behalf by:

Rowan Baker
Director

Ray O'Rourke KBE
Director

The notes on pages 85 to 128 form an integral part of the parent company financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/profit before tax		**(288.1)**	2.7
Adjustments for:			
Depreciation and amortisation	6	**51.9**	47.8
Impairment of intangible assets	6	**–**	0.2
Profit on disposal of property, plant, and equipment and right-of-use assets	6	**(3.3)**	(2.7)
Profit on disposal of joint ventures	14	**–**	(5.7)
Loss on disposal of intangible assets		**2.3**	–
Net finance costs		**14.2**	17.1
Research and development expenditure credit	8	**(9.7)**	(4.8)
Share of post-tax (profits)/losses of joint ventures and associates	16	**(2.7)**	6.3
Increase in trade and other receivables		**(33.1)**	(26.3)
(Increase)/decrease in contract assets[1]		**(99.4)**	34.3
Increase in inventories		**(3.5)**	(6.5)
Increase in trade and other payables		**229.8**	14.1
Increase/(decrease) in provisions[1]		**212.4**	(13.4)
(Decrease)/increase in contract liabilities		**(7.3)**	57.5
Other		**–**	0.3
Cash generated from operations		**63.5**	120.9
Interest paid		**(19.4)**	(46.4)
Tax (paid)/received		**(1.7)**	0.4
Net cash generated from operating activities		**42.4**	74.9
Cash flows used in investing activities			
Purchase of property, plant, and equipment	17	**(20.0)**	(14.6)
Purchase of intangible assets	13	**(7.3)**	(9.0)
Capital injections in joint ventures	16	**(4.2)**	(0.8)
Proceeds from sale of property, plant, and equipment		**8.9**	6.9
Proceeds from disposal of joint ventures and associates	14	**–**	9.4
Interest received	10	**5.2**	1.0
Distributions received from joint ventures and associates	16	**0.3**	1.0
Net cash used in investing activities		**(17.1)**	(6.1)
Cash flows used in financing activities			
Proceeds from new bank loans		**7.3**	6.5
Repayments of bank loans		**(5.7)**	(137.3)
Proceeds from refinancing existing property, plant, and equipment		**5.4**	22.1
Lease principal repayments		**(50.8)**	(48.9)
Dividends paid to non-controlling interests		**(0.1)**	–
Net cash used in financing activities		**(43.9)**	(157.6)
Net decrease in cash and cash equivalents		**(18.6)**	(88.8)
Cash and cash equivalents at beginning of year		**456.1**	536.6
Effect of exchange rate fluctuations on cash held		**(9.4)**	8.3
Cash and cash equivalents at end of year		**428.1**	456.1

1. Included within these movements are non-cash exceptional costs of £33.3m (FY22: £69.6m) in contract assets and £143.7m (FY22: nil) in provisions relating to the disputed contract in the Group's Australia Hub.

The notes on pages 85 to 128 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit before tax		**4.2**	3.7
Adjustments for:			
Dividend income		**(14.8)**	(8.0)
Finance cost	11	**5.7**	1.4
Increase in trade and other receivables		**–**	(0.9)
Increase in trade payables		**7.1**	3.2
(Decrease)/increase in deferred income		**(0.1)**	0.6
Cash used in operations		**2.1**	–
Dividends received		**1.3**	–
Net cash generated from operating activities		**3.4**	–
Cash flows used in investing activities			
Advances to group undertakings		**(3.4)**	–
Net cash used in investing activities		**(3.4)**	–
Net change in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**0.1**	0.1
Cash and cash equivalents at end of year		**0.1**	0.1

During the prior year, Laing O'Rourke Treasury Limited, a wholly owned subsidiary, novated its loan from shareholders of £58.2m to the Company. These loans were later converted to equity. These are non-cash transactions. See note 28.

The notes on pages 85 to 128 form an integral part of the parent company financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Note	Share capital and share premium £m	Other reserves £m	Retained earnings/ (accumulated losses) £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2021 as previously presented		286.4	(7.6)	46.2	325.0	0.1	325.1
Restatement[1]		–	29.3	(29.3)	–	–	–
At 1 April 2021restated		286.4	21.7	16.9	325.0	0.1	325.1
Profit for the year		–	–	11.5	11.5	–	11.5
Other comprehensive income after tax		–	6.1	–	6.1	–	6.1
Total comprehensive income for the year		–	6.1	11.5	17.6	–	17.6
Movement relating to unwinding of hedging reserves		–	3.9	–	3.9	–	3.9
Debt to equity conversion	27	58.2	–	–	58.2	–	58.2
At 31 March 2022		**344.6**	**31.7**	**28.4**	**404.7**	**0.1**	**404.8**
Loss for the year		**–**	**–**	**(196.5)**	**(196.5)**	**–**	**(196.5)**
Other comprehensive expense after tax		**–**	**(9.2)**	**–**	**(9.2)**	**–**	**(9.2)**
Total comprehensive expense for the year		**–**	**(9.2)**	**(196.5)**	**(205.7)**	**–**	**(205.7)**
Dividends paid		**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 31 March 2023		**344.6**	**22.5**	**(168.1)**	**199.0**	**–**	**199.0**

[1] Management has restated the financial statements to correct a prior year error.

Additional disclosure and details are provided in note 28.

The notes on pages 85 to 128 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Note	Share capital £m	Share premium £m	Accumulated losses £m	**Total equity £m**
At 1 April 2021		0.0	286.4	(11.9)	274.5
Profit for the year		–	–	3.7	3.7
Other comprehensive income after tax		–	–	–	–
Total comprehensive income for the year		–	–	3.7	3.7
Debt to equity conversion	27	–	58.2	–	58.2
At 31 March 2022		**0.0**	**344.6**	**(8.2)**	**336.4**
Profit for the year		**–**	**–**	**4.2**	**4.2**
Other comprehensive income after tax		**–**	**–**	**–**	–
Total comprehensive income for the year		**–**	**–**	**4.2**	**4.2**
At 31 March 2023		**0.0**	**344.6**	**(4.0)**	**340.6**

1. These financial statements are rounded to the nearest £100,000. Share capital of the Company as at 31 March in both years was £6,211.

Additional disclosure and details are provided in note 27.

The notes on pages 85 to 128 form an integral part of the parent company financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

1 GENERAL INFORMATION

Laing O'Rourke Corporation Limited (the 'Company') is a company incorporated and domiciled in Jersey. The Group prepares consolidated and company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Companies (Jersey) Law 1991. The address of the registered office is given on page 68.

The principal activities of the Group are that of mixed construction works; see note 2.15 for details of individually material revenue streams. The principal activity of the Company is to hold investments in the Group's operations and trade. The nature of the Company's principal subsidiary companies and their principal activities are set out in note 38 and in the Financial Review on pages 53 to 58. The consolidated financial statements of the Group for the year ended 31 March 2023 comprise the Company and its subsidiaries and the Group's interest in joint arrangements and associates.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are those of the Group, unless stated otherwise. Accounting policies specific to the Company are detailed in note 2.28.

2.01 STATEMENT OF COMPLIANCE

The consolidated and company 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 Companies (Jersey) Law 1991.

2.02 BASIS OF PREPARATION

The consolidated and company financial statements are presented in pounds sterling, rounded to the nearest £100,000. The consolidated financial statements 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 2023. The consolidated and company 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 and equity-accounted entities including subsidiaries, joint arrangements, and associates, are set out below.

The Annual Report and Accounts include the results of the Company as a separate entity, for the first time, with the prior year comparatives also presented. The FY22 audited financial statements were presented in a separate document.

Going concern

The Board has carefully considered those factors likely to affect the Company and the Group's future development, performance, and financial position in relation to the ability to operate within their current and foreseeable resources – both financial and operational. Both the Company and the Group have sufficient financial resources, committed banking facilities, secured revenue, and a strong order book and, for these reasons the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Refer to note 2.26 e) and pages 70 to 72 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 2023 and have been adopted:

a) Reference to the Conceptual Framework (Amendments to IFRS 3);
b) Property, Plant, and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
c) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); and
d) Annual Improvements to IFRS Standards 2018-2020.

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

The directors have considered recently published IFRSs, new interpretations, and amendments to existing standards that are mandatory for the Group's accounting periods commencing on or after 1 April 2023.

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

a) IFRS 17, Insurance Contracts;

b) Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8;

c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12);

d) Leases on sale and leaseback (Amendment to IAS 16); and

e) Non-current liabilities with covenants (Amendments to IAS 1).

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

2.03 BASIS OF CONSOLIDATION

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group falling within the scope of IFRS 3, 'Business Combinations'. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.03 BASIS OF CONSOLIDATION (CONTINUED)

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between the fair value of the consideration received and the carrying amount of the assets less liabilities of the subsidiary.

b) Associates are operations over which the Group has the power to exercise significant influence but not control, generally accompanied by a share of between 20 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 comprehensive income. If the Group's share of losses in an associate equals its investment, the Group does not recognise further losses, unless it has incurred obligations to make payments on behalf of the associate, in which case a provision is recognised.

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 38.

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

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

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.

2.04 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

The results and financial position of all Group entities (none of which has the functional 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 for the period; 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.

2.05 PROPERTY, PLANT, AND EQUIPMENT

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

Land and buildings	30-50 years
Plant, equipment, and vehicles	2-15 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.05 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

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

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

Assets held under right-of-use leases are depreciated over the term of the lease or the estimated useful life of the asset, as appropriate.

Gains and losses on disposal are recognised within cost of sales, administrative expenses, or profit on disposal of property in the income statement based on the nature of the assets disposed of.

2.06 LEASES

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated over the lease term. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, at the Group's incremental borrowing rate.

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

2.07 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. 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

Development costs

Development costs are capitalised as intangible assets only if certain criteria are met in order to demonstrate the asset will generate future economic benefits and that its cost can be reliably measured. Developments costs include IT assets under construction. All other research and development expenditure is recognised in cost of sales or administrative expenses as incurred. Research and development expenditure credits relate to amounts recoverable from HMRC on previously incurred expenditure.

Impairment of non-financial assets

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

2.08 FINANCIAL INVESTMENTS

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

Changes in the fair value of financial investments classified as held-for-sale are recorded in the fair value reserve within equity. When these are sold, the fair value adjustments recognised in equity are included in the income statement.

Under the terms of a Private Finance Initiative ('PFI') or similar project, where the risks and rewards of ownership remain largely with the purchaser of the associated services, the Group's interest in the asset is classified within investments in joint ventures as held to collect and to sell under IFRS 9. These investments are measured at fair value through other comprehensive income.

2.09 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value derivatives are initially recognised at fair value on the date of the contract and are subsequently remeasured at their fair value. Movements in fair value are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedged item is less than 12 months.

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

2.10 INVENTORIES

Inventories are stated at the lower of cost and estimated realisable value. Cost comprises the purchase price, net of any discounts received, cost of conversion and other costs involved in bringing the inventories to their present location and condition, such as direct and subcontract labour and overheads. The cost of development land may include borrowing costs. When determining the cost of inventories the Group's business units will apply either the first-in first-out ('FIFO') method or the weighted average cost formula, whichever is relevant for their operation. Inventories are assessed to determine if damage, obsolescence, or other external factors have reduced the ability to recover the cost. When this occurs the Group will write down the inventories to their estimated net realisable value. Net realisable value represents the estimated income less all estimated costs of completion and costs to be incurred in marketing, selling, and distribution.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 CASH AND CASH EQUIVALENTS

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

2.12 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recorded at fair value and subsequently measured at amortised cost, reduced by an allowance for expected credit losses and appropriate allowances for estimated irrecoverable amounts. Subsequent recoveries of amounts previously written off are credited to the income statement line in which the provision was originally recognised.

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

Other receivables are stated at cost.

2.13 TRADE AND OTHER PAYABLES

Trade and other payables are not interest-bearing and are stated at cost.

2.14 PROVISIONS

Provisions for insurance liabilities retained in the Group's captive insurance subsidiary, legal claims, defects and onerous contract costs, dilapidation provisions, and other onerous commitments are recognised at the best estimate of the present value of the expenditures expected to be required to settle the liability.

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.

2.15 REVENUE RECOGNITION

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

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

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

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

The Group has an integrated supply chain model, offering wide ranging construction related activities. Depending on the nature of the product or service delivered and the timing of when control is passed onto the customer, the Group will account for the revenue over time or at a point in time.

Revenue on a Group basis is recognised as follows:

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

Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.

The Company recognises revenue in respect of parent company guarantee services provided to its subsidiaries. This revenue is recognised over time as the performance obligations are satisfied.

2.16 CONSTRUCTION AND SERVICE CONTRACTS

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 CONSTRUCTION AND SERVICE CONTRACTS (CONTINUED)

Provision is made for all known or expected losses on individual contracts once such losses are foreseen. Incremental costs required to satisfy contract obligations are considered in this assessment. As noted in note 2.02, amendments to IAS 37, which were applicable for the Group as of 1 April 2022, require an assessment of other costs directly relating to fulfilling contracts to be included in the provision for all known or expected losses as well as when assessing whether a contract is loss making.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is recognised as a contract asset. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is recognised as a contract liability. Contract assets include retentions and are classified as a current asset unless recovery is due in more than one year.

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

Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on an individual contract basis according to the circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future.

