ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

CHAIRMAN'S STATEMENT

I write this at the end of an extraordinary financial year. In my long career I have witnessed nothing to rival it, and it gives me pride and confidence about the future that this business – thanks to its truly remarkable people – has weathered the worst of the storm around us and delivered a third consecutive year of solid profitability and higher net cash.

Our resilience and ability to perform under pressure has continued to grow, and now with the execution of a new financial foundation from October 2021, we will see the Group's capability and capacity truly unlocked.

Weathering the storm

Our executive team is firmly focused on the right priorities, having delivered a demonstration of agile, visible, and felt leadership during FY21. When the pandemic struck and global lockdowns began in late March 2020, we were just a week away from the start of this financial reporting period, making what was achieved in the year that followed even more remarkable.

Difficult decisions were made swiftly, guided by two simple priorities: protecting our people and maintaining safe and secure operations.

Of course, we were not completely unaffected. In the UK, four major projects – all in constrained city centre locations – were suspended and the related slowdowns did impact revenues and cashflow.

Our decision to implement temporary pay reductions for all UK salaried staff, excluding our construction workforce, and other 'self-help' measures were not taken lightly. Such action enabled us to build resilience through the early months of the crisis and we were able to restore full pay and bring people out of furlough in the UK in August 2020, sooner than anticipated. We are indebted to our people for the good grace with which they supported our decisions and for their unwavering focus on continuing to deliver the nation's vital health, education, transport and energy priorities through the pandemic. This will not be forgotten.

We are now in a strong position to grow and play an active role in the economic recovery of the countries in which we operate. While at the time of writing, Australia is managing the impact of the Delta variant of Covid-19, we believe our experience in the UK is helping us to make the right decisions to ensure safe and productive works continue wherever possible.

Rebuilding the balance sheet

In publishing these accounts, we can announce, under the guidance of CEO Ray O'Rourke and CFO Rowan Baker, that we have formally ended the complex consortia refinancing arrangements entered into in 2016 – and embarked on a single-bank arrangement with our long-time supporter HSBC.

This was made possible by the group executives' tireless efforts to reduce overall debt – retiring a further £56m of core debt and fees in FY21 and subsequent to the year end, reducing its bank debt by a further £126m. Unlocking and improving these restrictive financial terms and conditions from the previous instruments has also allowed Laing O'Rourke to again make use of appropriate group cash management, removing the absolute cash separation between the UK and Australia.

The shareholders' confidence in the performance and trajectory of the business is demonstrated by c.£58m in additional equity injected into the balance sheet via the conversion of all shareholder loans to equity post year end. This has decreased the debt-to-equity ratio by c.25%.

The successful execution of our new refinancing arrangement has been achieved while making all planned payments to our previous financiers on schedule and meeting all covenants and commitments – the Group again delivering to its stakeholders ahead of plan.

Performance outlook

Group performance to date in the current trading year is ahead of plan, and its FY22 full year forecast remains in line with management's expectations. At 31 March 2021, the Group order book is £7.9bn of which 93% is secured and anticipated. This represents c.three years' revenue, and I still believe the industry probably has the best opportunities ahead of it that it has had for the last 50 years.

Governments in both our operating hubs have placed construction at the heart of their economic recovery plans and have committed to substantial infrastructure investment. Relationships with our public sector partners have never been stronger. There has undoubtedly been a surge of interest in how modern methods of construction (MMC) can transform productivity and deliver faster to facilitate 'building back better'. For us this will also be greener, safer, and with more inclusivity.

A responsible contractor

I am particularly pleased to note the business's excellent progress on all aspects of ESG – Environmental, Social and Governance.

This important work has the full support of the Board, which has worked with the leadership team to set ambitious environmental targets, which include reaching operational net zero by 2030 and becoming a net zero business before 2050. To support the Board and executive with this essential work, we recruited Samantha Hoe-Richardson, an experienced Non-Executive Director, as an adviser on climate change, and we also strengthened our sustainability functional management. With academic partners, and co-funding from the UK Government, we are exploring ways to reduce the embodied carbon in manufactured concrete components, and our technical team continue to develop progressive engineering solutions for clients.

The Board remains very supportive of the business's continued investment in its people, so that each can develop to maximum potential. Our most senior leaders' development targets have all been assessed, with two-year plans in place to close any gaps in terms of leadership skills. We retain a keen interest in the development of our younger talent too, through bespoke but stretching programmes and new investments in digital learning.

Finally, we have made significant progress in developing governance standards that align with those required of a publicly listed company. Our focus has been on improving our processes and procedures; strengthening our corporate finance controls; and, importantly, sound administration and compliance. I am happy to report these are present and continue to be enhanced and will help ensure Laing O'Rourke retains its strong central controls – led by the Board, the CEO and the executive – and all absolutely aligned with our values.

Sir John Parker GBE FREng
CHAIRMAN

GROUP CHIEF EXECUTIVE'S REVIEW

We sign off our FY21 report and accounts confident in the resilience of our operating model, grateful for the talent and loyalty of our teams, and ready to meet the challenges of the global transformation that must now occur – at pace – to protect the planet.

The financial year saw us continue to deliver against our commitments to all stakeholders, and dedicate ourselves to tackling the limiting factors of our industry; the roadblocks that still – in 2021 – shackle construction to out-of-date practices and limit productivity.

To accelerate this change, we have committed to employing equal numbers of male and female staff within the business by 2033, and introduced a new focus on the holistic wellbeing of our people and our supply chain partners. Our 'Inclusion + Wellbeing' programme is more than just health and safety risk assessments, it is the organisation's commitment to protect our people and support their sustainable high performance.

We will become an operational net zero business by 2030 (Scopes 1 and 2), and then work to achieve Scope 3 net zero status before 2050. We know we cannot do this alone and collaboration will be essential. We must move faster, and that is why we are already partnering with other innovators to invest in and develop carbon-reducing technologies, automation and new product sets that will enable engineering and construction to reduce emissions from the built environment faster.

We also continue our Trades to Technicians focus, so that more people's lives are transformed through a stimulating and rewarding career at the frontline of construction, rather than risk uncertain returns from decades of physical labour. We are professionalising core skills and will take them out of the field and into safe and inclusive controlled environments, closer to home, to attract new talent and wider demographics to the most exciting industry in the world.

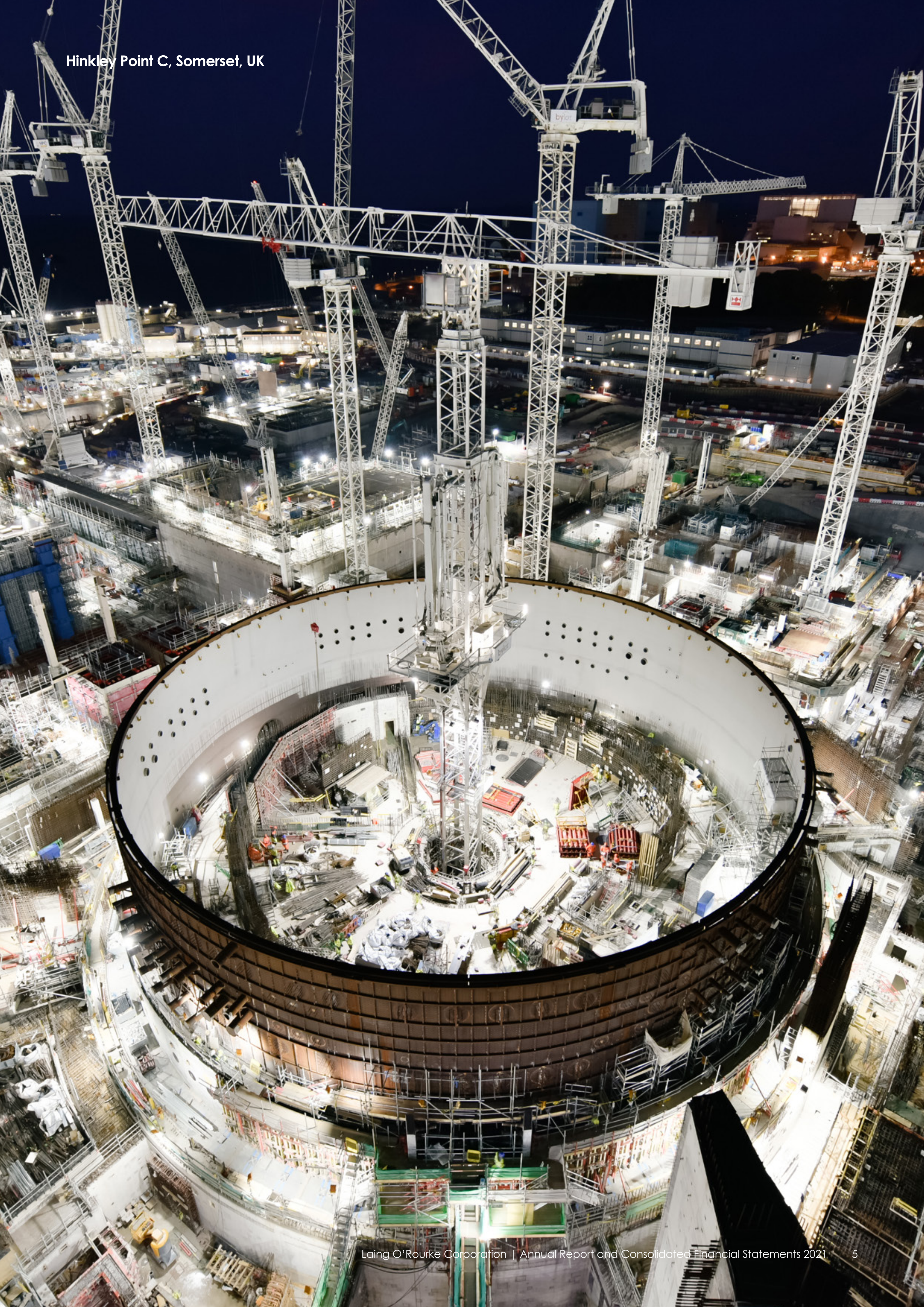
The pandemic has taught us a lot. It has enabled the mindset shift that construction needed. It would be negligent of us to not harness this appetite for change and greater responsibility, to inject maximum momentum into our sector of national strategic importance, one which can lead the economic fightback from Covid-19's impacts.