2.17 PRE-CONTRACT BID COSTS

Pre-contract costs are expensed as incurred.

2.18 PENSION COSTS

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

2.19 TAX

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

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

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

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

2.20 BORROWINGS AND BORROWING COSTS

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

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

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

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

2.21 SHARE CAPITAL

Ordinary shares are classified as equity.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 EXCEPTIONAL ITEMS

Exceptional items are defined as income or expenditure relating to one-off events which, in the opinion of the directors, are material, not expected to recur and unusual in nature or of such significance that they require separate disclosure on the face of the consolidated income statement in accordance with IAS 1, 'Presentation of Financial Statements'. An assessment is made of events occurring during the year on both a quantitative and qualitative basis to determine which events require separate disclosure because they do not relate to the Group's underlying performance.

2.23 TRADING ANALYSIS

Trading analysis information is based on the Group's internal reporting structure of two operating hubs and a corporate centre. Further information on the business trading activities is set out in the operating overview on pages 14 to 17. Trading analysis results present the directly attributable contribution of the different hubs to the results of the Group. Transactions between hubs are conducted at arm's length market prices.

2.24 INTEREST INCOME/(EXPENSE)

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

2.25 GOVERNMENT GRANTS

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

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

a) Revenue and margin recognition (judgement and estimate)

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

Across the Group, 244 construction contracts (FY22: 236) were revenue-generating during the year. Of these 17 (FY22: 19) individually had an impact of £5.0m or greater on operating (loss)/profit. The prior year disclosure of 242 revenue-generating contracts and 26 contracts with an impact of £5.0m or greater on operating (loss)/profit incorrectly included certain contracts and has therefore been restated here.

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

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

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

Each contract is treated on its merits and is 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 the Group's construction business is mitigated by:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Within its portfolio of contracts in the Europe Hub, the Group has identified major sources of estimation uncertainty where it has made significant judgements on the recovery of income related to variations in scope, delays, and other claims, as well as whether penalties, such as liquidated damages, will be levied by customers. For recoveries recognised in respect of each judgement, they have been recorded on the basis that it is considered highly probable that a significant reversal of such revenues recognised will not occur in the next year. When determining whether a contract is onerous, the likelihood of the recovery of additional income is considered over the life of the contract. Where the receipt of income is probable, this is included in the Group's consideration of whether the contract is onerous. There are a range of factors influencing potential outcomes, and, as such, the exact recoverable amounts are subject to change until agreements are finalised on these specific contracts.

The Group estimates that the possible outcomes impacting the revenue recognised in the financial year ended 31 March 2023 range from a potential gain of up to £93.1m to a potential risk of up to £29.0m, with a corresponding impact on gross margin of a potential gain of up to £121.0m and a potential risk of up to £53.4m. The Group estimates that the possible outcomes over the life of the contracts, which is particularly relevant when considering the extent to which any contract is onerous, range from a potential gain of up to £143.0m to a potential risk of up to £61.6m. These changes in outcomes may require reassessment of the cumulative gross margin recognised or judgement as to whether an onerous provision is required. The directors have assessed the range of possible outcomes based on information available to them at the date of approving the financial statements to the extent it provides evidence of conditions that existed at the balance sheet date. As with any judgement related to long-term contract accounting, these contracts are affected by uncertainties that are influenced by future events, and, therefore, it may require revision as the contracts progress.

There are two contracts included in the aggregated analysis above where negotiations are ongoing with clients and the Group expects these to conclude during FY24. The Group currently assesses that, for these contracts, a reasonably possible potential gain of up to £81.7m or loss of up to £23.1m could be recognised during FY24.

The Group's construction and services business revenue for the year was £3.2bn (FY22: £2.8bn) with an associated margin of 5.7 per cent (FY22: 8.6 per cent). Should margins reduce by 1 per cent, the impact of such a change across the Group's projects in delivery at the year end would be an impact on gross profit of £31.7m (FY22: £28.9m). Should revenues reduce by 1 per cent, and the associated costs reduce by 1 per cent, the impact on gross profit would be £1.8m (FY22: £2.5m).

b) Disputes and claims (judgement and estimate)

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

One individual dispute currently disclosed within the consolidated financial statements that has a material impact on the Group is in respect of a contract terminated during the 2017 financial year. This matter is subject to an ongoing private arbitration with a final award expected from mid-2025.

A provision of £143.7m ($254.5m) is recognised by Laing O'Rourke Australia Construction Pty Ltd for this matter within the claims provision (see note 25). This provision represents the directors' best estimate at the reporting date of the anticipated outflow, after discounting for the time value of money, once this claim is settled. The private arbitration is complicated and incorporates a number of claims and counterclaims between the parties involved. The provision represents the estimated net impact of the claims and counterclaims, because the final award will determine the settlement to be paid on a net basis. The amount recognised carries a high degree of estimation uncertainty and the outcome could be materially lower or higher than the best estimate.

The gross value of claims against the Group is significantly in excess of the amounts recognised, but the directors have concluded that disclosing this value is misleading given that large elements of the gross claim are accepted by the other party to be duplicative or are not expected to be awarded against the Group as part of the final arbitration outcome. The current provision represents a weighted average of a range of potential outcomes, with the provision recognised representing the directors' best estimate.

The Group's current expectation, based on the timetable for the private arbitration, is that the claim will not settle in FY24, although it is probable that further information relevant to the provision will become available and as a result, there could be a range of a +/- 8 per cent reasonably possible change in the provision during the year ending 31 March 2024. Further clarity on the likely outcome of the arbitration is expected during the year ending 31 March 2025 as the arbitration, based on the current timetable, is expected to have significantly advanced by that date.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

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

i) Legal costs relating to a one-off disputed contract in the Group's Australia Hub of £15.7m (FY22: £6.1m);

ii) An adjustment to the value of a contract asset related to this one-off disputed contract in the Group's Australia Hub of £33.3m (FY22: £69.6m);

iii) A claims provision of £143.7m (FY22: £nil) related to this one-off disputed contract in the Group's Australia Hub; and

iv) A one-off write down of an intangible asset in the Group's Europe Hub of £2.4m (FY22: £nil).

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

In the year ended 31 March 2023, costs in respect of the rectification of defects of £26.3m (FY22: £16.7m) were incurred and debited to provisions. As disclosed in note 25 as at 31 March 2023, the Group held liabilities, included in provisions, of £51.9m (FY22: £49.2m) in respect of such defect rectification. Defect liabilities can arise on projects where the construction work finished a number of years ago and where the Group may not have access to the site to fully assess the costs of rectification or where the likely settlement amount for defects when a claim has been received may be hard to determine. Therefore, it is difficult to provide meaningful sensitivity disclosures of the range of estimation uncertainty. However, as an indication of the estimation uncertainty associated with this balance, a 10 per cent movement in the balance would have an impact on the consolidated income statement of £5.2m (FY22: £4.9m), although actual movements may be greater and the final outcome materially different to the amounts provided.

e) Going concern (judgement and estimate)
In preparing these consolidated financial statements using the going concern basis of accounting, management has considered the forecast future cash flows of the Group under a management case scenario and several downside scenarios (see Consolidated Management Report on pages 69 to 72). Forecast future cash flows include the following areas of estimation uncertainty:

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

In order to form a conclusion on going concern and in determining that there is no material uncertainty that may cast significant doubt on the Group's going concern status, management has exercised judgement by analysing the past performance of the business, its existing portfolio of projects and order book, and its expectation of work-winning. In addition it has drawn on its knowledge and expertise of key drivers of cash flow performance in the construction sector in the markets in which it operates to assess the forecast liquidity and covenant headroom under its committed financing facilities based on its severe but plausible downside scenario. Further details of this assessment and the key assumptions made are set out on pages 70 to 72.

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

The recognised deferred tax assets include £111.7m (FY22: £43.2m) which relate to carried forward tax losses in relation to UK operations. The Group has concluded that these deferred tax assets will be recovered using the estimated future taxable income, which is based on the approved forecasts prepared by management. These forecasts fully reflect current UK tax laws that, in broad terms, restrict the offset of the carried forward tax losses to 50 per cent of the forecast period's profit and that the tax losses do not have an expiry date.

Deferred tax assets will be utilised over a period of up to 15 years from the balance sheet date. Should the approved forecast profits increase/reduce by 30% in each year used in the utilisation calculation, it would take -/+ 3 years to utilise the deferred tax asset. This sensitivity is in line with that used for the goodwill sensitivity referred to in note 13 intangible assets.

At the balance sheet date, a total tax liability of £1.0m (FY22: £1.0m) has been recognised in respect of uncertain tax positions.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 OTHER JUDGEMENTS AND ESTIMATION UNCERTAINTY

a) Impairment of goodwill (estimate)
Determining whether goodwill is impaired requires an estimation of the recoverable amounts of the cash generating units (CGUs) to which the goodwill has been allocated. The recoverable amount is determined using a value-in-use calculation, which requires an estimation to be made of the timing and amount of future cash flows expected to arise from the CGU, and a suitable discount rate in order to calculate the present value. The discount rate used, carrying value of goodwill and further details of the impairment calculation are included in note 13.

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

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

b) Climate change (judgement and estimate)
In preparing the financial statements management has considered the impact of climate change. Potential impacts of climate change, which include increased intensity and frequency of weather events and stricter environmental legislation, have been considered by management, together with the Group's stated target of becoming operationally net zero by 2030 and developing plans to achieve net zero Scope 3 emissions by 2050 to the extent these can be forecast at present. These considerations did not have a material impact on the financial reporting judgements and estimates and climate change is not expected to have a significant impact on the Group's going concern assessment to March 2025.

Specific areas considered by management included:

- Estimates of the future cash flows used in the impairment assessment of the carrying value of goodwill where the forecasts used include the impact of climate change to the extent that these can be forecast at present (see note 13);
- Long-term contract accounting assumptions, such as the forecast costs of a project and, as these progress, the estimated costs to complete and the allowance for rectification works (see note 2.26a);
- The appropriateness of the estimated useful economic lives of the Group's property, plant, and equipment and right-of-use assets (see notes 17 and 18) where no significant changes are currently needed; and
- The recoverability of deferred tax assets recognised (see note 26) in respect of carried-forward losses in relation to the UK operations.

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

2.28 COMPANY ACCOUNTING POLICIES

The principal accounting policies applied by the Company are the same as those presented in notes 2.01 to 2.27, to the extent that the Group's transactions and balances are applied to the Company financial statements. The main accounting policies which are not directly relevant to the Laing O'Rourke Corporation Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill. The judgements and estimation uncertainty policies that are not relevant to the company are 2.26a), 2.26b) and 2.26d).

The accounting policies that are additional to those applied by the Group are as follows:

a) Investments in subsidiaries
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Costs that are incremental and directly attributable to the acquisition of investments are capitalised.

b) Other judgements and estimation uncertainty
Impairment of investments in subsidiaries (estimate)

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings, or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the present carrying amount of an asset is not recoverable and that a reduction in the subsidiary's carrying value is to be included in the Company's income statement for the financial period.

3 REVENUE

The Group presents a disaggregation of its revenue according to the primary geographical markets and sectors in which it 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 geographical regions and major segments:

Group	United Kingdom[1] 2023 £m	Australia 2023 £m	Rest of World 2023 £m	Total 2023 £m
Timing of revenue recognition				
At a point in time	**228.6**	**0.4**	**31.7**	**260.7**
Over time	**2,060.8**	**1,162.3**	**120.9**	**3,344.0**
Revenue including share of joint ventures and associates (note 31)	**2,289.4**	**1,162.7**	**152.6**	**3,604.7**
At a point in time	**13.0**	**0.3**	**23.6**	**36.9**
Over time	**2,021.4**	**1,161.9**	**120.8**	**3,304.1**
Group revenue	**2,034.4**	**1,162.2**	**144.4**	**3,341.0**

	Construction[1] 2023 £m	Manufacturing 2023 £m	Plant Hire 2023 £m	Services 2023 £m	Total 2023 £m
Timing of revenue recognition					
At a point in time	**–**	**41.3**	**–**	**219.4**	**260.7**
Over time	**3,154.7**	**0.1**	**125.7**	**63.5**	**3,344.0**
Revenue including share of joint ventures and associates (note 31)	**3,154.7**	**41.4**	**125.7**	**282.9**	**3,604.7**
At a point in time	**–**	**33.2**	**–**	**3.7**	**36.9**
Over time	**3,154.3**	**–**	**86.4**	**63.4**	**3,304.1**
Group revenue	**3,154.3**	**33.2**	**86.4**	**67.1**	**3,341.0**

1. Included within UK and Construction revenue is £2.5m relating to significant financing components.

	United Kingdom[1] 2022 £m	Australia 2022 £m	Rest of World 2022 £m	Total 2022 £m
Timing of revenue recognition				
At a point in time	164.8	8.5	23.2	196.5
Over time	1,828.0	1,060.0	11.8	2,899.8
Revenue including share of joint ventures and associates (note 31)	1,992.8	1,068.5	35.0	3,096.3
At a point in time	13.4	–	17.5	30.9
Over time	1,793.7	1,059.6	11.7	2,865.0
Group revenue	1,807.1	1,059.6	29.2	2,895.9

3 REVENUE (CONTINUED)

	Construction[1] 2022 £m	Manufacturing 2022 £m	Plant Hire 2022 £m	Services 2022 £m	Total 2022 £m
Timing of revenue recognition					
At a point in time	–	35.3	–	161.2	196.5
Over time	2,703.5	–	114.5	81.8	2,899.8
Revenue including share of joint ventures and associates (note 31)	2,703.5	35.3	114.5	243.0	3,096.3
At a point in time	–	29.6	–	1.3	30.9
Over time	2,703.2	–	80.0	81.8	2,865.0
Group revenue	2,703.2	29.6	80.0	83.1	2,895.9

1. Included within UK and Construction revenue is £2.4m relating to significant financing components.

The Company revenue of £0.5m (FY22: £0.2m) relates to services provided in Jersey and is all recognised at a point in time.

4 TRADING ANALYSIS

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

	Europe Hub 2023 £m	Australia Hub 2023 £m	Corporate Centre 2023 £m	Total 2023 £m
Performance by Hub:				
Managed revenue pre-exceptional items*	**2,731.2**	**1,295.5**	**9.3**	**4,036.0**
Exceptional items	**–**	**(33.3)**	**–**	**(33.3)**
Managed revenue*	**2,731.2**	**1,262.2**	**9.3**	**4,002.7**
Less: Inter-segment revenue*	**(291.0)**	**(97.7)**	**(9.3)**	**(398.0)**
Total revenue including share of joint ventures and associates*	**2,440.2**	**1,164.5**	**–**	**3,604.7**
Less: Share of joint ventures and associate revenue	**(263.3)**	**(0.4)**	**–**	**(263.7)**
Group revenue	**2,176.9**	**1,164.1**	**–**	**3,341.0**
Loss before tax post-exceptional items	**(148.7)**	**(101.7)**	**(37.7)**	**(288.1)**
EBIT* post-exceptional items	**(132.0)**	**(101.8)**	**(40.1)**	**(273.9)**
EBITDA* post-exceptional items	**(96.0)**	**(86.2)**	**(39.8)**	**(222.0)**
(Loss)/profit before tax and exceptional items	**(146.3)**	**91.0**	**(37.7)**	**(93.0)**
EBIT* pre-exceptional items	**(129.6)**	**90.9**	**(40.1)**	**(78.8)**
EBITDA* pre-exceptional items	**(93.6)**	**106.5**	**(39.8)**	**(26.9)**

* These are non-statutory disclosures. EBIT is defined as profit/(loss) from operations and EBITDA is defined as profit/(loss) from operations and adding back depreciation and amortisation. Managed revenue, Total revenue including share of joint ventures and associate revenue, and Group revenue as shown above are all post exceptional items of £33.3m. See note 31 for more details.

4 TRADING ANALYSIS (CONTINUED)

	Europe Hub 2022 £m	Australia Hub 2022 £m	Corporate Centre 2022 £m	Total 2022 £m
Managed revenue pre exceptional items*	2,265.0	1,228.6	9.8	3,503.4
Exceptional items	–	(69.6)	–	(69.6)
Managed revenue*	2,265.0	1,159.0	9.8	3,433.8
Less: Inter-segment revenue*	(238.4)	(89.3)	(9.8)	(337.5)
Total revenue including share of joint ventures and associates*	2,026.6	1,069.7	–	3,096.3
Less: Share of joint ventures and associate revenue	(191.5)	(8.9)	–	(200.4)
Group revenue	1,835.1	1,060.8	–	2,895.9
Profit/(loss) before tax post-exceptional items	56.3	(6.2)	(47.4)	2.7
EBIT* post-exceptional items	69.2	(2.5)	(46.9)	19.8
EBITDA* post-exceptional items	102.7	11.6	(46.7)	67.6
Profit/(loss) before tax and exceptional items	56.3	68.1	(46.0)	78.4
EBIT* pre-exceptional items	69.2	71.8	(45.5)	95.5
EBITDA* pre-exceptional items	102.7	86.0	(45.4)	143.3

* These are non-statutory disclosures. EBIT is defined as profit/(loss) from operations and EBITDA is defined as profit/(loss) from operations and adding back depreciation and amortisation. Managed revenue, Total revenue including share of joint ventures and associate revenue, and Group revenue as shown above are all post exceptional items of £69.6m. See note 31 for more details.

EBIT and EBITDA:	Note	**Pre-exceptional items 2023 £m**	**Exceptional items (note 5) 2023 £m**	**Total 2023 £m**	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
EBIT		**(78.8)**	**(195.1)**	**(273.9)**	95.5	(75.7)	19.8
Depreciation	6	**48.1**	**–**	**48.1**	44.1	–	44.1
Amortisation	6	**3.8**	**–**	**3.8**	3.7	–	3.7
EBITDA		**(26.9)**	**(195.1)**	**(222.0)**	143.3	(75.7)	67.6

5 EXCEPTIONAL ITEMS

Group	**2023 £m**	2022 £m
Legal costs	**15.7**	6.1
Claims provision	**143.7**	–
Write off of intangible assets	**2.4**	–
Write down of contract assets	**33.3**	69.6
Exceptional costs before tax	**195.1**	75.7
Income tax credit on exceptional items	**(58.3)**	(22.7)
Exceptional costs after tax	**136.8**	53.0

LEGAL COSTS

Exceptional costs of £15.7m (FY22: £6.1m) were recognised in the year, which relate to legal costs incurred in the Australia Hub regarding the disputed contract. These costs have been treated as exceptional as they relate to unusual circumstances that in the normal course of business are unlikely to recur. The dispute is expected to be resolved through a private arbitration with an award in mid-2025.

CLAIMS PROVISION

Exceptional costs of £143.7m (FY22: £nil) were recognised in the year, which relate to a claim provision recognised in the Australia Hub, regarding the disputed contract; see note 25.

WRITE OFF OF INTANGIBLE ASSETS

During the year the directors performed a one-off review of the Group's intangible assets including development costs. As a result of this review exceptional write offs of £2.4m (FY22: £nil) were recognised.

5 EXCEPTIONAL ITEMS (CONTINUED)

WRITE DOWN OF CONTRACT ASSETS

Exceptional costs of £33.3m (FY22: £69.6m) were recognised in the year, which relate to an adjustment to the value of a contract asset in the Australia Hub in respect of a contract terminated during the 2017 financial year. These costs have been treated as exceptional as they are material and unusual in nature, given the circumstances surrounding the disputed contract which are unlikely to recur. This matter is subject to an ongoing private arbitration; see note 19.

6 (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit before interest and tax is stated after charging/(crediting): **Group**	Note	**2023** **£m**	2022 £m
Staff costs[1]	7	**812.5**	761.8
Depreciation of property, plant, and equipment	17	**15.9**	16.0
Depreciation of right-of-use assets	18	**32.2**	28.1
Short-term lease rentals and short-term hires:			
Property, plant and equipment		**3.7**	4.3
Amortisation of other intangible assets	13	**3.8**	3.7
Profit on disposal of property, plant, and equipment, and right-of-use assets		**(3.3)**	(2.7)
Government grants		**(0.9)**	(1.6)
Foreign exchange losses/(gains)		**2.6**	(0.7)
Cost of inventories recognised as an expense		**35.6**	36.5
Impairment of intangible assets (non-exceptional)	13	**–**	0.2
Accrued costs in respect of rectification of defective works	25	**26.3**	16.7
Auditors' remuneration (see below)		**4.8**	4.3

1. Staff costs for FY22 have been restated in the table above to correct a prior year error. Staff costs have increased by £4.9m from £756.9m to £761.8m.

Profit before interest and tax is stated after charging: **Company**	Note	**2023** **£m**	2022 £m
Staff costs		**0.4**	0.3
Auditors' remuneration (see below)		**0.1**	0.1

Auditors' remuneration **Group**	Note	**2023** **£m**	2022 £m
Fees payable to the Company's auditor for the audit of:			
The Company's annual financial statements and consolidated financial statements		**3.5**	3.1
The Company's subsidiaries pursuant to legislation		**1.3**	0.9
Total audit fees		**4.8**	4.0
Fees payable to the Company's auditor and its associates for other services:			
Services relating to tax		**–**	0.3
Total non-audit fees		**–**	0.3
Total fees		**4.8**	4.3

Included within the FY23 Group audit fee of £3.5m is £0.7m of Group audit fee overruns in respect of FY22 (FY22: £0.6m in respect of FY21).

7 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	2023 Number	2022 Number
Group		
The average number of employees (including directors) during the financial year was:		
Europe Hub	**8,046**	7,593
Australia Hub	**2,557**	2,663
Total number of employees	**10,603**	10,256
Company		
The average number of employees (including executive directors) during the financial year was:		
Corporate Centre	**6**	6
Total number of employees	**6**	6

Aggregate remuneration and related costs, including directors	2023 £m	2022 £m
Group		
Salaries[1]	**513.6**	465.0
Wages	**200.8**	211.7
Social security costs[1]	**54.7**	47.6
Other pension costs	**43.4**	37.5
	812.5	761.8
Company		
Salaries	**0.4**	0.3
	0.4	0.3

1. Salaries and social security costs for FY22 have been restated in the table above to correct a prior year error. Salaries have increased by £4.8m from £460.2m to £465.0m. Social security costs have increased by £0.1m from £47.5m to £47.6m.

At 31 March 2023 £3.5m (FY22: £3.1m) was payable in respect of the Group's defined contribution schemes and was included in other payables (note 24).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel during the financial year include the thirteen directors and six other individuals (FY22: nine directors and seven other individuals) identified to be key management personnel during the year.

The compensation of key management personnel (excluding directors) was as follows:

	2023 £m	2022 £m
Salaries and other short-term employee benefits[1]	**4.2**	6.6

1. Compensation of key management personnel for FY22 has been restated in the table above to correct a prior year error. Costs have increased by £1.2m from £5.4m to £6.6m.

DIRECTORS' REMUNERATION

The total remuneration of the directors was as follows:

	2023 £m	2022 £m
Group		
Salaries and other short-term benefits[1]	**7.9**	5.2
Company		
Salaries and other short-term benefits	**0.4**	0.3

1. Directors' remuneration for FY22 has been restated in the table above to correct a prior year error. Costs have increased by £1.0m from £4.2m to £5.2m.

None of the directors are accruing benefits under a defined contribution scheme (FY22: none). No post-retirement benefits were paid on behalf of directors (FY22: £nil). The remuneration for some of the directors of the Company is borne by Laing O'Rourke Services Limited, a subsidiary undertaking of the Company, and is, therefore, excluded from the Company directors' remuneration disclosed above.

8 OTHER OPERATING INCOME

Group	2023 £m	2022 £m
Rents received	**0.1**	0.1
Research and development expenditure credit	**9.7**	4.8
Other operating income	**0.5**	0.1
	10.3	5.0

The research and development expenditure credit of £9.7m (FY22: £4.8m) is based on an assessment of recoverability from HMRC.

9 PROFIT ON DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES

	2023 £m	2022 £m
Profit on sale of joint ventures (note 14)	**–**	5.7
	–	5.7

10 FINANCE INCOME

	2023 £m	2022 £m
Bank interest	**4.0**	0.2
Other interest and similar income	**1.2**	0.8
	5.2	1.0

11 FINANCE EXPENSE

Group	2023 £m	2022 £m
Interest payable on bank loans and overdrafts	**3.0**	3.1
Interest payable on leases	**10.3**	7.4
Other interest payable and similar charges including significant financing component	**6.1**	7.6
	19.4	18.1
Company		
Interest payable on loans	**5.7**	1.4
	5.7	1.4

12 TAX

	2023 £m	2022 £m
Jersey corporation tax		
Current tax on profit for the year	**–**	–
Foreign tax		
Current tax on profit for the year	**0.2**	5.0
Adjustment in respect of prior years	**(1.0)**	(4.4)
Total current tax	**(0.8)**	0.6
Net origination of temporary differences – current year	**(79.7)**	(3.8)
Net origination of temporary differences – prior years	**(4.6)**	0.9
Impact of change in tax rate	**(6.5)**	(6.5)
Total deferred tax	**(90.8)**	(9.4)
Total tax credit	**(91.6)**	(8.8)

12 TAX (CONTINUED)

The Jersey rate is 0 per cent (FY22: 0 per cent). The Group has elected to use the UK tax rate as this is considered the most meaningful to stakeholders. The overall credit (FY22: credit) for the year of £91.6m (FY22: £8.8m) is explained relative to the UK statutory rate of 19 per cent below:

	2023 £m	2022 £m
Total tax reconciliation		
(Loss)/profit before tax	**(288.1)**	2.7
Tax at the UK corporation tax rate of 19% (FY22: UK 19%)	**(54.7)**	0.5
Effects of		
– (lower)/higher overseas tax rates	**(11.9)**	0.7
– (income not subject to tax)/non-deductible expenditure	**(3.2)**	1.9
– adjustments in respect of prior years	**(5.6)**	(3.5)
– tax effect of joint ventures	**(1.1)**	0.3
– impact of change in future tax rates	**(15.4)**	(6.5)
– unrecognised deferred tax	**1.4**	(2.1)
– other items	**(1.1)**	(0.1)
Total tax credit	**(91.6)**	(8.8)

A total Group tax credit of £91.6m (FY22: credit of £8.8m) arises for the year on the total Group loss of £288.1m (FY22: Group profit of £2.7m). The total tax credit for the year includes an exceptional tax credit of £58.3m (FY22: credit of £22.7m) in relation to tax-allowable exceptional expenditure for Australian legal and other write down costs (see note 5).