I am pleased to report the Group's reported earnings before interest and tax were £69.9m, delivering a group profit before tax of £41.4m and with an ongoing order book of £7.9bn as of 31 March 2021.

Those results are testimony to the absolute commitment of our people and the leadership team that has guided them through uncharted waters. Their dedication has been remarkable and humbling, and their achievements are impressive.

Ray O'Rourke KBE
GROUP CHIEF EXECUTIVE

Hinkley Point C, Somerset, UK



OPERATING REVIEW

OPERATING REVIEW – GROUP

In a year dominated by the far reaching impacts of the pandemic, Laing O'Rourke's people maintained focus on project delivery, securing work within priority sectors and on researching and developing transformative technologies that, in the hands of highly trained and committed people, will transform construction and deliver certainty for clients.

We have delivered a solid performance.

Success throughout the year was achieved against the backdrop of Covid-19 which required us to change every aspect of our operations to protect our people and maintain progress on our projects. At the time of publication, the UK Government has lifted the emergency legal restrictions it put in place in 2020, but cities and states within Australia are still within periods of lockdown. We will continue to monitor and follow all government guidance, and as we unlock in the UK we are proceeding with care and caution. From the outset of the crisis, the health and safety of our people has been our priority and this will remain the case.

In the UK, as the crisis impacted our national lives, we took action to build resilience into our business and protect jobs. We adapted our construction sites and manufacturing facilities to create Covid-safe environments, allowing productivity to be maintained, while those who could work from home were instructed to do so. From April to July 2020, we implemented temporary pay cuts for our salaried staff of between 20 and 30%, depending on grade and we placed 1,000 Laing O'Rourke and 1,000 Bylor staff on furlough for that same period. To build further resilience into the business we undertook a headcount reduction that saw 150 posts made redundant. Our revenues and cashflow have inevitably been impacted by Covid-19, but the implementation of mitigating measures, with management taking swift and decisive action to protect the business and the jobs it sustains, has helped us to weather the storm and begin to emerge from the pandemic in a strong position. We continue to monitor the situation in Australia and will take appropriate action, as necessary.

Adapting to different ways of working led us to accelerate trials in flexible and hybrid working and we increased our focus on supporting the wellbeing of our people, as they managed the changing dynamics of work-life balance and unique challenges like home schooling.

This year we commenced a new wellbeing initiative with a platform called Life at LOR, that brings all our wellbeing offerings into one place for the first time. We see this platform as the first stage in what will become an evolution of what it means to work in construction, helping our people thrive by living better, healthier, and more balanced lifestyles.

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

We are pleased to report another solid performance for the year and continue to work from and maintain a stable pipeline of work within our core markets.

Given the challenges of the year, it was humbling that Laing O'Rourke was recognised for the positive contributions it made. The New South Wales Government in Australia presented Laing O'Rourke with their Premier's Award for Excellence in recognition of the Bushfire Clean-up programme, while in the UK Building Magazine recognised Laing O'Rourke for our efforts in supporting the sector through the crisis naming us as one of the winners in the Proud to Help award category.

As the Group continued its mission to become the leader for innovation and excellence in the construction industry, we secured recognition for outstanding project delivery, innovation, inclusion and wellbeing. And the power of our people's achievements shone through with a number of individuals spotlighted for their successes.

For the second year running, the Toolbox Spotter, which delivers significant advances in site safety and hazard detection, secured further accolades and was recognised by the Australian Workplace Health & Safety Awards for Innovation in a Large Enterprise. The artificial intelligence technology developed by Laing O'Rourke was commercialised and sold to Presien Holdings Pty Ltd on 21 April 2020 in exchange for a 26% stake in the company Presien Holdings Pty Ltd which continues development of the technology with our Australian MD, Cathal O'Rourke, being a member of the Presien Holdings Board. With global experience in the rail sector, our UK team also secured recognition for outstanding project delivery. In the culmination of a 12-year programme of delivery for Transport for Greater Manchester, the company's Metrolink (Trafford Park Line) team picked up the British Construction Industry Award's top prize of Project of the Year, along with Transport Project of the Year and Health, Safety & Wellbeing Initiative of the Year.

With a requirement to accelerate delivery of healthcare projects and provide UK health boards and trusts with additional bed space to cope with Covid-19 demands, Laing O'Rourke's project team at The Grange University Hospital relied on digital engineering and modern methods of construction to hand ward space, 50% of the overall project, to the client a year earlier than scheduled. The team continued their delivery of the rest of the hospital, handing the entire facility to the client in November 2020, four months ahead of the original schedule. Their efforts were recognised by Construction Excellence, Wales who presented Laing O'Rourke with the Digital Construction Award and Offsite Award.

Delivering projects to clients with certainty was also recognised by the Middle East Economic Digest, when they named Khazna Data Centres in Dubai and Abu Dhabi, projects delivered by Laing O'Rourke, as winners of the Digital Infrastructure Project of the Year.

An increasingly important focus is being placed throughout the industry on wellbeing and inclusion, so it was rewarding to pick up the Nudge Foundation 2020 Employer of the Year for Indigenous Engagement, from Nudge Foundation in Western Australia. The Australian business also secured a Mental Health Matters award from the Mental Health Association, NSW in recognition of the business's 5 Ways to Wellbeing campaign. Meanwhile in the UK, Kinga Cofor, a member of our Manchester Airport Transformation team, was named as Influencer of the Year by the Royal Society for the Prevention of Accidents (RoSPA) for the work that she did towards eliminating stigma around mental health.

Further individual recognition was made when Crown House Technologies' Lawrence Nunn was awarded Engineer of the Year at the Building Controls Industry Association Awards; and early talent development saw the Australian business take top 10 positions as a graduate and internship employer in the 2020 Australian Association of Graduate Employers rankings.

It has been a challenging and rewarding year as we continue to deliver certainty through the power of experience.

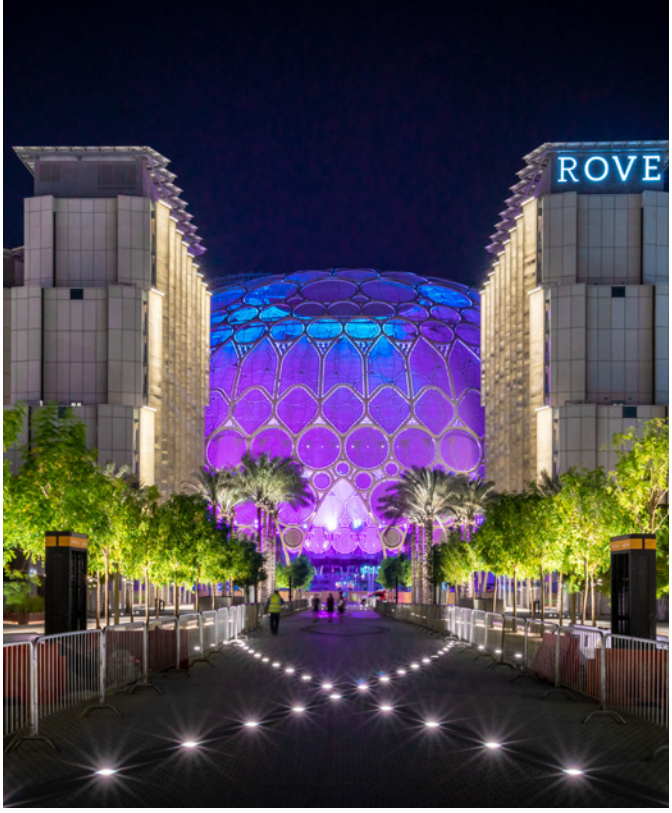
OPERATING REVIEW – EUROPE HUB

Although there were significant challenges faced by the business due to the ongoing Covid-19 pandemic, Europe delivered earnings before interest and tax of £90.3m (FY20: £75.1m).