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15 per cent. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group does not account for deferred tax on top-up taxes and, therefore, if these rules had been substantively enacted on the balance sheet date, there would have been no impact.

On 3 March 2021, the UK government announced that from 1 April 2023 the corporation tax rate would rise from 19 per cent to 25 per cent. This new law was substantively enacted on 24 May 2021 and therefore UK deferred tax assets and liabilities, that were previously recognised at 19 per cent, were recalculated at 25 per cent resulting in a £6.5m credit during FY22.

A further £15.4m credit has been recognised during FY23, £6.5m arises due to a change in our utilisation of brought forward tax losses and £8.9m arises due to temporary differences (primarily losses and accelerated capital allowances) originating during the current year.

The UK Finance Act 2021 announced a 130 per cent super-deduction for expenditure on qualifying assets incurred from 1 April 2021 until the end of March 2023 and a 50 per cent first year allowance was introduced for special rate assets. The Group is expecting to claim this relief on £55.5m of additions during FY23 (FY22: £49.6m) across property, plant, and equipment, right-of-use assets, and intangible assets.

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2023			2022		
	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	**(9.2)**	**–**	**(9.2)**	6.8	–	6.8
Movement in fair value of financial assets	**–**	**–**	**–**	(0.7)	–	(0.7)
	(9.2)	**–**	**(9.2)**	6.1	–	6.1

13 INTANGIBLE ASSETS

	Goodwill £m	Computer software and licences £m	Development costs £m	Total £m
Cost				
At 1 April 2022	**328.2**	**46.5**	**6.2**	**380.9**
Additions	**–**	**6.2**	**1.1**	**7.3**
Disposals	**(0.8)**	**(2.4)**	**(4.4)**	**(7.6)**
Transfers	**–**	**(7.0)**	**7.0**	**–**
Exchange differences	**(2.5)**	**–**	**–**	**(2.5)**
At 31 March 2023	**324.9**	**43.3**	**9.9**	**378.1**
Accumulated amortisation and impairment				
At 1 April 2022	**3.4**	**32.7**	**3.4**	**39.5**
Amortisation for the year	**–**	**3.8**	**–**	**3.8**
Disposals	**(0.8)**	**(1.1)**	**(3.4)**	**(5.3)**
Exchange differences	**(0.1)**	**–**	**–**	**(0.1)**
At 31 March 2023	**2.5**	**35.4**	**–**	**37.9**
Net book value at 31 March 2023	**322.4**	**7.9**	**9.9**	**340.2**

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

13 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have significant amounts of goodwill	2023 £m	2022 £m
Australia	**41.2**	43.6
United Kingdom	**281.2**	281.2
	322.4	324.8

The Group owns several engineering, construction, manufacturing, and specialist services companies, which combine to provide clients with a comprehensive investment, development and management capability and due to the set up of the approach to market, management is of the view that the UK CGU and Australia CGU are the smallest groups of assets generating cash inflows that are largely independent of the cash inflows from other assets. Therefore, an impairment test is performed for the UK entities as a whole given that all UK entities collaborate to operate as one CGU. A separate impairment test is performed for the Australia entities as a whole given that all Australia entities collaborate to operate as one CGU.

The recoverable amount of goodwill attached to each cash generating unit (CGU) is determined based on value-in-use calculations in accordance with IAS 36, Impairment of Assets. Each CGU calculation uses cash flow projections based on four-year financial budgets approved by management. The CGU calculation uses a perpetual growth rate of 2 per cent based on industry data (FY22: 2 per cent), discounted at the Group's estimated pre-tax weighted average cost of capital of 12.4 per cent (FY22: 13.3 per cent) for the UK CGU and 14.1 per cent (FY22: 16.3 per cent) for the Australia CGU. Budgeted gross margins are based on past performance and management's market expectations. The weighted average cost of capital is an estimate based on that of listed industry competitors, adjusted for changes in capital structures and specific considerations.

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

In the UK assumed revenue growth is 9 per cent for FY24, 3 per cent for FY25, 2 per cent for FY26, and 2 per cent for FY27 and gross margin is assumed to increase from 6 per cent in FY24 to 11 per cent in FY27. Overheads are assumed to remain stable during the forecast period at approximately 3 per cent of revenue. For the Australian CGU, assumed revenue growth is 7 per cent for FY24, 2 per cent for FY25, 4 per cent decrease for FY26, and to remain stable for FY27 and gross margin is assumed to increase from 8.6 per cent in FY24 to 9.1 per cent in FY27. Overheads are assumed to remain stable during the forecast period at approximately 6.4 per cent of revenue.

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:

	2023 £m	2022 £m
Administrative expenses	**3.8**	3.7

14 ACQUISITIONS AND DISPOSALS

SAND DUNES BUILDING MATERIALS TRADING LLC.

On 23 November 2022, Laing O'Rourke Middle East Holdings Limited (the Group's 100 per cent owned subsidiary) disposed of its joint venture, Sand Dunes Building Materials Trading LLC. upon liquidation. This resulted in a loss of £2.4m in the entity, £nil at Group level.

DISSOLUTIONS

Maravale Investments (UK) Limited and Strongforce Engineering Limited dissolved on 30 August 2022.

Canal Harbour Development Company Limited dissolved on 9 January 2023.

Sundera Holdings Limited dissolved on 8 July 2023.

PRIOR YEAR

CANAL HARBOUR DEVELOPMENT COMPANY LIMITED

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

CROWN HOUSE FACILITIES MANAGEMENT UAE LLC.

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

CROWN HOUSE SECURITY UAE LLC.

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

14 ACQUISITIONS AND DISPOSALS (CONTINUED)

JURIS PARTNERSHIP

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

15 INVESTMENTS IN SUBSIDIARIES

Company	Subsidiary Undertakings Shares £m
Cost	
At 1 April 2021 and 2022 and 31 March 2023	**494.9**
Impairment	
At 1 April 2021 and 2022 and 31 March 2023	**(16.0)**
Net book value	
At 31 March 2023	**478.9**
At 31 March 2022	478.9

The directors believe that the carrying value of the individual investments is supported by their underlying net assets or their forecast cash flow for future years. The impairment relates to provision for diminution in value of subsidiary undertakings with respect to their net asset position and forecast cash flows at 31 March 2023.

All of the subsidiary companies have been included in the consolidated financial statements. The details of the directly held subsidiaries, all of which are unlisted, are as follows:

Name	Country of incorporation	Principal activities	2023 holding %	2022 holding %	2023 GBP £	2022 GBP £
Laing O'Rourke Australia Holdings Limited	Jersey	Holding of investments	100	100	**82,364,715**	82,364,715
Laing O'Rourke India Holdings Limited	Jersey	Holding of investments	100	100	**272,140**	272,140
Laing O'Rourke Insurance Limited	Guernsey	Underwriting insurance	100	100	**25,000,000**	25,000,000
Laing O'Rourke Ireland Holdings Limited	Jersey	Holding of investments	100	100	**1**	1
Laing O'Rourke Middle East Holdings Limited	Jersey	Holding of investments	100	100	**5,768,101**	5,768,101
Laing O'Rourke Treasury Limited	Jersey	Financing	100	100	**21,609,379**	21,609,379
O'Rourke Investments Holdings (UK) Limited	UK	Holding of investments	100	100	**185,675,073**	185,675,073
Suffolk Partners (Three) Limited	British Virgin Islands	Financing	100	100	**158,225,286**	158,225,286
					478,914,695	478,914,695

16 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES AND LOANS TO JOINT VENTURES

	Joint ventures equity investments £m	Associate equity investment £m	Loans to joint ventures £m	Total £m
At 1 April 2022	**(0.7)**	**1.3**	**8.0**	**8.6**
Capital injections in equity investments	**4.2**	**–**	**–**	**4.2**
Disposal	**(0.3)**	**–**	**–**	**(0.3)**
Exchange differences	**0.5**	**–**	**–**	**0.5**
At 31 March 2023	**3.7**	**1.3**	**8.0**	**13.0**
Share of results for the year after tax	**2.8**	**(0.1)**	**–**	**2.7**
Distributions received	**(0.3)**	**–**	**–**	**(0.3)**
Net book value at 31 March 2023	**6.2**	**1.2**	**8.0**	**15.4**
At 1 April 2021	(28.0)	1.4	41.6	15.0
Acquisitions	34.4	–	(34.4)	–
Capital injections in equity investments	0.8	–	–	0.8
Fair value revaluation of financial assets	(0.7)	–	–	(0.7)
Exchange differences	(0.1)	0.1	0.8	0.8
At 31 March 2022	6.4	1.5	8.0	15.9
Share of results for the year after tax	(6.1)	(0.2)	–	(6.3)
Distributions received	(1.0)	–	–	(1.0)
Net book value at 31 March 2022	(0.7)	1.3	8.0	8.6

The Group's share of joint venture and associate equity investments and loans to joint ventures is presented above. IFRS 11 Joint Arrangements requires the following presentation adjustments:

- Where the Group has already accounted for an obligation to fund net liabilities of a joint venture or associate, this is deducted from loans made to the joint venture or associate; and
- Where the Group's obligation to fund net liabilities of a joint venture or associate exceeds the amount loaned, a provision is recorded (see note 25).

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

	2023 £m	2022 £m
Investments in joint ventures and associates	**14.1**	11.6
Loans to joint ventures	**8.0**	8.0
Provisions (note 25)	**(6.7)**	(11.0)
	15.4	8.6

The loan to joint ventures is unsecured, attracts interest at a fixed rate of 11.74 per cent, has no fixed date of repayment and is repayable on demand.

16 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES AND LOANS TO JOINT VENTURES (CONTINUED)

The principal joint ventures and associates are shown in note 38. Each joint venture and associate has share capital consisting solely of ordinary shares, which are held directly by the Group. Each joint venture and associate is a private company and there is no quoted market price available for its shares.

Set out below is the summarised financial information for the joint ventures and associates of the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and associates and not Laing O'Rourke Corporation Limited's share of these amounts. The amounts 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 2023 £m	Health Montreal Collective CJV Limited Partnership 2023 £m	Alder Hey 2023 £m	Explore Transport 2023 £m	BYLOR Services 2023 £m	Presien Holdings Pty Limited-Associate 2023 £m	Total 2023 £m
Revenue	20.6	–	2.5	78.7	429.3	(0.3)	530.8
Depreciation and amortisation	(0.2)	–	–	(7.7)	–	–	(7.9)
Other expenses	(20.5)	–	(2.1)	(64.6)	(429.3)	–	(516.5)
Operating (loss)/profit	(0.1)	–	0.4	6.4	–	(0.3)	6.4
Net finance income/(costs)	0.1	–	0.3	(1.3)	–	–	(0.9)
Profit/(loss) before tax	–	–	0.7	5.1	–	(0.3)	5.5
Tax expense	–	–	–	–	–	–	–
Profit/(loss) after tax	–	–	0.7	5.1	–	(0.3)	5.5
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income/(expense)	–	–	0.7	5.1	–	(0.3)	5.5
Dividends paid	(0.7)	–	–	–	–	–	(0.7)
Non-current assets							
Goodwill	–	–	–	–	–	0.5	0.5
Property, plant, and equipment	0.4	–	–	35.0	–	0.1	35.5
Other non-current assets	0.8	–	109.2	–	–	2.2	112.2
Current assets							
Cash and cash equivalents	4.1	1.0	18.1	4.9	17.7	1.1	46.9
Other current assets	15.1	11.5	3.1	14.4	34.2	–	78.3
Total assets	20.4	12.5	130.4	54.3	51.9	3.9	273.4
Current liabilities							
Borrowings	–	–	–	(3.2)	–	–	(3.2)
Other current liabilities	(7.3)	(25.9)	(3.3)	(11.4)	(51.9)	(0.5)	(100.3)
Non-current liabilities							
Borrowings	–	–	(120.7)	(20.8)	–	–	(141.5)
Other non-current liabilities	(1.5)	–	(5.7)	(2.8)	–	–	(10.0)
Total liabilities	(8.8)	(25.9)	(129.7)	(38.2)	(51.9)	(0.5)	(255.0)
Net assets/(liabilities)	11.6	(13.4)	0.7	16.1	–	3.4	18.4
Financial commitments	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–

Please refer to note 38 for details of the place of business for material joint ventures.