After brief suspensions on a small number of projects at the start of the pandemic, the Hub effectively maintained operations with Covid secure measures in place at all locations throughout FY21. The UK Government quickly made clear the economic importance of construction and manufacturing remaining open and this has helped the construction sector through the crisis. Clarity around Brexit, with the transition period ending on 31 December 2020, has also proved positive. Availability and pricing of certain materials and labour continues to require active management through contract negotiations, supplier relationships and project price contingencies. Our integrated, self-delivery model also serves to ensure that any potential impact is minimised.

While the UK business has not seen a significant impact since leaving the European Union at the end of 2020, the Board continues to monitor any further future potential impact.

Expo 2020 – Al Wasl Pavilions and 'Hammerhead' Access Tunnel, Dubai



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

We are immensely proud of the work we did with the NHS. Thanks to effective organisation, innovative and scalable construction technologies, and the dedication of our teams during a time of national crisis, we were able to create additional bed-space for health trusts and boards as they prepared their own Covid-19 responses. At The Grange University Hospital in Wales, within four weeks of being asked by the client to accelerate delivery of the ward block, we successfully handed over ward space to a new hospital, providing capacity for 384 beds. We went on to deliver the entire hospital four months early. In Liverpool our teams quickly adapted their construction plans to deliver a step-down facility, the Agnes Jones Unit, providing 65 beds within the new Royal Liverpool University Hospital. Next door to the Royal, we completed the new 11-storey Clatterbridge Cancer Centre – Liverpool. Meanwhile at Brighton 3Ts Hospital, we reconfigured our construction site to provide additional space for the storage of medical equipment, helping the hospital during the preparedness stage of the crisis.

Our focus on early engagement was recognised when in December 2020 we were confirmed as a strategic supplier to the UK Government, placing us in a solid position to pursue opportunities in vital infrastructure including the delivery of new hospitals, schools, nuclear facilities and rail projects. Our selection reflects the health of our business and our strong track record of delivering using modern methods of construction.

The UAE contracting business performed well, despite the continued challenges posed by Covid-19. Work continued on Expo 2020 Dubai and Khazna Data Centre, whilst also entering into a pre-construction services agreement for a new data centre in Abu Dhabi. Our joinery business delivered for some impressive projects, including Dubai Creek Harbour and Beach Vista. The UAE business continues to benefit from the support of its lender Emirates NBD with facilities of AED562m successfully renewed on an annual basis.

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 has included all trading in the UK, Middle East and Canada.

OPERATING REVIEW – AUSTRALIA HUB

Despite the challenges and uncertainties of the last 12 months, the Australian business finished FY21 in a solid position. Our strategy, focused on deeper collaboration with our clients, supporting our supply chain and investing in our people has been critical to our success and aligned to our vision to be the recognised leader for innovation and excellence in our market.

The Australian business posted a strong managed revenue performance of AUD$1.8bn (FY20: AUD$1.3bn), a statutory EBIT of AUD$59.9m (FY20: AUD$58.0m), and a year-end cash position of AUD$414.8m, an increase of AUD$82.7m compared with FY20. These results further bolster the resilience of the business and ensure certainty for our people into the future.

We remain committed to our strategic focus in seeking out collaborative contracting models by emulating the partnership approach that drove the successful delivery of projects like the NSW Bushfire Clean-up. This disciplined focus in our priority sectors of rail, roads, defence, resources and buildings has resulted in the order book growing to AUD$2.9bn – up from AUD$2.6bn at the end of FY20.

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

The private arbitration with respect to the legacy contract which was terminated in the year ended 31 March 2017 is progressing and has been set down for hearing in tranches over mid-to-late 2022.

Our focus on collaboration and the development of a sustainable supply chain means we are well placed to assist State and Federal Governments to deliver a record AUD$200bn national infrastructure pipeline, including AUD$72bn of work on projects being fast tracked due to Covid-19.

As a business that is firmly focused on building more collaborative and constructive relationships with our clients, we have refocused our engagement activities to ensure we are aligned and speak with one voice. This year we launched Client Connect, a targeted engagement programme and an improved CRM system to power this process.

Our client-centric collaborative approach is delivering results with a number of new major city-shaping project wins in Western Australia including the AUD$700m Metronet: Morley – Ellenbrook Line in Perth, the AUD$250m Great Eastern Highway and AUD$200m Swan River Crossing for Main Roads WA.

Across Australia we have also continued to secure new work off the back of previous projects, demonstrating the trust we have built as project partner including the AUD$125m Sydney Metro Sydenham to Bankstown upgrade and our AUD$76m Transport Access Programme for Transport for NSW.

The strategic, disciplined and people-focused approach Laing O'Rourke has taken over the past 12 months has made our Australian business more resilient. We finished this year with a stronger pipeline of work, a highly engaged workforce and a plan for continued growth in the year ahead.

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

The power of our people's experience – delivering Sydney Central Station Metro

OUR BUSINESS MODEL

HOW WE CREATE VALUE

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

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

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

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

Excellence in engineering coupled with the early adoption of new technologies and a well-established people agenda that attracts and develops the very best talent to work for the Group, are central to this ambition.

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

OUR 2025 MISSION

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

OUR GUIDING PRINCIPLES

Absolute alignment

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

Complete thinking

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

Sophisticated simplicity

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

WHAT WE DELIVER

OUR CLIENT PLATFORM

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

OUR UNIQUE APPROACH

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

Design

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

Manufacture

Maximising the use of our offsite manufacturing skills and capabilities, where it is appropriate to do so, de-risks the design and delivery. We manufacture these products at our own facilities, the Laing O'Rourke Centre of Excellence for Modern Construction (CEMC) in Nottinghamshire.

Construct

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

HOW WE DELIVER

DELIVERING CERTAINTY THROUGH THE POWER OF EXPERIENCE

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

1. Excellence in engineering

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

2. Digital engineering

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

3. Design for Manufacture and Assembly, and offsite manufacturing

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

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

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

4. Direct delivery

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


THE POWER OF EXPERIENCE
LAINGOROURKE.COM
Meet Shweta and Peter.
They're part of the Laing O'Rourke healthcare team that has delivered 16 new hospitals since 2010, enabling the NHS to care for nine million people.
That's the power of experience.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES

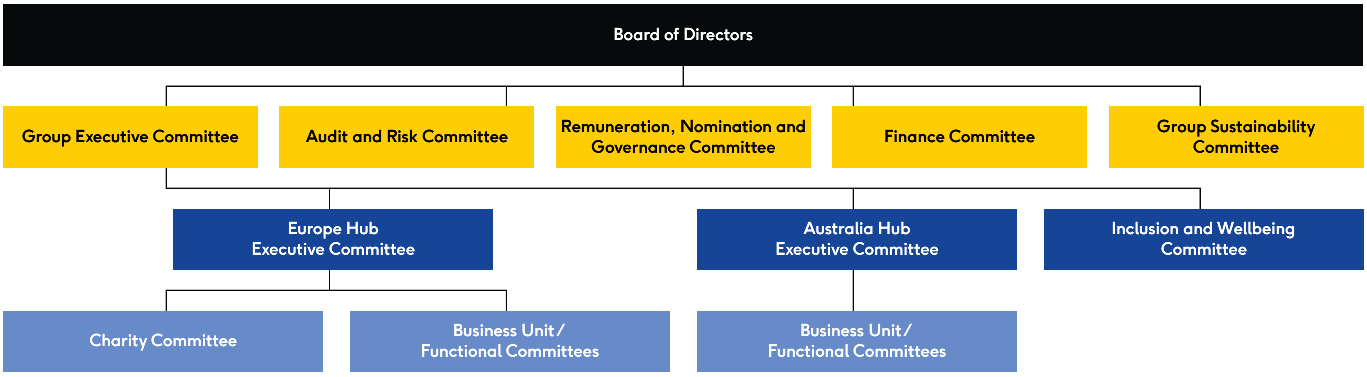
During the year ended 31 March 2021, our relevant UK companies in the Laing O'Rourke Group ('the Group') have considered the Companies (Miscellaneous Reporting) Regulations 2018 and elected to apply the Wates Corporate Governance Principles for Large Companies, as published in December 2018 (the "Wates Principles"). We reported against the Wates Principles for the first time in the financial year ended 31 March 2020 and the continuance of this reporting assists with an assessment of what has been done well and where there remains opportunity for further improvement of our corporate governance framework. It is also recognised that governance requirements and needs will evolve over time. Our ambition continues to be the achievement of best-in-class corporate governance across the Group.

GROUP CORPORATE GOVERNANCE FRAMEWORK

At Laing O'Rourke, pride is taken in what has already been achieved. Our Group Governance Framework continues to be applied across our global business and was reviewed during FY21 in line with our annual review cycle.

We take the view that good corporate governance is a cornerstone to the creation of a successful business and one that generates value for wider society. As it did for the financial year ended 31 March 2020, the Board has decided to continue to voluntarily report against the Wates Principles at a Group level in order to promote transparency and accountability.