16 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES AND LOANS TO JOINT VENTURES (CONTINUED)

	Emirates Precast Construction LLC 2022 £m	Health Montreal Collective CJV Limited Partnership 2022 £m	Alder Hey 2022 £m	Explore Transport 2022 £m	Juris Partnership* 2022 £m	BYLOR Services 2022 £m	Presien Holdings Pty Limited-Associate 2022 £m	Other 2022 £m	Total 2022 £m
Revenue	14.4	–	3.8	68.9	8.5	299.6	1.5	–	396.7
Depreciation and amortisation	(0.3)	–	–	(6.4)	–	–	–	–	(6.7)
Other expenses	(14.1)	(10.7)	(8.6)	(59.0)	(8.5)	(299.6)	(2.2)	–	(402.7)
Operating profit/(loss)	–	(10.7)	(4.8)	3.5	–	–	(0.7)	–	(12.7)
Net finance income/(costs)	–	–	0.1	(0.8)	–	–	–	–	(0.7)
Profit/(loss) before tax	–	(10.7)	(4.7)	2.7	–	–	(0.7)	–	(13.4)
Tax expense	–	–	–	(0.5)	–	–	–	–	(0.5)
Profit/(loss) after tax	–	(10.7)	(4.7)	2.2	–	–	(0.7)	–	(13.9)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income/(expense)	–	(10.7)	(4.7)	2.2	–	–	(0.7)	–	(13.9)
Dividends paid	(2.4)	–	–	–	–	–	–	–	(2.4)
Non-current assets									
Goodwill	–	–	–	–	–	–	0.6	–	0.6
Property, plant, and equipment	0.6	–	–	34.2	–	–	–	–	34.8
Other non-current assets	0.7	–	114.3	–	–	–	2.6	–	117.6
Current assets									
Cash and cash equivalents	5.3	1.3	16.3	4.1	–	12.2	1.3	–	40.5
Other current assets	13.0	12.0	2.2	14.9	–	7.0	–	0.7	49.8
Total assets	19.6	13.3	132.8	53.2	–	19.2	4.5	0.7	243.3
Current liabilities									
Borrowings	–	–	–	(4.8)	–	–	–	–	(4.8)
Other current liabilities	(6.7)	(35.4)	(5.6)	(17.0)	–	(19.2)	(0.3)	–	(84.2)
Non-current liabilities									
Borrowings	–	–	(121.9)	(17.7)	–	–	–	–	(139.6)
Other non-current liabilities	(1.4)	–	(5.3)	(2.8)	–	–	–	–	(9.5)
Total liabilities	(8.1)	(35.4)	(132.8)	(42.3)	–	(19.2)	(0.3)	–	(238.1)
Net assets/(liabilities)	11.5	(22.1)	–	10.9	–	–	4.2	0.7	5.2
Financial commitments	–	–	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–	–	–

* Juris Partnership was disposed of in FY22 (see note 14).

17 PROPERTY, PLANT, AND EQUIPMENT

Group	Land and buildings[1] £m	Plant, equipment, and vehicles £m	Total £m
Cost			
At 1 April 2022	**53.4**	**211.9**	**265.3**
Additions	**1.5**	**18.5**	**20.0**
Disposals	**(1.0)**	**(16.6)**	**(17.6)**
Transfer to right-of-use assets	**–**	**(2.2)**	**(2.2)**
Other	**0.2**	**(0.1)**	**0.1**
Exchange differences	**(0.1)**	**(3.4)**	**(3.5)**
At 31 March 2023	**54.0**	**208.1**	**262.1**
Accumulated depreciation			
At 31 March 2022	**22.8**	**135.4**	**158.2**
Depreciation charge for the year	**1.0**	**14.9**	**15.9**
Disposals	**(0.4)**	**(14.1)**	**(14.5)**
Transfer to right-of-use assets	**–**	**(6.2)**	**(6.2)**
Other	**–**	**2.7**	**2.7**
Exchange differences	**0.1**	**(1.5)**	**(1.4)**
At 31 March 2023	**23.5**	**131.2**	**154.7**
Net book value at 31 March 2023	**30.5**	**76.9**	**107.4**
Cost			
At 1 April 2021	56.4	226.3	282.7
Additions	0.4	14.2	14.6
Disposals	(4.2)	(26.7)	(30.9)
Transfer to right-of-use assets	–	(4.4)	(4.4)
Other	–	(0.5)	(0.5)
Exchange differences	0.8	3.0	3.8
At 31 March 2022	53.4	211.9	265.3
Accumulated depreciation			
At 1 April 2021	24.3	146.9	171.2
Depreciation charge for the year	2.3	13.7	16.0
Disposals	(4.2)	(23.5)	(27.7)
Transfer to right-of-use assets	–	0.2	0.2
Other	(0.1)	(3.7)	(3.8)
Exchange differences	0.5	1.8	2.3
At 31 March 2022	22.8	135.4	158.2
Net book value at 31 March 2022	30.6	76.5	107.1

1. The categories of group owner occupied land and buildings and other land and buildings disclosed in FY22 have been combined to form one new category of land and buildings.

17 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Company	Plant, equipment, and vehicles £m	Computer Hardware £m	Total £m
Cost			
At 1 April 2022	0.6	0.1	0.7
At 31 March 2023	0.6	0.1	0.7
Accumulated depreciation			
At 1 April 2022	0.1	0.1	0.2
Depreciation charge for the year	0.1	–	0.1
At 31 March 2023	0.2	0.1	0.3
Net book value at 31 March 2023	**0.4**	**–**	**0.4**

	Plant, equipment, and vehicles £m	Computer Hardware £m	Total £m
Cost			
At 1 April 2021	0.6	0.1	0.7
At 31 March 2022	0.6	0.1	0.7
Accumulated depreciation			
At 1 April 2021	0.1	0.1	0.2
Depreciation charge for the year	–	–	–
At 31 March 2022	0.1	0.1	0.2
Net book value at 31 March 2022	0.5	–	0.5

18 RIGHT-OF-USE ASSETS

	Land and buildings £m	Plant, equipment, and vehicles £m	Total £m
Cost			
At 1 April 2022	**130.1**	**190.8**	**320.9**
Additions	**4.8**	**39.1**	**43.9**
Disposals	**(7.5)**	**(10.6)**	**(18.1)**
Transfer from property, plant, and equipment	**–**	**2.2**	**2.2**
Other movements	**3.3**	**(0.2)**	**3.1**
Exchange differences	**(2.0)**	**(0.9)**	**(2.9)**
At 31 March 2023	**128.7**	**220.4**	**349.1**
Accumulated depreciation			
At 1 April 2022	**37.5**	**60.6**	**98.1**
Depreciation charge for the year	**14.6**	**17.6**	**32.2**
Disposals	**(7.4)**	**(8.1)**	**(15.5)**
Transfer from property, plant, and equipment	**–**	**6.2**	**6.2**
Other movements	**1.4**	**(2.6)**	**(1.2)**
Exchange differences	**(1.0)**	**(0.2)**	**(1.2)**
At 31 March 2023	**45.1**	**73.5**	**118.6**
Net book value at 31 March 2023	**83.6**	**146.9**	**230.5**

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

19 CONTRACT BALANCES

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

Contract assets	£m
At 1 April 2021	306.2
Transfers from contract assets recognised at the beginning of the year to receivables	(118.7)
Performance obligations satisfied in the year that have yet to be transferred to receivables	154.4
Exceptional write down on contract assets recognised at the beginning of the year (see note 5)	(69.6)
Exchange differences	4.6
At 31 March 2022	276.9
Transfers from contract assets recognised at the beginning of the year to receivables	(166.6)
Performance obligations satisfied in the year that have yet to be transferred to receivables	297.4
Exceptional write down on contract assets recognised at the beginning of the year (see note 5)	(33.3)
Exchange differences	(1.4)
At 31 March 2023	**373.0**

Contract liabilities	£m
At 1 April 2021	(273.3)
Revenue recognised against contract liabilities at the beginning of the year	257.6
Increase due to cash received, excluding amounts recognised as revenue during the year	(315.3)
Exchange differences	(3.2)
At 31 March 2022	(334.2)
Revenue recognised against contract liabilities at the beginning of the year	310.7
Increase due to cash received, excluding amounts recognised as revenue during the year	(305.5)
Exchange differences	3.4
At 31 March 2023	**(325.6)**

	Assets 2023 £m	Assets 2022 £m	**Liabilities 2023 £m**	Liabilities 2022 £m	**Net 2023 £m**	Net 2022 £m
The ageing of contract assets/(liabilities) at the year end was:						
Less than one year	**330.9**	192.0	**(321.6)**	(331.4)	**9.3**	(139.4)
More than one year	**42.1**	84.9	**(4.0)**	(2.8)	**38.1**	82.1
	373.0	276.9	**(325.6)**	(334.2)	**47.4**	(57.3)

At 31 March 2023, contract assets include customer retentions of £53.4m (FY22: £63.0m) relating to construction contracts, of which £36.6m (FY22: £44.1m) are non-current assets. The Group manages the collection of retentions through its post-completion project monitoring procedures and contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly. The directors estimate the loss allowance on contract assets at the end of the reporting period at an amount equal to lifetime expected credit losses. None of the contract assets at the end of the reporting period are past due and, taking into account the historical default experience and future prospects in the industry, the directors consider that the impact of impairment is not material. Accordingly no expected credit loss has been recognised.

At 31 March 2023, contract liabilities includes significant financing components of £2.5m (FY22: £0.6m).

During the financial year, the Group has written down an amount included in non-current contract assets to a recoverable amount of £nil (FY22: £33.7m) in respect of a contract terminated during the 2017 financial year. Previously management deemed there to be a significant judgment and estimate around contract assets. Given the relevant balance now stands at nil, this is no longer deemed to be an area of critical estimate or judgment.

19 CONTRACT BALANCES (CONTINUED)

The impairment to the estimated recoverable amount is as a result of the refinement of the accounting assessment as the private arbitration process progresses.

This adjustment to the recoverable amount has been treated as an exceptional item recognised in revenue (see note 5). The Group adopted IFRS 15 from 1 April 2018, at which point the terminated contract referred to above was complete. At that time, the Group did not restate comparative information that had arisen under previous revenue standards (IAS 11 and IAS 18) under the practical expedient of IFRS 15 (C5(a)(ii)), which allows for completed contracts at the beginning of the earliest period presented to be excluded from the retrospective cumulative effect approach. This contract remains accounted for under IAS 11 and, as the adjustment represents a reassessment of the fair value of the revenue the Group is entitled to under the completed contract, it has been reflected in revenue.

CONTRACT FULFILMENT COSTS

The Group has no fulfilment costs within contract assets.

REMAINING PERFORMANCE OBLIGATIONS

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

	2023 £m	Restated[1] 2022 £m
Construction work in hand		
Europe Hub	**4,686.0**	4,560.4
Australia Hub	**1,888.3**	1,514.4
	6,574.3	6,074.8

Management expects that £3,502.2m (FY22: £3,111.9m[1]) in relation to contracts in place at 31 March 2023 will be recognised as revenue in the next financial year, £2,008.9m (FY22: £1,787.2m) will be recognised between 1 and 2 years and £1,063.2m (FY22: £1,175.7m) will be recognised between 2 and 5 years.

1. The construction work in hand for the Europe Hub in FY22 was restated by £443.2m from £5,003.6m to £4,560.4m, the remaining performance obligation as at 31 March 2022 has been restated by £168.1m from £3,280.0m to £3,111.9m as they had incorrectly included revenue generated from a payroll services company which does not have future performance obligations.

20 TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	**2023 £m**	2022 £m
Group		
Trade receivables	**147.6**	149.0
Less: provision for impairment of trade receivables	**(0.8)**	(1.3)
Prepayments and accrued income	**34.3**	17.4
Other receivables	**27.6**	21.6
	208.7	186.7
Amounts expected to be recovered after more than one year:		
Group		
Trade receivables	**0.3**	0.3
Other receivables	**27.5**	21.6
	27.8	21.9
Company		
Amounts owed by Group undertakings[1]	**93.8**	76.9
Total trade and other receivables – Group	**236.5**	208.6
Total trade and other receivables – Company	**93.8**	76.9

1. Amounts owed by Group undertakings are unsecured, interest-free, have no fixed date of repayment, and are repayable on demand. These amounts are not anticipated to be called due and repaid within 12 months of the year end.

Group		
Comprising		
Financial assets (note 30)	**203.0**	192.5
Other assets outside the scope of IFRS 7	**33.5**	16.1
	236.5	208.6

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2023 £m	2022 £m
Opening balance	**(1.3)**	(1.2)
Additional provisions recognised	**–**	(0.1)
Utilised during the year	**0.5**	–
Closing balance	**(0.8)**	(1.3)

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

	Carrying amount 2023 £m	**Allowance for expected credit losses 2023 £m**
Not overdue	**129.4**	**–**
0 to 3 months overdue	**5.0**	**–**
3 to 6 months overdue	**3.1**	**–**
Over 6 months overdue	**10.4**	**0.8**
	147.9	**0.8**

Based on prior experience, an assessment of the current economic environment, and a review of the financial circumstances of individual customers, the directors believe that no further credit risk provision is required in respect of trade receivables.

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

21 INVENTORIES

	2023 £m	2022 £m
Development land	**8.8**	9.6
Work in progress	**5.7**	5.4
Raw materials and consumables	**14.7**	11.1
Finished goods and goods for resale	**–**	0.1
	29.2	26.2

Development land and work in progress at 31 March 2023 includes assets to a value of £9.5m (FY22: £10.3m) expected to be consumed after more than one year which, given the nature of these assets, is considered part of the normal operating cycle. Inventories carried at net realisable value at 31 March 2023 had a carrying value of £9.1m (FY22: £9.5m).

Capitalised specific borrowing costs attributable to qualifying assets and included in development land and work in progress of £0.9m did not materially change from last year (FY22: £1.0m).

22 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash at bank and in hand	**399.1**	422.7
Short-term deposits (note 32)	**8.0**	8.0
Restricted cash	**21.0**	25.4
	428.1	456.1

Restricted cash deposits include £0.2m (FY22: £3.0m) relating to project bank accounts where amounts due to subcontractors are ringfenced but are classified as cash and cash equivalents as they are available in order to meet short-term cash commitments. Payments to subcontractors were made after the year end.

There was also £28.8m (FY22: £30.4m) of cash which is pledged as short-term collateral; this balance includes short-term bank deposits. These short-term bank deposits have a maturity of 90 days or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

23 BORROWINGS

	2023 £m	2022 £m
Amounts expected to be settled within one year:		
Group		
Bank loans	**19.9**	5.1
Lease liabilities	**48.0**	45.1
	67.9	50.2
Company		
Amounts owed to Group undertakings[1]	**202.0**	196.2
	202.0	196.2
Amounts expected to be settled after more than one year:		
Group		
Bank loans	**22.9**	24.5
Lease liabilities	**150.0**	155.1
	172.9	179.6
Total borrowings - Group	**240.8**	229.8
Total borrowings - Company	**202.0**	196.2

1. All amounts owed to Group undertakings are unsecured and repayable on demand.

Obligations under leases are secured on certain non-current assets of the Group with an original cost of £260.1m (FY22: £245.4m) and net book value of £188.1m (FY22: £177.2m).

On 19 October 2023, the Group extended the £35.0m revolving credit facility to 3 April 2026. The facility has been maintained at £35.0m through to 31 March 2025, at which point quarterly £2.5m step-downs commence, reducing the facility to £25.0m by 31 December 2025.

A £13.0m property loan was also extended to 3 April 2026.

24 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Amounts expected to be settled within one year:		
Group		
Trade payables	**193.7**	184.0
Other tax and social security	**65.7**	54.6
Other payables	**18.2**	29.8
Accruals and deferred income	**522.9**	333.1
	800.5	601.5
Company		
Other payables	**9.6**	6.3
Accruals and deferred income	**0.7**	0.8
Amounts owed to Group undertakings[1]	**20.3**	16.7
	30.6	23.8
Amounts expected to be settled after more than one year:		
Group		
Trade payables	**36.5**	21.6
Accruals and deferred income	**10.2**	13.0
	46.7	34.6
Total trade and other payables – Group	**847.2**	636.1
Total trade and other payables – Company	**30.6**	23.8
Comprising		
Group		
Financial liabilities (note 30)	**774.0**	566.2
Other liabilities outside the scope of IFRS 7	**73.2**	69.9
	847.2	636.1

1. All amounts owed to Group undertakings are unsecured, interest free, and repayable on demand

At 31 March 2023, trade payables include subcontractor retentions of £53.8m (FY22: £55.0m) relating to construction contracts, of which £36.5m (FY22: £21.5m) are non-current liabilities.

25 PROVISIONS

	Insurance technical provisions £m	Employee provisions £m	Joint venture provisions £m	Contract provisions £m	Other provisions £m	Total provisions £m
At 1 April 2022	**30.6**	**10.6**	**11.0**	**56.8**	**0.8**	**109.8**
Provisions created	**8.9**	**1.2**	**–**	**235.4**	**0.7**	**246.2**
Provisions utilised	**(4.8)**	**–**	**(4.3)**	**(29.0)**	**–**	**(38.1)**
Exchange differences	**–**	**(0.6)**	**–**	**(6.4)**	**–**	**(7.0)**
At 31 March 2023	**34.7**	**11.2**	**6.7**	**256.8**	**1.5**	**310.9**
Disclosed within:						
Current liabilities	**–**	**7.0**	**6.7**	**119.3**	**0.7**	**133.7**
Non-current liabilities	**34.7**	**4.2**	**–**	**137.5**	**0.8**	**177.2**
	34.7	**11.2**	**6.7**	**256.8**	**1.5**	**310.9**
At 1 April 2021	22.6	8.8	7.0	80.3	–	118.7
Provisions created	12.0	1.4	5.1	20.4	0.8	39.7
Provisions utilised	(4.0)	–	–	(43.9)	–	(47.9)
Acquisition of non-controlling interest	–	–	(1.1)	–	–	(1.1)
Exchange differences	–	0.4	–	–	–	0.4
At 31 March 2022	30.6	10.6	11.0	56.8	0.8	109.8
Disclosed within:						
Current liabilities	–	6.4	11.0	56.8	0.5	74.7
Non-current liabilities	30.6	4.2	–	–	0.3	35.1
	30.6	10.6	11.0	56.8	0.8	109.8

Insurance provisions relate to provisions held by the Group's captive insurer Laing O'Rourke Insurance Limited. Such provisions are held until utilised or such time as further claims are considered unlikely under the respective insurance policies. Due to the nature of the provisions for insurance claims, the timing of any potential future outflows in respect of the liabilities is uncertain, and therefore liabilities for unagreed claims are classified as non-current.

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

The Group provides in full for obligations to remedy net liabilities of jointly controlled entities in excess of amounts already loaned. At 31 March 2023 these provisions amounted to £6.7m (FY22: £11.0m) and were measured in accordance with the Group's accounting policies. Amounts provided are assessed based on judgements of contract costs, contract programmes, and maintenance liabilities and are expected to be paid within one year.

At 31 March 2023, contract provisions included liabilities across a number of legacy projects related to rectification works of £51.9m (FY22: £49.2m), which are all current. During the year, £23.5m of the liability as at 1 April 2022 was utilised for rectification works performed on legacy projects. Of these liabilities of £51.9m (FY22: £49.2m), the Group does not in all cases have access to the site to fully assess the costs of rectification and, therefore, there is no certainty as to the level of costs that will ultimately be incurred to settle them. As described further in note 2.26, these liabilities are therefore considered a key source of estimation uncertainty. Unless the timing of the rectification works is known and will occur more than 12 months after the balance sheet date, these liabilities are shown as current. Contract provisions also includes £61.2m (FY22: £7.6m) relating to onerous contract provisions.

A claims provision is provided in respect of a private arbitration which is ongoing at the end of the reporting period. This claim is in respect of a contract terminated during the 2017 financial year. An amount of £143.7m (AUD$254.5m) has been recognised within provisions. The claim is expected to be addressed in a final award expected from mid-2025. Refer to note 2.26(b) for further details.

26 DEFERRED TAX ASSETS AND LIABILITIES

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

A summary table reconciling the deferred tax assets and deferred tax liabilities in the statement of financial position to the remainder of this note is also set out below:

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

NET DEFERRED TAX POSITION AT 31 MARCH

	2023 £m	2022 £m
Deferred tax assets	**142.2**	47.0
Deferred tax liabilities	**(6.4)**	–
	135.8	47.0

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets 2023 £m	Assets 2022 £m	**Liabilities 2023 £m**	Liabilities 2022 £m	**Net 2023 £m**	Net 2022 £m
Property, plant, and equipment	**31.5**	25.3	**(40.4)**	(39.3)	**(8.9)**	(14.0)
Other temporary differences	**18.8**	24.2	**(14.7)**	(5.1)	**4.1**	19.1
Tax losses carried forward	**143.3**	43.2	**–**	–	**143.3**	43.2
Intangible assets	**–**	–	**(2.7)**	(1.3)	**(2.7)**	(1.3)
Deferred tax assets/(liabilities)	**193.6**	92.7	**(57.8)**	(45.7)	**135.8**	47.0

MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

	At 1 April 2022 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	**As at 31 March 2023 £m**
Property, plant, and equipment	(14.0)	0.4	4.7	–	**(8.9)**
Other temporary differences	19.1	(1.0)	(14.0)	–	**4.1**
Tax losses carried forward	43.2	(1.4)	101.5	–	**143.3**
Intangible assets	(1.3)	–	(1.4)	–	**(2.7)**
	47.0	(2.0)	90.8	–	**135.8**

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

The recognised deferred tax assets include £143.3m (FY22: £43.2m) which primarily relates to carried forward losses in relation to the UK operations. In the Australia Hub losses arose during the year in respect of a contract terminated during the 2017 financial year. In the Europe Hub losses arose predominantly due to a small number of contracts that became onerous during the year. The nature of contract accounting and the application of IAS 37 results in the full anticipated loss being recognised as it becomes onerous and therefore it has been recognised during FY23 on these contracts. The remaining contracts are profitable and are forecast to continue to be and the Group has concluded that these deferred tax assets will be recovered using the estimated future taxable income, which is based on the approved forecasts prepared by management. These forecasts cover future years and take into account UK tax laws that, in broad terms, restrict the offset of the carried forward tax losses to 50 per cent of the current year profits. The UK Group entities are expected to generate taxable profits in the future. The losses can be carried forward indefinitely and have no expiry date. Changes in future profits will impact the recoverability of the deferred tax assets, refer to note 2.26(f) for further detail. Current forecasts indicate that the losses will be utilised over a period of up to 15 years. Refer to note 2.26(f) and the going concern section in the consolidated management report for further detail around the forecast profitability as well as the key assumptions and areas of estimation uncertainty.

Other temporary differences relate mainly to assets in Laing O'Rourke Australia Pty Limited, where employee benefits, project accruals, and cost provisions are debited in one period but deducted against tax in another.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of the following items:	**2023 £m**	2022 £m
Tax losses	**62.8**	68.0

The Group has unrecognised deferred tax assets of £62.8m (FY22: £68.0m) relating to unused tax losses of £237.8m (FY22: £277.2m) predominantly generated from Canadian operations which are equity accounted. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. The losses can be carried forward indefinitely and have no expiry date. No deferred tax asset has been recognised in respect of these amounts as future taxable profits to utilise these losses are not considered probable.

The Group has undistributed earnings of £30.9m (FY22: £106.5m) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

27 SHARE CAPITAL AND PREMIUM

	Ordinary shares		Share capital		Share premium	
	Number of €1 shares issued 2023	Number of €1 shares issued 2022	**£'000 2023**	£'000 2022	**£m 2023**	£m 2022
At 1 April	**9,142**	9,000	**6.2**	6.1	**344.6**	286.4
Shares issued during the year	**–**	142	**–**	0.1	**–**	58.2
At 31 March	**9,142**	9,142	**6.2**	6.2	**344.6**	344.6

The authorised share capital of Laing O'Rourke Corporation Limited at 31 March 2023 was 18,000 ordinary shares of €1 each (FY22: 18,000 shares of €1 each).

On 4 October 2021 the entire shareholder loans, including accrued interest, were converted to equity, resulting in an additional 142 shares of €1 being issued during the year with a related share premium increase of £58.2m. No expenses were deducted in this transaction.

28 RECONCILIATION OF MOVEMENTS IN EQUITY

GROUP	Called-up share capital[1] £m	Share premium £m	Fair value reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings/ (accumulated losses) £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2021 as previously presented	0.0	286.4	0.7	(3.9)	(4.4)	46.2	**325.0**	0.1	**325.1**
Restatement[2]	–	–	–	–	29.3	(29.3)	**–**	–	**–**
At 1 April 2021 restated	0.0	286.4	0.7	(3.9)	24.9	16.9	**325.0**	0.1	**325.1**
Profit for the year	–	–	–	–	–	11.5	**11.5**	–	**11.5**
Other comprehensive income after tax	–	–	(0.7)	–	6.8	–	**6.1**	–	**6.1**
Total comprehensive income for the year	–	–	(0.7)	–	6.8	11.5	**17.6**	–	**17.6**
Movement relating to unwind of hedging reserve	–	–	–	3.9	–	–	**3.9**	–	**3.9**
Transactions with owners in their capacity as owners:									
Conversion of debt to equity	0.0	58.2	–	–	–	–	**58.2**	–	**58.2**
At 31 March 2022	**0.0**	**344.6**	**–**	**–**	**31.7**	**28.4**	**404.7**	**0.1**	**404.8**
Loss for the year	–	–	–	–	–	(196.5)	**(196.5)**	–	**(196.5)**
Other comprehensive expense after tax	–	–	–	–	(9.2)	–	**(9.2)**	–	**(9.2)**
Total comprehensive expense for the year	–	–	–	–	(9.2)	(196.5)	**(205.7)**	–	**(205.7)**
Dividends paid	–	–	–	–	–	–	**–**	(0.1)	**(0.1)**
At 31 March 2023	**0.0**	**344.6**	**–**	**–**	**22.5**	**(168.1)**	**199.0**	**–**	**199.0**

1. These financial statements are rounded to the nearest £100,000. Share capital of the parent company of the Group as at 31 March in both years was £6,211.
2. Management has restated the financial statements to correct a prior year error. These restatements are to recycle the foreign currency translation reserve to accumulated losses for foreign operations that were disposed of prior to FY20.

FAIR VALUE RESERVE

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

28 RECONCILIATION OF MOVEMENTS IN EQUITY (CONTINUED)

HEDGING RESERVE

The hedging reserve comprised the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that had 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/(ACCUMULATED LOSSES)

Retained earnings/(accumulated losses) relate to the proportion of net income retained by the Group less distributions.