BOARD STRUCTURE



DIRECTORS

Sir John Parker GBE FREng – Group Chairman

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

A former President of the Royal Academy of Engineering and a visiting Fellow at Oxford University, he takes a keen interest in the development of engineering technology and talent, a core value of Laing O'Rourke's global business.

Ray O'Rourke KBE – Group Chief Executive Officer

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

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

Des O'Rourke – Group Deputy Chairman

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

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

Rowan Baker – Group Chief Financial Officer

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

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

Greg Branch – Non-Executive Director
Greg joined the Board as an independent Non-Executive Director in September 2018. Greg also chairs the Audit and Risk Committee and is a member of the Finance Committee.

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

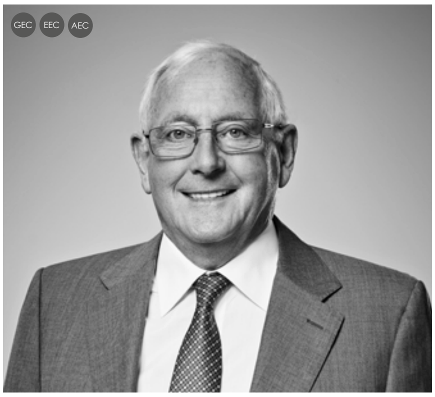
Charlotte Valeur – Non-Executive Director
Charlotte was appointed to the Board as an independent Non-Executive Director in March 2018. Charlotte has more than 30 years' experience in the financial industry and has held a range of executive and non-executive directorships in listed organisations, including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

Seamus French – Non-Executive Director
Seamus joined the Board as an independent Non-Executive Director in May 2020. Seamus is also a member of the Finance Committee.

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

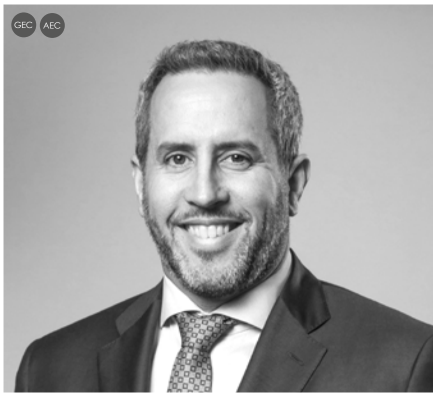
Jim Edmondson – Group Company Secretary
Jim joined the Group in January 2018. He is a solicitor of the Supreme Court of England and Wales and a former joint senior partner of a major London law firm with responsibilities for strategy, thought leadership, nurturing of client relationships and business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

GROUP EXECUTIVE COMMITTEE



Ray O'Rourke KBE,
CHIEF EXECUTIVE OFFICER

Des O'Rourke,
DEPUTY CHAIRMAN



Cathal O'Rourke,
MANAGING DIRECTOR AUSTRALIA

Rowan Baker,
CHIEF FINANCIAL OFFICER

Madeleina Loughrey-Grant,
GROUP LEGAL AND TAX DIRECTOR

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

John O'Connor,
GROUP COMMERCIAL DIRECTOR

Rebecca Hanley,
GROUP STRATEGY & TRANSFORMATION DIRECTOR

Andrew Wolstenholme OBE,
GROUP TECHNICAL DIRECTOR

Key:

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

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

Glenn Sheedy,
DIRECTOR OF STRATEGY, CLIENTS & MARKETS

Joanna Vezey,
TECHNICAL DIRECTOR

Declan McGeeney,
DIRECTOR, INFRASTRUCTURE AND SPECIALIST TRADING

Paul McNerney,
DIRECTOR, BUILDING

Barry Dye,
DIRECTOR, NUCLEAR

Mike Bufalino,
GROUP CHIEF DATA & INFORMATION OFFICER

BUSINESS UNIT LEADERSHIP

Peter Lyons
BUSINESS UNIT LEADER, EXPANDED & EXPLORE MANUFACTURING

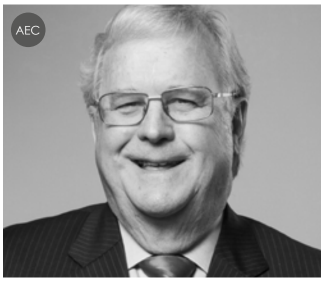
Martin Staehr
BUSINESS UNIT LEADER, CROWN HOUSE TECHNOLOGIES

Alex Warrington
BUSINESS UNIT LEADER, SELECT PLANT HIRE UK

Jason Lowe,
GENERAL MANAGER, MIDDLE EAST

Julie O'Dowd,
FINANCE DIRECTOR & DEPUTY GENERAL MANAGER, MIDDLE EAST

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



Jim Sloman,
EXECUTIVE CHAIRMAN

Paul Milne,
DIRECTOR, DELIVERY

Andy Hunter,
DIRECTOR, DELIVERY

Annabel Crookes,
DIRECTOR, LEGAL

Mark Dimmock,
DIRECTOR,
CLIENTS & MARKETS

Helen Fraser,
GENERAL MANAGER,
PEOPLE

Sarah Crennan,
TECHNICAL DIRECTOR

Simon Chatwin,
DIRECTOR, COMMERCIAL

Paul Teasdale,
DIRECTOR, FINANCE

Richard Coleman,
GENERAL MANAGER,
HEALTH, SAFETY AND
ENVIRONMENT

BUSINESS UNIT LEADERSHIP

Nathan Mitschuinig.
GENERAL MANAGER,
SELECT PLANT HIRE

SPECIALIST AND TECHNICAL APPOINTMENTS

Samantha Hoe-Richardson
BOARD ADVISER, SUSTAINABILITY & CLIMATE CHANGE

Vicky Bullivant
GROUP HEAD OF SUSTAINABILITY

Dr Kate Goodger PhD
GROUP HEAD OF HUMAN INNOVATION PERFORMANCE

Adrian Spragg
GROUP HEAD OF DIGITAL

Dushyant Shrivastava
HEAD OF DIGITAL, AUSTRALIA

Elizabeth Peters
HEAD OF DIGITAL OPERATIONS, UK

Rossella Nicolin
TECHNICAL LEADER UK, STRUCTURES

Tiffany Grimwade
TECHNICAL LEADER UK, CIVIL & GEOTECH

Andrew Dudley
HEALTHCARE DELIVERY LEADER, UK

Georgina North
OPERATIONS LEADER, AUSTRALIA

KEY MATTERS CONSIDERED BY THE LAING O'ROURKE CORPORATION LIMITED BOARD DURING THE YEAR ENDED 31 MARCH 2021 INCLUDED:

TOPIC/ACTIVITY	ACTIONS	PROGRESS
STRATEGY & SUSTAINABILITY	Reviewed strategy for transformation in Europe and Australia Hubs looking forward to 2025. Detailed analysis of market and sector strategies and how forecast growth is realised by application of innovation in the form of digital technology, the Group's vertically integrated model and modern methods of construction.	Development of a new value proposition for FY22 by engagement with stakeholders, clients and people. Regular "stock take" by the Board to monitor progress of transformation.
	Considered and approved a new sustainability strategy for the Group, incorporating environmental and diversity performance targets to support current ambitions to achieve operational net zero emissions by 2030 and 50/50 staff gender balance by 2033.	Approval to appoint a Group Head of Sustainability and to appoint sustainability "ambassadors" throughout the business. Investment in R&D and modern methods of construction to support low carbon products. Requirement for project teams to reflect the community in which they operate. Careful monitoring by the Board to maintain a realistic view of progress towards environmental and diversity targets. Details on the KPIs which have been approved by the Board and against which progress will be measured are outlined on pages 47 to 49.
	Considered and approved a new responsible decision-making (RDM) Framework for the Group as a key enabler for our transformation strategy to deliver our 'Deliver 2025' mission.	Work in both Hubs to embed responsible decision-making (RDM) in all aspects of business.
	Reviewed the appropriateness of the Group's corporate structure in context of Board and shareholders' continuing drive for simplicity.	New structure implemented for the Australia Hub to better reflect the geographical focus of operations and licensing requirements. Streamlined ownership structure for the Group implemented.
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. Details on the KPIs which have been approved by the Board and against which progress will be measured are outlined on pages 47 to 49.
	Early response to the challenges presented by the operational impact of the Covid-19 pandemic.	Programme of frequent Board and finance sub committee meetings, and in the UK, use of furlough and HMRC 'time to pay' schemes and self-help salary reductions and strict discipline on overheads.

TOPIC/ACTIVITY	ACTIONS	PROGRESS
LEADERSHIP & PEOPLE	Reviewed Board composition.	Approved appointment to the Board of Rowan Baker (CFO) and Seamus French as an additional Non-Executive Director.
	Considered succession planning for senior roles.	Succession planning continuing to evolve under the stewardship of Group Chairman Sir John Parker.
	Considered "Purpose" from an individual leadership perspective.	Executive initiatives around defining what 'purposeful leadership' looks like as the business starts to consider defining its overall 'purpose'.
	Considered need to establish additional Group roles in key areas supporting the Group's 'Deliver 2025' mission.	Appointments of Group Head of Sustainability, Group Chief Data & Information Officer, and Group Head of Risk and Internal Audit approved.
	Reviewed Executive Development Programme, a two year initiative involving some 30 executives. The purpose is to enable each executive to review personal progress aside from every-day tasks, and to enable the business to arrive at an objective analysis of bench strength in order to inform succession planning.	Excellent executive engagement assisted by professional coaching in core areas of purposeful leadership and high performance.
RISK MANAGEMENT & INTERNAL CONTROLS	Established special attention forums responsible for tracking and reporting identification and management of risks arising directly from the Covid-19 pandemic and Brexit.	Regular reporting to the Board by legal and commercial functions. Approval of the appointment of a new Head of Risk and Internal Audit, reporting directly to the Non-Executive chair of the Audit and Risk Committee.
	Approval of 'Project Certainty', a development of the Group's project operating model which places projects and people at the heart of the business and is central to the 'Deliver 2025' mission.	Introduction of 'Project Certainty' on a number of major new projects. A focus on inclusion and wellbeing and an approach called 'Engineered Safety' as central to the way in which the Group goes to work.

CORPORATE GOVERNANCE STATEMENT

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

PRINCIPLE ONE
PURPOSE AND LEADERSHIP

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

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

The Group's strategy is implemented through our 'Deliver 2025' mission, further details of which are set out on pages 9 and 10.

LAING O'ROURKE

1 CERTAINTY
Delivering quality solutions with certainty to become the first choice for clients and supply partners.

+

2 PEOPLE
Championing our people to become the best in their field

+

3 RESILIENCE
Consistently delivering resilient business performance to grow company value and invest in our future.

4 NEXT-GEN METHODS AND TECHNOLOGY
Nuturing a passion for and expertise in next-generation construction methods and technology to pave the way for a more productive industry.

+

5 RESPONSIBLE DECISION MAKING
Embedding proactive responsible decision-making to leave the industry in a better place.

The Board appreciates the importance of engagement and dialogue with its employees and wider stakeholders to communicate the Group's strategy, governance and culture. Details of how and why we engage are set out on pages 27 to 29 in our reporting against Principle six (Stakeholder Relationships and Engagement) of the Wates Principles.

The Board has spent time during the financial year considering 'purpose' from an individual leadership perspective, setting executive initiatives around defining what 'purposeful leadership' looks like as the business now starts to consider defining its overall 'purpose'. The Board is conscious of a need to share and embed the Group's 'purpose' and to use it to help drive long-term and sustainable success.

CONDUCT AND ETHICS

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

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

We have continued to develop our Group ethics and compliance programme, conducting a comprehensive compliance controls review in March 2021. Compliance improvements in the financial year focused on strengthening the controls embedded in our supplier onboarding and third party due diligence procedures and developing further the Group's modern slavery controls and how we can best incorporate meaningful KPIs into our compliance programme to better assess our progress in tackling modern slavery risks.

HIGHLIGHTS:

- Extended the UK third party due diligence process to include sources of funding for client projects – July 2020
- Strengthened the UK due diligence compliance controls within the supplier onboarding process – September 2020
- Updated the Group and UK Modern Slavery Statement – October 2020
- Reviewed membership and performance effectiveness across our Hub Compliance Committees – January to February 2021
- Established a Group Modern Slavery Sub-Committee – February 2021
- Reviewed the Europe Hub Compliance Committee performance effectiveness – February 2021
- Refreshed Europe Hub population of compliance champions – February 2021
- Reviewed and assessed Group compliance controls – March 2021
- Provided modern slavery training to UK site-based office managers – March 2021

PRINCIPLE TWO
BOARD COMPOSITION

In addition to four Executive Directors, four independent Non-Executive Directors are appointed to the Board. They help the Board to maintain objectivity and bring experience from different perspectives and challenge from outside the sectors in which the business operates.

The Board is led by Sir John Parker, independent Non-Executive Director, as Chairman of the Group. The Board further comprises the Chief Executive Officer (with a clearly defined role, separate to that of the Chairman), the Deputy Chairman, Chief Financial Officer, three further independent Non-Executive Directors and the Group Company Secretary.

The size and composition of the Board is considered to be appropriate for a business of this size and complexity, appropriate for the Group's strategic needs, challenges of the organisation and effective decision-making.

The Board delegates the day-to-day operation of the Group through a structure of executive committees (see page 12), which regularly report into the Board and provide clarity on the Group's business needs. The Group's shareholders are Board members, enabling a full understanding of shareholder interests.

The Audit and Risk Committee and the Inclusion and Wellbeing Committee are chaired by Non-Executive Directors in order to ensure independent challenge and influence across the broad range of issues for which these committees are responsible. The Board Chairman and the committee chairs promote open debate and facilitate constructive discussions. The Chairman, 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.

AUDIT AND RISK COMMITTEE

The role of the Audit and Risk Committee is to monitor the integrity of the Group's financial statements, to oversee the relationship with the external auditor including a review of independence and fees and to review the system of internal financial controls, reporting and management. For the purposes of the FY21 audit, the Committee met four times in order to review internal controls, draft financial statements, the information supplied by management on significant accounting judgments and all detail supporting the confirmation of going concern.

THE INCLUSION AND WELLBEING COMMITTEE

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

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 13 and 14).

While the Board calendar was impacted in the year by the Covid-19 pandemic, the Board aims to schedule regular visits to major projects and directors are free to request such information as they may wish on any aspect of the Group's operations. The Group provides formal training for directors and has a clear commitment to professional development. The Chairman undertakes a programme of discussion and evaluation with each member of the Board outside the forum of formal meetings.

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

The Board acknowledges a relative lack of diversity in its membership which is a common challenge across the engineering and construction sectors. Laing O'Rourke continues its aspiration to increase diversity across the business. Details of how the Group is pursuing that aspiration are set out below.

DIVERSITY

Our commitment to becoming a recognised leader of innovation and excellence within the construction industry has meant that the year has seen a number of advancements in driving diversity and creating an inclusive culture. We continue to make the link between high performing teams and diversity and psychological safety.

The Board is committed to ensuring that the Group is free of discrimination and that all employees and other stakeholders are respected and treated fairly. We have continued to embed training and develop skills both ensuring that leading teams are free from harassment and discrimination and by working in respectful ways through our Code of Conduct, our People policy and various training modules across our Europe and Australia Hubs.

DIVERSITY – CASE STUDY

Our hubs have driven development and delivery of strategies to ensure that we meet the commitments outlined in our Diversity, Equity and Inclusion Statement and that we respond to the issues raised in diversity and inclusion surveys conducted the previous year.

Our Europe Hub has established several sub-committees focused on diversity issues, each with a senior sponsor, which allows any employee to contribute to the learning and decision-making around diversity issues which are of interest to them. The groups have increased in participation and engagement throughout the year.

The Australian Hub has focussed on the recruitment of women, increasing overall female participation from 30% to 32% by the end of the financial year. The Hub has also delivered strongly against the Reconciliation Action Plan, which was established in 2019, and by the end of year had more than tripled our spend with Indigenous businesses. During FY21 our Australia Hub delivered mandatory training for all project leaders in how to become 'upstanders' and call out harassing or discriminatory behaviour.

PRINCIPLE THREE DIRECTOR RESPONSIBILITIES

The Board has approved a Group Governance Framework which was reviewed during the financial year and which sets out the responsibilities and accountabilities allocated to the Board and its committees. This forms the basis of the Board induction process for a new director. Other training is provided as identified during a director's tenure.

The Group Governance Framework provides a clear understanding of roles and responsibilities, linking to policies and procedures and delegations of authority, supporting effective decision-making and independent challenge, in turn delivering long-term value to the Group and to stakeholders. Governance processes are reviewed on a regular and ongoing basis as part of the Group's commitment to corporate governance outlined in the opening paragraphs of this report on page 12.

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

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

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

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

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

PRINCIPLE FOUR OPPORTUNITY AND RISK

The Board oversees a continuous assessment of risks affecting the Group and has in place the necessary oversight procedures for the identification and effective mitigation of risk. Set out below are some of the key controls and procedures that form part of the framework for management of the Group's principal risks identified on pages 39 to 46 under 'Risk Management'.

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

RISK AND INTERNAL AUDIT

The recently appointed Group Head of Risk and Internal Audit reports directly to the Audit and Risk Committee with a mandate that is entirely independent of the Board and the Executive Committees.

PROJECT DELEGATION OF AUTHORITY

Strong project governance is fundamental to our resilience and certainty – two of the five conditions of our 'Deliver 2025' Mission outlined on page 9 that supports the Group's strategy. The Project Delegation of Authority is approved by the Board and details the cascade of authorisations required for key project related decisions, including all project gateways, project related contracts and key supply chain approvals via a risk based approach for decision-making. A digital 'risk calculator' tool helps staff identify and assess risks and select the right delegation of authority for the decision. The aim is to maintain absolute alignment, while reserving authority at the level of the Board, Group Executive Committee and Hub Executive Committees to consider the highest risk decisions.