COMPANY	Called-up share capital[1] £m	Share premium £m	Accumulated losses £m	**Total equity £m**
At 1 April 2021	0.0	286.4	(11.9)	**274.5**
Profit for the year	–	–	3.7	**3.7**
Other comprehensive income after tax	–	–	–	**–**
Total comprehensive income for the year	–	–	3.7	**3.7**
Transactions with owners in their capacity as owners:				
Conversion of debt to equity	0.0	58.2	–	**58.2**
At 31 March 2022	**0.0**	**344.6**	**(8.2)**	**336.4**
Profit for the year	–	–	4.2	**4.2**
Other comprehensive income after tax	–	–	–	**–**
Total comprehensive income for the year	–	–	4.2	**4.2**
At 31 March 2023	**0.0**	**344.6**	**(4.0)**	**340.6**

1. These financial statements are rounded to the nearest £100,000. Share capital of the Company as at 31 March in both years was £6,211.

On 4 October 2021 the entire shareholder loans, including accrued interest, were converted to equity, resulting in an additional 142 shares of €1 being issued during the year with a related share premium increase of £58.2m. No expenses were deducted in this transaction.

29 GUARANTEES AND CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 March 2023 in respect of:

GUARANTEES

	2023 £m	2022 £m
Surety bonds	**289.3**	266.8
Bank guarantees	**143.9**	99.6
	433.2	366.4

Of the above guarantees £28.6m (FY22: £30.4m) were collateralised at 31 March 2023. These guarantees may give rise to liabilities if the Group does not meet its obligations under the terms of the guarantees. No material losses are anticipated in respect of any of the above guarantees.

However, in April 2017, Laing O'Rourke Australia Construction Pty Limited commenced court proceedings against a consortium partner to restrain a call on AUD$49.4m (£26.9m) of insurance bonds in relation to the terminated contract. Following two judgments in favour of Laing O'Rourke Australia Construction Pty Limited, on 8 March 2018 Laing O'Rourke Australia Construction Pty Limited and the consortium partner reached an interim settlement of the bond dispute whereby the consortium partner agreed not to call on the bonds except in accordance with the final resolution of the contract in private arbitration. As a result of events subsequent to the balance sheet date, the consortium partner is no longer entitled to have recourse to AUD$46.2m (£24.9m) of performance bonds and is entitled to have recourse to AUD$3.2m (£1.7m) of advance payment bonds to the extent of any unpaid advance to the Group (subject to set off).

CLAIMS

The Company has subsidiaries that have a conventional contractor's liability in relation to construction and engineering contracts, including but not limited to guarantees, counter-indemnities and guarantees in respect of their share of certain contractual obligations of joint arrangements, consortia and other similar relationships. This liability includes various claims from time to time by the Group or subsidiaries against third parties or claims by third parties against the Group or its subsidiaries or joint arrangements or consortia relationships in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. While the outcome of these claims is uncertain, where it is appropriate to do so the directors believe that adequate allowance has been made within the forecasted contract provisions.

Provisions are made for the Directors' best estimate of known defects, legal claims, investigations and legal actions relating to the Group which are considered more likely than not will result in an outflow of economic benefit. If the Directors consider that an economic outflow in relation to a defect, claim, investigation or action relating to the Group is not probable, and/or consider that there is no present obligation, no provision is made. If the Directors cannot make a reliable estimate of a potential, material obligation, no provision is made but details of the claim are disclosed.

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.

30 FINANCIAL INSTRUMENTS

30.1 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 function manages the principal financial risks within policies and operating parameters approved by the Board and purchases derivative financial instruments where appropriate. Treasury is not a profit centre and does not enter into speculative transactions.

30 FINANCIAL INSTRUMENTS (CONTINUED)

30.2 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)							
	2023 GBP	**2023 EUR**	**2023 AUD**	**2023 AED**	**2023 CAD**	**2023 HKD**	**2023 Other**	**2023 Total**
Loans to joint ventures	**8.0**	**–**	**–**	**–**	**–**	**–**	**–**	**8.0**
Trade and other receivables (see note 20)	**76.2**	**–**	**80.6**	**37.8**	**7.1**	**1.3**	**–**	**203.0**
Cash and cash equivalents	**166.4**	**5.0**	**225.8**	**25.4**	**–**	**5.4**	**0.1**	**428.1**
Total financial assets	**250.6**	**5.0**	**306.4**	**63.2**	**7.1**	**6.7**	**0.1**	**639.1**
Borrowings	**(176.4)**	**–**	**(51.9)**	**(12.5)**	**–**	**–**	**–**	**(240.8)**
Trade and other payables (see note 24)	**(416.4)**	**(0.1)**	**(209.4)**	**(146.2)**	**(0.1)**	**(1.8)**	**(0.1)**	**(774.0)**
Net financial (liabilities)/assets	**(342.2)**	**4.9**	**45.1**	**(95.5)**	**7.0**	**4.9**	**–**	**(375.7)**

	Pound sterling value of equivalent currency (£m)							
	2022 GBP	2022 EUR	2022 AUD	2022 AED	2022 CAD	2022 HKD	2022 Other	2022 Total
Loans to joint ventures	8.0	–	–	–	–	–	–	8.0
Trade and other receivables (see note 20)	93.4	–	85.3	6.0	7.3	0.3	0.2	192.5
Cash and cash equivalents	199.2	3.6	207.8	21.2	–	23.7	0.6	456.1
Total financial assets	300.6	3.6	293.1	27.2	7.3	24.0	0.8	656.6
Borrowings	(177.4)	–	(52.2)	–	–	(0.2)	–	(229.8)
Trade and other payables (see note 24)	(329.5)	(0.3)	(186.4)	(41.4)	(0.1)	(8.1)	(0.4)	(566.2)
Net financial (liabilities)/assets	(206.3)	3.3	54.5	(14.2)	7.2	15.7	0.4	(139.4)

All of the total foreign currency borrowings of £64.4m (FY22: £52.4m) are used to finance overseas operations.

If the foreign exchange rates that the Group is exposed to had changed adversely by 10 per cent at the balance sheet date, the net financial (liabilities)/assets would have decreased by £3.0m (FY22: £6.1m).

At the year end the Company had no significant balances in foreign currencies.

30 FINANCIAL INSTRUMENTS (CONTINUED)

30.3 INTEREST RATE RISK

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

	Total £m	Repricing/maturity date Within one year £m	Between one and two years £m	After two years £m	Effective interest rate per cent
At 31 March 2023					
Bank loans	**42.8**	**19.9**	**15.9**	**7.0**	**4.25%**
Lease obligations	**198.0**	**48.0**	**44.2**	**105.8**	**4.04%**
	240.8	**67.9**	**60.1**	**112.8**	
At 31 March 2022					
Bank loans	29.6	5.1	19.8	4.7	4.55%
Lease obligations	200.2	45.1	38.1	117.0	4.40%
	229.8	50.2	57.9	121.7	

If interest rates on variable rate borrowings had been 1 per cent higher during the financial year, the results and equity would have reduced by £0.6m (FY22: £1.0m). This sensitivity analysis takes into account the tax impact. The Company has no external borrowings or lease obligations. It is exposed to interest rate risk in regard to one balance owed to Group undertakings of £202.0m (FY22: £196.2m) this balance attracts interest at the Bank of England base rate plus 0.5 per cent. The interest expense arising on this borrowing was £5.7m (FY22: £1.4m). If interest rate on this variable borrowings had been 1 per cent higher during the financial year, the results and equity would have reduced by £2.0m (FY22: £2.0m).

30.4 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.

On 19 October 2023 the Group refinanced its UK facilities, extending its £35.0m revolving credit facility. The new facility has three covenants related to adjusted EBITDA, minimum liquidity, and forecast liquidity. If certain of these covenants are breached this will constitute an event of default on the Group's borrowing facilities. The Group takes a proactive stance in monitoring and ensuring compliance with covenants and reporting requirements. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with the revolving credit facility, ensures that we have an adequate availability of cash when required.

Maturity of financial liabilities

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

	Trade and other payables £m	Bank loans £m	Leases £m	Total £m
At 31 March 2023				
Within one year	**800.5**	**20.7**	**52.9**	**874.1**
Between one and less than two years	**21.3**	**17.5**	**47.2**	**86.0**
Between two and less than five years	**19.8**	**7.9**	**74.9**	**102.6**
Five or more years	**5.6**	**–**	**33.2**	**38.8**
	847.2	**46.1**	**208.2**	**1,101.5**
At 31 March 2022				
Within one year	601.5	5.3	48.8	655.6
Between one and less than two years	22.5	21.2	43.3	87.0
Between two and less than five years	7.5	5.2	89.8	102.5
Five or more years	4.6	–	53.5	58.1
	636.1	31.7	235.4	903.2

The Company has procedures in place to minimise liquidity risk.

30 FINANCIAL INSTRUMENTS (CONTINUED)

30.5 CREDIT RISK

The Group's credit risk is the risk of financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Group's financial assets are typically trade receivables and contract assets. Contract assets relate to unbilled work in progress and have substantially the same credit risk profile as trade receivables. The £8.0m (FY22: £8.0m) loan to joint ventures is not considered a significant debt to the Group, nor considered a higher credit risk as the counterparty continues to fulfil its contractual obligations. The funding and holding of PFIs is no longer a core activity for the Group. For cash and deposits the credit rating of a financial institution will determine the amount of and duration for which funds may be deposited.

The Group will only trade with recognised, creditworthy parties, and all that wish to trade on credit terms are subject to credit verification procedures that will be completed before trade commences. Any trade receivable outstanding is monitored on an ongoing basis, at both business unit and hub level. Payment is ordinarily received before or when due from our clients, and as such the Group does not expect material credit losses to occur on these clients. This is further substantiated by past performance of the Group substantially recovering in full balances owed. The Company also does not expect any losses from non-performance by counterparties.

Included within contract assets are client retentions contractually due post-completion, which can be due in more than one year due to the size and nature of projects. Procedures are in place to monitor project performance to identify any potential non-payment. Prompt action will be taken by management to reduce the risk of non-payment, but often this is an operational issue rather than determined as a credit risk.

The Group applies the simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. At 31 March 2023, management have estimated an allowance for expected credit loss based on experience of past default and the current and future economic environment. Specific trade receivables are provided for if management become aware of a credit risk. There has not been a significant increase of the credit risk since the financial assets have been recognised. A debt is only written off once all avenues to collect have been exhausted, and there is no reasonable expectation of recovery.

30.6 FAIR VALUES

The fair value movements on held to collect and to sell financial assets and cash flow hedges are recognised in the consolidated statement of comprehensive income. There has been no change (FY22: £2.6m loss) in financial assets held to collect and to sell in relation to PFI investments in joint ventures in the year.

The carrying and fair values of the Group's financial instruments at 31 March 2023 and 31 March 2022 are as follows:

	Fair value 2023 £m	**Carrying amount 2023 £m**	Fair value 2022 £m	Carrying amount 2022 £m
Financial assets measured at amortised cost	**639.1**	**639.1**	656.6	656.6
Financial liabilities measured at amortised cost	**(1,014.8)**	**(1,014.8)**	(796.0)	(796.0)

The carrying and fair values of the Group's and Company's financial instruments were not materially different at 31 March 2023 as the impact of discounting on fixed term borrowings is not significant.

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

30.7 CAPITAL RISK MANAGEMENT

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company'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 and Company 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 manage on both a short-term and a long-term basis. Performance against forecasts is also reviewed and analysed to ensure the Group efficiently manages its net funds/debt position.

Net cash is calculated as cash and cash equivalents less total borrowings but excluding bank arrangement fees and the impact of IFRS 16 Leases (including 'current and non-current borrowings' as shown in the consolidated statement of financial position).

At 31 March 2023 the Group had net cash of £286.3m (FY22: £339.1m); see note 37.

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

31 ALTERNATIVE PERFORMANCE MEASURES

The Group presents certain measures of financial performance and position in the consolidated financial statements that are not defined or specified according to IFRS, in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management and the Board.

The APMs used by the Group are described below, together with a reference to their use and, where not already provided, a reconciliation to the relevant IFRS information.

APM description and purpose	Note reference	Closest IFRS measure
Managed revenue Total revenue, including share of joint ventures' and associates' revenue and inter-segment revenue. This is primarily used at the segment level to measure the total income of all the activities in the segment, regardless of ownership or intercompany relationship. The reconciliation to revenue is shown in note 4.	Note 4	Revenue
Total revenue including share of joint ventures and associates This is used primarily at the Group level to assess revenue earned from third-party customers, including by joint ventures and associates. The reconciliation to revenue is shown in note 4.	Note 4	Revenue
EBITDA post exceptional items This is equal to profit/(loss) from operations as disclosed in the income statement before depreciation and amortisation of tangible and intangible assets. The reconciliation to profit/(loss) from operations is shown in note 4.	Note 4	
EBIT pre exceptional items This is another term for profit/(loss) from operations before exceptionals as disclosed in the income statement. Exceptional items, as disclosed in note 5, are excluded. The reconciliation to profit/(loss) from operations is shown in note 4.	Note 4	
EBITDA pre exceptional items This is equal to profit/(loss) from operations as disclosed in the income statement before depreciation and amortisation of tangible and intangible assets. Exceptional items, as disclosed in note 5, are excluded. The reconciliation to profit/(loss) from operations is shown in note 4.	Note 4	
Net cash This is a measure of the overall liquidity position of the business at the statement of financial position date. It is equal to cash and cash equivalents less borrowings, excluding bank arrangement fees and the impact of adopting IFRS 16 Leases.	Note 37	

	FY23 £m	FY22 £m
Cash and cash equivalents (see statement of financial position)	**428.1**	456.1
Current borrowings (see statement of financial position)	**(67.9)**	(50.2)
Non-current borrowings (see statement of financial position)	**(172.9)**	(179.6)
Less impact of IFRS 16 Leases	**99.0**	112.8
Net cash (see note 37)	**286.3**	339.1

32 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 £28.6m (FY22: £30.4m).

As part of the Group's management of its insurable risks, a proportion of this risk is managed through self-insurance programmes operated by its captive insurance subsidiary company, Laing O'Rourke Insurance Limited. This company is a wholly owned subsidiary of the Group and premiums paid are held to meet future claims. The cash balances held by Laing O'Rourke Insurance Limited are reported within cash and cash equivalents. As is usual practice for captive insurance companies, some of the cash is used as collateral against contingent liabilities, and standby letters of credit to the value of £8.0m (FY22: £8.0m) 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 (FY22: £nil).

33 FINANCIAL AND CAPITAL COMMITMENTS

Capital expenditure for property, plant, and equipment authorised and contracted for which has not been provided for in the consolidated financial statements amounted to £15.3m (FY22: £21.0m) in the Group.

34 RELATED PARTY TRANSACTIONS AND BALANCES

IDENTITY OF RELATED PARTIES

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

GROUP

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

SALE OF GOODS AND SERVICES PROVIDED TO RELATED PARTIES

	2023		2022[1]	
	Income earned in year £m	**Receivable at year end £m**	Income earned in year £m	Receivable at year end £m
Joint ventures				
Alder Hey SPV (interest on subordinated debt)	**1.1**	**8.0**	–	8.0
BYLOR Services Limited (payroll services)[1]	**0.2**	**–**	0.1	–
Explore Transport Limited (IT cost)	**0.2**	**0.1**	1.0	0.5
Related parties				
Oisin Aviation (Jersey) LP (employment and office cost)	**0.2**	**–**	0.3	–
Oisin Capital Limited (office and admin cost)	**0.4**	**–**	0.2	0.1
Suffolk Partners Corporation (interest on loan)	**1.1**	**22.2**	1.2	21.1

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2023		2022[1]	
	Expenses paid in year £m	**Payable at year end £m**	Expenses paid in year £m	Payables at year end £m
Joint ventures				
BYLOR Services Limited (employment cost)[1]	**210.8**	**–**	146.1	–
Emirates PreCast Construction LLC (concrete products)	**1.4**	**1.0**	0.3	0.7
Explore Transport Limited (transport and plant hire)	**55.2**	**4.9**	46.7	4.8
Related parties				
Mark Holding and Finance Limited (leased premises)	**1.8**	**0.5**	1.8	0.1
Oisin Aviation (IOM) LP (aviation cost)	**0.1**	**–**	0.1	–
Oisin Aviation (Jersey) LP (aviation cost)	**0.3**	**–**	0.1	–
Steetley Investments Limited (leased premises)	**6.1**	**2.0**	6.1	0.2

1. Related party transactions for FY22 have been represented in the table above. FY22 income earned and receivable at year end in relation to joint ventures has been decreased by £7.9m and decreased by £0.8m respectively, due to incorrect disclosure in the prior year. FY22 expenses paid in the year to joint ventures has been increased by £146.1m due to omission of cost related to payroll in the prior year. This has been represented and restated in the table above.

These restatements have no impact on the Group's profit/(loss), net asset position, or net cash flows in the current or prior financial year.

34 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The related parties receivables and payables are not secured and no guarantees were received in respect thereof. All will be settled in accordance with normal credit terms. Amounts due to and from joint ventures and associates at 31 March 2023 are disclosed within investments in joint ventures and associates, trade and other receivables, and trade and other payables in notes 16, 20, and 24 respectively. No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

Alder Hey (Special Purpose Vehicle) Limited, BYLOR Services Limited, Emirates PreCast Construction LLC and Explore Transport Limited are related parties by virtue of the fact that they are joint venture undertakings of the Laing O'Rourke Corporation Group.

In both years all invoices from Mark Holding and Finance Limited and Steetley Investments Limited were paid to Ebsworth Holding and Finance Limited. During the year the interests in Mark Holding and Finance Limited, Steetley Investments Limited and Ebsworth Holding and Finance Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke.

The limited partners of Oisin Aviation (IOM) LP and Oisin Aviation (Jersey) LP were R G O'Rourke KBE and H D O'Rourke. The interests in Oisin Capital Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke.

R G O'Rourke KBE and H D O'Rourke are beneficiaries of the trust which ultimately owns Suffolk Partners Corporation.

DIRECTORS' REMUNERATION

During the year the total remuneration of the directors was £7.9m (FY22: £5.2m) of which pension costs amounted to £nil (FY22: £nil); see note 7.

TRANSACTIONS WITH DIRECTORS

H D O'Rourke employed the Group to provide stonemasonry services; for a project which is complete at 31 March 2023. For these services £0.1m (FY22: £0.1m) was recognised as revenue. The balance outstanding at the year end was £nil (FY22: £nil). No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into. The contract was based on normal commercial terms.

In the year ended 31 March 2022, D J McGeeney, Director, Infrastructure employed the Group to provide stonemasonry services, and £0.1m was recognised as revenue for these services and £13,700 was outstanding as at 31 March 2022 but was paid during the year ended 31 March 2023. No further work was conducted for D J McGeeney during the year.

35 ULTIMATE PARENT COMPANY

R G O'Rourke KBE holds 64.2 per cent of the shares of Laing O'Rourke Corporation Limited and H D O'Rourke holds 35.8 per cent. The immediate and ultimate controlling party of Laing O'Rourke Corporation Limited is R G O'Rourke KBE by virtue of his majority shareholding (64.2 per cent).

36 POST BALANCE SHEET REVIEW

The Group has in place an unsecured revolving credit facility with HSBC for £35.0m. The loan had an initial expiry date of 3 October 2023, which was extended to 3 April 2024 during FY23 and further to 3 April 2026 since the year end. As part of the extension, covenants related to interest cover and net debt to EBITDA were replaced by an adjusted EBITDA covenant, and the minimum liquidity covenant was amended to include three forecast month-end periods. The facility has been maintained at £35.0m through to 31 March 2025, at which point quarterly £2.5m step-downs commence, reducing the facility to £25.0m by 31 December 2025. .

37 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Liabilities from financing activities					
	Borrowings £m	Bank arrangement fees £m	Leases £m	Sub-total £m	Cash and cash equivalents £m	Net cash £m
As at 1 April 2021	(245.7)	30.8	(45.6)	(260.5)	536.6	276.1
Cash flow	(6.5)	–	–	(6.5)	97.4	90.9
New lease arrangements	–	–	(90.7)	(90.7)	–	(90.7)
Repayments	168.1	(30.8)	48.9	186.2	(186.2)	–
Conversion of debt to equity	58.3	–	–	58.3	–	58.3
Exchange differences	(1.3)	–	(1.3)	(2.6)	8.3	5.7
Impact of IFRS 16 at 31 March 2021	–	–	(105.2)	(105.2)	–	(105.2)
Impact of IFRS 16 at 31 March 2022	–	–	112.8	112.8	–	112.8
Other changes	(2.6)	–	(6.2)	(8.8)	–	(8.8)
As at 31 March 2022	(29.7)	–	(87.3)	(117.0)	456.1	339.1
Cash flow	**(7.3)**	**–**	**–**	**(7.3)**	**37.9**	**30.6**
New lease arrangements	**–**	**–**	**(48.3)**	**(48.3)**	**–**	**(48.3)**
Repayments**	**5.7**	**–**	**50.8**	**56.5**	**(56.5)**	**–**
Exchange differences	**1.0**	**–**	**1.7**	**2.7**	**(9.4)**	**(6.7)**
Impact of IFRS 16 at 31 March 2022	**–**	**–**	**(112.8)**	**(112.8)**	**–**	**(112.8)**
Impact of IFRS 16 at 31 March 2023	**–**	**–**	**99.0**	**99.0**	**–**	**99.0**
Other changes*	**(12.5)**	**–**	**(2.1)**	**(14.6)**	**–**	**(14.6)**
As at 31 March 2023	**(42.8)**	**–**	**(99.0)**	**(141.8)**	**428.1**	**286.3**

* Other changes include non-cash adjustments relating to lease liabilities and borrowings.

** Repayments is net of £8.7m interest (FY22: £7.2m).

The Group defines net cash as cash less debt, but excluding bank arrangement fees and the impact of adopting IFRS 16.

38 PRINCIPAL SUBSIDIARIES, JOINT ARRANGEMENTS, AND ASSOCIATES

Principal subsidiaries	Principal activity	Group interest in ordinary voting shares	Principal place of business
Crown House Technologies Limited	Mechanical and electrical contracting	100%	United Kingdom
Explore 2050 Engineering Limited	Civil and structural engineering, piling, and demolition	100%	United Kingdom
Explore 2050 Manufacturing Limited	Manufacture of construction products	100%	United Kingdom
Explore Investments Australia Pty Limited	Property development	100%	Australia
Laing O'Rourke Court Investments Pty Limited	Holding company	100%	Australia
Laing O'Rourke Australia Construction Pty Limited	Building contracting, civil engineering, infrastructure, and plant hire	100%	Australia
Laing O'Rourke Australia Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Australia Group Pty Limited	Holding company	100%	Australia
Laing O'Rourke Canada Limited	Building contracting	100%	Canada
Laing O'Rourke Delivery Limited	Building contracting, civil engineering, and infrastructure	100%	United Kingdom
Laing O'Rourke Construction Hong Kong Limited	Building contracting, civil engineering, and infrastructure	100%	Hong Kong
Laing O'Rourke Holdings Limited	Holding company	100%	United Kingdom
Laing O'Rourke India Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Infrastructure Limited	Civil engineering and infrastructure	100%	United Kingdom
Laing O'Rourke Ireland Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Middle East Holdings Limited	Building contracting and civil engineering	100%	Jersey
Laing O'Rourke Plc	Holding company	100%	United Kingdom
Laing O'Rourke Services Limited	Service company	100%	United Kingdom
Laing O'Rourke Treasury Limited	Treasury company	100%	Jersey
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

38 PRINCIPAL SUBSIDIARIES, JOINT ARRANGEMENTS, AND ASSOCIATES (CONTINUED)

Joint ventures	Principal activity	Group ownership interest	Principal place of business
Alder Hey (Special Purpose Vehicle) Limited	PFI accommodation operator hospital	40%	United Kingdom
BYLOR Services Limited	Service company	50%	United Kingdom
CLM Delivery Partner Limited	Non-trading	37.5%	United Kingdom
Emirates Precast Construction LLC	Manufacture of precast concrete	40%	United Arab Emirates
Explore Transport Limited	Freight transport by road	50%	United Kingdom
Health Montreal Collective CJV Limited Partnership	Building and civil engineering	50%	Canada
9231 – 9243 Quebec Inc	PFI accommodation operator hospital	50%	Canada

Emirates Precast Construction LLC and Alder Hey SPV Limited have a year end of 31 March. BYLOR Services Limited, CLM Delivery Partner Limited and Explore Transport Limited have a 31 December year end. Health Montreal Collective CJV Limited Partnership and 9231 – 9243 Quebec Inc have a 30 April year end.

Associates	Principal activity	Group ownership interest	Principal place of business
Presien Holdings Pty Limited	Technology development	26%	Australia

Joint operations	Principal activity	Group ownership interest	Principal place of business
BYLOR	Civil engineering	50%	United Kingdom
Darlington JV	Civil engineering	50%	Australia
East West Alliance	Civil engineering	33%	United Kingdom
Flinders Link JV	Civil engineering	50%	Australia
FLO – Northern Line	Civil engineering	50%	United Kingdom
FLO – Thames Tideway Tunnel	Civil engineering	50%	United Kingdom
Great Northern Connect JV	Civil engineering	50%	Australia
JHLORJV – SSJ	Civil engineering	50%	Australia
LM	Civil engineering	50%	United Kingdom
M-Pact Manchester	Civil engineering	60%	United Kingdom
North East Program Alliance JV	Civil engineering	50%	Australia
Pacific Complete JV	Civil engineering	60%	Australia

The registered address of those registered in Jersey is Level 4, International Finance Centre 1, St Helier, Jersey JE2 3BX.

The registered address of those registered in United Kingdom is Bridge Place, Anchor Boulevard, Admirals Park, Dartford, Kent, UK DA2 6SN except Alder Hey (Special Purpose Vehicle) Limited, whose registered address is 1 Kingsway, London, UK WC2 6AN.

The registered address of those registered in Australia is Level 21, 100 Mount Street, North Sydney, NSW 2060, Australia.

The registered address of those registered in the Republic of Ireland is 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland.

The registered address of Emirates Precast Construction LLC is Emirates Precast Construction LLC, P.O. Box 10062, Jebel Ali Industrial Area 2, Dubai, U.A.E.

The registered address of Suffolk Partners Three Limited is Trident Chambers, P.O. Box 146, Road Town, Tortola, VG1110, British Virgin Islands.

The registered address of those registered in Hong Kong is RM905, 625 King's Road, Quarry Bay, Hong Kong.

The registered address of those registered in Canada is 1031 Saint-Denis street, Montreal, Quebec, Canada.

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