Due to the Covid-19 pandemic, the Australia Hub's review of the risk-based Project Delegation of Authority was delayed. The Australia Hub continues the use of a value and time-based delegation of authority until it is determined how a similar approach could be used.

PROJECT GATEWAYS

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

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

BID SETTLEMENT MEETINGS

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

iGMS

Our iGMS (integrated Group Management System) outlined on page 41 contains Laing O'Rourke's enterprise-wide management system, knowledge and information. This is the repository for all processes, procedures, technical information, general information, guidance, templates, checklists and learning, which enables people to be organised for success and provides guidance on how they should go to work. Key policies and procedures are approved or endorsed by the Board and/or its relevant committees prior to publication in iGMS.

Part of the Group's long-term strategy is to have simple and seamless structures, processes, systems and tools to enable smarter working. Through our Transformation agenda – see page 9 for further details – the Group is placing greater focus on resilience and certainty to deliver against promises encompassing quality, cost and time. To achieve this, it is necessary to embed a behaviour of delivering what has been promised and complying with core business processes.

During the financial year we continued a Group wide effort to align processes and procedures to harness best practice, achieve consistency in the way all in the business go to work and to drive continuous improvement. This included:

- the introduction of a risk-based consistent approach to our bid process;
- improved project mobilisation process that will support the successful establishment of a project in a structured and consistent manner; and
- detailed review of the procedures, guidance and templates in both Hubs that support our project gateways to ensure that all content within the iGMS is up to date and accurate.

DIGITAL

Our digital strategy remains focused on delivering value for our customers – from the way in which we envisage solutions to how we operate and deliver value, driving transparency and certainty within all our activities.

During the financial year we have focused on further developing the digital and data capabilities within the Group; bringing in the right skills, developing our people and defining the processes to deliver against a programme of work to accelerate our digital transformation.

Moving forward into FY22, we have recognised the need for a Group Digital Director (appointed in April 2021) and to have in place a talent acquisition plan, with strong digital and data capabilities and insights from different industries, to drive our strategic objectives and to deliver customer value through improved ways of working enabled by digital technologies. We have attracted talent, like finance, energy generation and mobile technologies, increasing our overall capacity to create and mobilise our plans.

In the year, we have also launched our new Data Academy to up-skill our existing people through a data analyst apprenticeship programme in partnership with Multiverse. This apprenticeship is creating deeper organisational capabilities with the aim of accelerating change through improved data analysis and delivering exciting and sustainable careers for the future with a strong emphasis on succession planning.

In March 2021 the Board approved the digital transformation programme which focuses our plans on several key initiatives such as continuing to build our global data platform and our clients and markets analytics both of which are critical to evaluating new prospects and to ensuring that our future workload aligns with our strategic objectives.

A key focus area for our Technical function is using digital technologies to deliver the right information, at the right time and to the right people. This will be achieved through our Design Partner Framework which was developed throughout 2020 and enables our internal and external design teams to deliver an integrated digital design which ensures that the engineering is complete and clash free. We are also focusing on establishing a clear pathway through our Digital Horizons to move from partial adoption of digital design tools – Horizon 1 – to fully generative and parametrised design – Horizon 3 – aligning with the requirements of modern methods of construction (MMC).

Digital will enable us to deliver the targets that underpin our approach to MMC by achieving 70:60:30 – 70% of construction components manufactured off site, 60% improvement in productivity, and a 30% improvement to the delivery schedule – and 0:0:0 – zero incident, zero defects and zero carbon.

PRINCIPLE FIVE REMUNERATION

The Remuneration, Nomination and Governance Committee, chaired by an independent Non-Executive Director has clearly defined terms of reference. Its main function is to make recommendations to the Board for the Group's remuneration structure and 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, taking into account any relevant input from the Remuneration, Nomination and Governance Committee.

The challenges noted in the Chairman's and Chief Executive's Statements constrained the ability to undertake any general review of remuneration in the year. Work has, however, been undertaken on developing the project leader bonus plan (as noted below) and on the wider question of rewarding performance throughout the business, the aim being to leverage the substantial investment in training and development. The Group takes the view that rewards based upon productivity are appropriate for all without differentiation.

GENDER PAY GAP REPORTING

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

The Group has complied with Gender Pay Gap reporting requirements in both Hubs and has taken action to ensure that systemic bias is eliminated from our processes and decision-making. Our Board is confident that our people are paid within the same salary bands for the same roles. Our gender pay gap is driven by the lower representation of women in higher paying roles.

Our succession planning, focus on participation of women in development programmes, and targets to increase recruitment of women into non-traditional roles, are all impacting positively on reducing this gender pay gap and the Board is confident that while this will take time, progress is being made. Details of how the Group is pursuing those aspirations are set out on page 23.

Over the year the outcomes of the Group project leader bonus plan have been reviewed and gender has been a key consideration in this redesign. The decision has been made to increase the number of participants in the scheme which will provide the opportunity for more women to participate in the revised plan.

A significant opportunity to enable more women to reach senior levels in our business has been through embracing flexible and dynamic working models. Our commitment to sustainable high performance provides a framework for both men and women to increase their energy and capacity through working and living in a more sustainable way. This has led to many changes in how people on projects work, thereby making the construction industry a more attractive prospect to women. This focus and our continued focus on MMC – see page 10 – all lead the Group to have confidence in the ability to bring more women into senior roles in the coming years.

PRINCIPLE SIX
STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

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

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

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR CLIENTS	We 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 the experience and capability of Laing O'Rourke to strengthen our position as a trusted adviser. We also seek early engagement with key influencers to clients including consultants and industry bodies to ensure they fully understand our capabilities and offering. Working with clients in this manner, and implementing a detailed 'strategy to win' planning process, has allowed us to demonstrate business values around innovation and excellence and the benefits of our in-house capabilities, to strengthen relationships with clients and to deliver certainty. The way in which we engage with clients is strategically planned through this process, with diversity in engagement activities such as capability workshops, site tours, presentations and events depending on the existing relationship with the client and the purpose of engagement. To address mobility restrictions during the Covid-19 pandemic, Laing O'Rourke's engagement portfolio evolved to include virtual project and factory tours, thought leadership activities and forums – all of which were held remotely while encouraging participation from clients. This approach continued to create opportunities for collaboration, learning, as well as a platform to demonstrate capability and offering during the challenging global circumstances. Interviews by independent interviewers continued to take place with clients, offering a 'live' source of feedback for how Laing O'Rourke is 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 across the project portfolio. During the year a refresh of our 2015 perception study took place to gain insight into the perspectives held about us from several key stakeholders including clients. The insights from this study confirmed the value that clients see in our approach, while informing the Board on areas for further refinement in our offering and identifying the opportunities that underpin a sustainable pipeline of work across priority sectors. The Laing O'Rourke 2025 Transformation Agenda incorporates five conditions (resilience, certainty, people, next-generation methods and technology, 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 this year endorsed by our Board and Group Executive Committee included resilience and certainty, focusing on client engagement, productivity and digital data. We updated our client engagement strategy and client relationship management processes and platforms, improving our productivity and digital data and simplifying complex business systems and models to enable the Board and our Executive Committees to consider and guide our engagement with clients and influencers throughout the lifecycle of a project, from pursuit to tender and through to delivery. Our updated client relationship management system is a centralised digital system, providing alignment across the business and delivering consistent and transparent reporting to the Board and our Executive Committees on a range of issues including client feedback, key performance indicators for engagement with clients, our performance on projects and 'lessons learnt' to upcoming opportunities.

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 hear and understand their views became more important than ever as the Covid-19 pandemic spread across the globe. The Group prioritised communication, engagement and support for our workforce through many different channels including: – Daily, weekly or monthly employee communications from senior 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 with our people through extension of our in-house media channel 'LOR Live' to remote platforms, facilitating real time Q&As with thoughts and opinions encouraged from all staff. Communication was proactive and interactive via LOR Live (monthly live broadcasts by our leadership teams), our internal social media channel on Yammer, Laing O'Rourke's intranet, weekly townhall sessions across the business and project visits (where possible) with leadership briefings. The primary focus was ensuring that all colleagues were safe on sites and in offices and that their wellbeing and mental health was being supported in the face of increased challenges in balancing work and family environments. We refreshed our annual staff engagement survey in November 2020, with strong scores recorded across both Hubs particularly regarding confidence in leadership, pride in working for Laing O'Rourke and overall staff engagement.	Managing the safety of our people was the priority for the Board and our Executive Committees as they managed the business through the particular challenges of the Covid-19 pandemic and a key factor taken into account in all operational decisions regarding access to our project sites and offices. The Board and our Executive Committees took a proactive interest in how the pandemic would impact our future ways of working, with staff surveys across both Hubs asking our people to share their experiences of working remotely and to consider how their roles could change into the future. The results of this survey were overwhelmingly positive around the support provided to our people and their desire for the business to move towards new ways of flexible and dynamic working. The Board has endorsed this approach, with pilot schemes implemented across our project and office environments. Other initiatives considered and endorsed by the Board and our Executive Committees during the financial year included: – Roll out of the Energy Project (one of the Group's wellbeing initiatives) across both Hubs with support and training; – Providing support initiatives to help those working from home, raising mental health concerns and caring for dependants; and – Provision of increased annual leave to support people balancing the challenges of working from home and the anxiety associated with the Covid-19 pandemic.
OUR SUPPLIERS	In July 2020 more than 150 suppliers attended Laing O'Rourke's virtual conference to continue to engage our UK supply chain on the Group's 'Deliver 2025' mission. This was reinforced by further communications with our supply chain throughout the Covid-19 pandemic, utilising our strategic partnerships to collaborate and mitigate the impact of the pandemic on our projects. In Australia, our supply chain engagement plan allocated internal relationship managers to each of our key supply chain partners to ensure we are building trusted relationships and providing a consistent engagement experience. A supply chain forum to mark the commencement of our supplier relationship programme was held in Sydney in March 2020, with satellite events hosted in Brisbane, Melbourne and Perth. Each event was hosted by a member of the Hub's Executive Committee and facilitated a robust conversation about the opportunities ahead. Strategic partnerships with key suppliers are further supported through the issue of joint communications, sharing supply chain best practice and collaborating with mutual stakeholders. These highlight how partnerships bring benefits to the delivery of projects and drive innovation throughout the industry.	The Board recognises that its supply chain partners will be critical in helping the Group achieve its 'Deliver 2025' mission to become the recognised leader for innovation and excellence and achieve stretching sustainability targets. Members of the Board and our Executive Committees participate in supply chain forums. Updates on significant activities and developments within our supply chain are provided to the Board and our Executive Committees and taken into account when setting or approving annual budgets, performance targets and making long term strategic decisions. Supplier payment practices are regularly reviewed and Laing O'Rourke remains a committed member of the UK's Prompt Payment Code.

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR LENDERS	The Group operates strict controls over working capital and cash management, engaging proactively on these controls with its lenders. A regular and transparent reporting dialogue is maintained with lenders, including monthly update calls and touch points, visits to projects and our manufacturing facilities, strategy and general business updates and reporting against agreed financial performance metrics.	All financial stakeholders have direct access at all times to the Chief Financial Officer, who is appointed to the Board and attends meetings of the Executive Committees. This ensures that the directors and our senior leaders are kept regularly informed of developments with our financial stakeholders and that their views are taken properly into account when making operational and strategic decisions.
OUR COMMUNITY	At a project level, 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 how we engage with the local community across our projects.	The Board approved the implementation across both Hubs of a Responsible Decision-Making Framework. This is our ethical framework underpinned by universal principles of sustainability that helps our Board, Executive Committees and our people consider our values, principles and other external factors when making complex decisions.
GOVERNMENT AND REGULATORY BODIES	Through our trade bodies, the UK's Construction Leadership Council (CLC) and Build UK, we are party to regular dialogue with officials at the Department for Business, Energy and Industrial Strategy. During the financial year, this dialogue was focused on navigating the Covid-19 pandemic, ensuring construction activity continued safely and supported national economic recovery. We also maintained dialogue with central UK government departments responsible for delivery of specific infrastructure projects, including the Department of Health and Social Care (DHSC) for hospitals and the Department for Education (DfE) for schools. We are committed to developing and maintaining open and effective working relationships with regulatory bodies relevant to our business. Where appropriate, these relationships are managed by senior leaders in our executive team.	Our regular dialogue with government and regulatory bodies ensures that the Board and our Executive Committees are briefed on the potential impact of significant developments on government policy, procurement routes and changes to laws and regulations.

COMMUNITY ENGAGEMENT – CASE STUDY

In Australia we developed our Covid-19 community response plan which has seen us donate more than AUD$270,000 across the country to help those who need it most. We wanted to support those businesses, charities and not for profit organisations that have been impacted and unable to operate and raise funds through their normal channels.

In January 2021 the Australia Hub embarked on its most sensitive community engagement project when it was awarded the contract to oversee the clean-up in New South Wales following the devastation created by the black summer bushfire season of 2019/20. Leading the largest natural disaster recovery project ever undertaken in Australia, Laing O'Rourke managed the clearance of more than 3,500 damaged properties to enable more than 4,000 people to take their first steps towards rebuilding their lives during a global pandemic.

From the outset, our team put the needs of the community at the heart of our engagement strategy and delivery plans. Mental health training was provided to the project team to ensure they were equipped with the tools required to act with empathy and remain resilient in dealing with traumatised communities.

Direct communications plans were put in place to make sure impacted property owners were provided with reliable and timely information over email, through a call centre and a dedicated website. Over the course of the project, the call centre managed more than 4,500 calls, spent more than 1,000 hours on the phone and responded to more than 40,000 emails.

The project team harnessed technologies to map and engage regional supply chains on our Pacific Highway from Woolgoolga to Ballina project, procuring more than 90 local and regional subcontractors to the clean-up task.

The project also provided critical economic stimulus to regional communities impacted by bushfires and the Covid-19 pandemic. Our local-first employment plan put more than 1,000 people to work across the state supporting recession impacted communities while providing training and up-skilling opportunities to meet the growing regional skills gap.

Woolgoolga to Ballina Pacific Highway upgrade, New South Wales, Australia

COMMUNITY AND SUSTAINABILITY

In April 2021, we announced new far-reaching global sustainability targets, in which we committed to:

- Achieve operational net zero by 2030 (scope 1 and 2 emissions);
- Become a net zero company before 2050 (including scope 3 emissions); and
- Achieve 50/50 gender balance among our 5,500 global staff by 2033.

While our net zero targets are deliberately ambitious, we can point to recent progress and ongoing initiatives that will propel us forward towards our targets and help us influence progress across the industry.

We aim to deliver an absolute reduction in Scope 1 and 2 emissions of at least 75% by 2030 – a reduction in total emissions even as the business grows. To achieve an absolute reduction in carbon emissions from our directly controlled operations, we have outlined 14 carbon abatement projects across the Group, which will be tested for impact and viability. The remaining 25% will be balanced through carbon removal activities or offsetting.

We also recognise that most of the Group's emissions relate to the carbon intensity of purchased materials and we need to move faster to reduce these emissions. It is why we have set the target of net zero for scope 3 emission by 2050 and invested heavily in new technologies and partnerships to progress and collaborate more around this important issue.

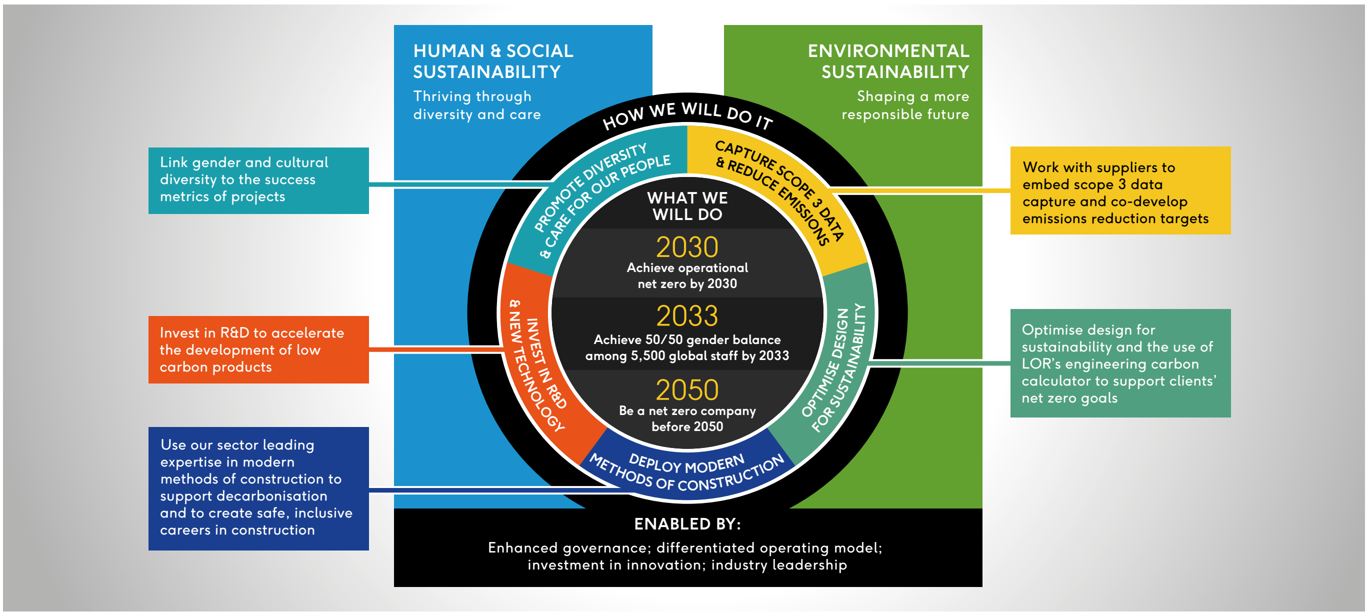
Over the last decade we have invested £200m in the Laing O'Rourke Centre of Excellence for Modern Construction (CEMC), which is the most advanced concrete products manufacturing facility in Europe. It will play a vital role in delivering the new targets by producing lower carbon precast components for more of our projects.

With co-funding from the Industrial Strategy 'Transforming Construction' Challenge, we are working with nine partners to progress a project called 'Product Based Building Solutions'. This will streamline the end-to-end project delivery process with a kit of manufactured concrete components. The project is targeting 30% operational and 50% embodied carbon reduction.

Alongside this, the company's R&D team is working on ways to decarbonise manufactured concrete products and in April 2021 as part of a consortium that also includes the University of Cambridge and the University of Sheffield's Advanced Manufacturing Research Centre, we secured a grant from the UK's Industrial Energy Transformation Fund (IETF) to part finance this work.

Our target to become a net zero company, including Scope 3 emissions, is set for 2050 at the very latest with initiatives starting today to try and exceed this target.

Our decarbonisation plan is dynamic and will evolve in response to advances in technology in our Europe and Australia Hubs. Our aim is to inspire and advocate for advanced climate action, and to accelerate change by thinking differently, innovating, and collaborating more.



So far, we have:

Established a strong governance structure

- Appointed Samantha Hoe-Richardson as an Independent Group Adviser on climate change and sustainability;
- Established a Group Sustainability Steering Committee chaired by Madeleina Loughrey-Grant, a member of the Group Executive Committee;
- Appointed a new Group Head of Sustainability, Vicky Bullivant, to lead a newly created Sustainability function;
- Established working groups to bring together the right experts across various functions in the business to identify key initiatives to drive our plans forward;
- Implemented a responsible decision-making framework across the Group to ensure we adopt outside-in thinking and prioritise sustainability considerations when making complex decisions.

Developed FY22 execution plans across both Hubs that set out the critical success factors for our net zero and gender parity ambitions

- Implemented processes to remove gender bias in the evaluation of new early talent applications, which will influence the balance of appointments in the 2021 intake;
- Became a partner of the Women's Engineering Society;
- Started to apply the learnings from the successful pilot of a Gender Diversity Action Plan in Australia, and the STEM+ schools programme that is now being delivered on construction projects in both operating Hubs;
- Invested in our DfMA-led operating model and the upskilling of our people to make Laing O'Rourke an employer of choice;
- Started to provide our people with more dynamic and flexible working options;
- Implemented our wellbeing strategy (Life at LOR) across the entire business to protect people from occupational ill health, including implementation of wellbeing lessons learned during the Covid-19 pandemic;
- Started to link gender and cultural diversity outcomes to the success metrics of projects;
- Implemented mechanisms proven to increase female participation in the business such as:
  - specific recruitment strategies targeting women;
  - a referral bonus scheme;
  - sponsorship of emerging female leaders; and
  - mandatory inclusivity training for senior and hiring managers.

By implementing these measures, our business now has 36% more female representation in senior project roles in Australia than 12 months ago.

DRIVING DOWN EMISSIONS

- We have ordered more than 1,000 hybrid and electric vehicles to replace our diesel fleet. The fleet will be fully electric by 2025;
- Commenced the installation of more electric charging points at our major facilities;
- Purchased the world's first electric crawler crane model, the Liebherr 1250, with more on order;
- Started trials of alternative fuels in existing plant and equipment in both Hubs with working groups established to drive this agenda further forward.

INDUSTRY AND SUPPLY CHAIN COLLABORATION, RESEARCH AND DEVELOPMENT

- Committed to being a Net Zero Business Champion of the CO_2nstructZERO initiative led by the Department for Business, Energy and Industrial Strategy (BEIS);
- The Australia Hub is a founding member of the Material Embodied Carbon Leaders Alliance established by WWF-Australia, to drive the reduction of embodied carbon in the building and construction industry;
- Our Head of Procurement in the Europe Hub is a Board member of the Supply Chain Sustainability School in the UK and our sustainability lead in the Australia Hub is a Board member of the Supply Chain Sustainability School in Australia. These forums aim to identify methods to up-skill the supply chain and establish new learning opportunities.

All our efforts are underpinned by an overarching priority to improve our data capture systems to better inform our strategy, focusing particularly on decarbonisation. To that effect, we've developed an internal carbon calculator aiming to drive down the embodied carbon content of projects we deliver. We will supplement this by collaborating with our supply chain partners to make carbon data available and part of a standard reporting suite.

Environment

Our UK and Australian businesses continue to be certified to the environmental management system ISO 14001 and our UK business is also certified to the energy management system ISO 50001. Together, implementation of these management standards underpinned consistently positive environmental performance and substantial energy savings (4,000 MWh reduction in the UK) made on the previous year's performance.

Robust energy management supports a wider business sustainability strategy and, in particular, aids our net zero strategy by contributing to a reduction in greenhouse gas (GHG) emissions from its own operations. The UK business has been recording carbon emissions since 2009 and has reduced absolute emissions consistently ever since, resulting in an overall reduction of 66.73% against base year 2008/09 at the last third party verification (Scope 1 and 2). The annual carbon footprint of our UK business continues to be certified to the CEMARS standard. Our Australia Hub reports Scope 1 and 2 emissions annually as part of the National Greenhouse and Energy Report Scheme in Australia.

In other areas, environmental focus continues to be on selecting responsibly sourced and sustainable materials, minimising the use of natural resources, reducing waste and maximising recycling and diversion from landfill. During the financial year, 96.7% of non-hazardous waste was diverted from landfill. Protection of biodiversity and its enhancement is another priority area – in the UK, for example, we are working to deliver a biodiversity net gain of at least 10% on our East West Rail project.

Environmental training and awareness is essential to support the Group's sustainability journey and we held a number of environmental, energy and carbon literacy events throughout the year.

Globally, we have a team of 80 professional environmental sustainability experts who support individual projects and central business activities. The team includes a variety of environmental subject matter experts and is supported by the appointments of business unit leads to ensure the environmental sustainability agenda is implemented across all parts of our business.

Recent work is also grounded on collaboration with key internal stakeholders such as the procurement and technical functions, leading to an increase in overall awareness and to inclusion of environmental considerations in all areas of the business. Laing O'Rourke continues to be an active member of the Supply Chain Sustainability School, the Green Building Council in Australia and the UK, the Infrastructure Sustainability Council of Australia and the UK's Considerate Constructors Scheme, working with industry partners to improve environmental sustainability performance across the sector.

FINANCIAL REVIEW

I am pleased to present the financial review for Laing O'Rourke. During the year ended 31 March 2021 (FY21), the Group faced unprecedented challenges as a result of the Covid-19 pandemic which predominantly affected the first four months of the year. The Group traded strongly in the second half, however, delivering an overall full year profit before tax of £41.4m (a decrease of 9.0% on the prior year of £45.5m).

GROUP FINANCIAL SUMMARY FY18 – FY21

	FY21 (£m)	FY20 (£m)	FY19 (£m)	FY18 (£m)
Group revenue	**2,503.7**	2,448.5	2,753.4	2,758.1
Profit/(loss) before tax	**41.4**	45.5	32.8	(43.6)
Net cash (note 34)	**276.1**	155.2	132.9	89.1

The key achievements can be summarised as follows:

- The Group delivered a solid performance during a challenging year, resulting in a profit before tax of £41.4m;
- The Group generated a significant net cash improvement of £120.9m and finished the year with net cash of £276.1m. This was primarily due to an increase in operating cash, driven by a £78.2m decrease in trade and other receivables compared with a relatively modest decrease in trade and other payables of £26.6m in the year;
- Group revenue has increased by 2.1% year on year, to £2.5bn;
- The UK core bank debt was repaid and refinanced on 4 October 2021, with a new unsecured Revolving Credit Facility for £35.0m put in place, with an expiry date of 3 October 2023;
- All debt has now been repaid since the year end in our Australia Hub;
- Gross margin decreased from 10.7% to 9.4% for the year ended 31 March 2021 due to the impact of Covid-19 on productivity and safeguarding costs in the Europe Hub during the year; and
- At the year end the Group had an order book of £7.9bn (FY20: £8.2bn) which represents c.three year's revenue (order book is defined as the value of work outstanding on secured, anticipated and preferred bidder contracts). Our key focus has been on converting our pipeline to secured work, which stood at £5.8bn at the year end (FY20: £4.8bn). This remains a priority for the remainder of FY22.

GROUP SUMMARY INCOME STATEMENT

	FY21 (£m)	FY20 (£m)
Revenue	**2,503.7**	2,448.5
Gross profit*	**236.5**	262.2
Gross profit %*	**9.4%**	10.7%
Pre-exceptional EBIT	**76.0**	83.6
Statutory EBIT	**69.9**	72.9
Profit before tax	**41.4**	45.5
Profit after tax	**28.4**	34.9
Net cash (note 34)	**276.1**	155.2

* Pre-exceptional

The Group's statutory EBIT declined by £3.0m to £69.9m from £72.9m in FY20.

The Group's reported performance is stated after incurring certain exceptional items; these are summarised on page 34.

In FY21, underlying performance was again impacted by an increase in costs relating to Covid-19. Four major projects – all in constrained city centre locations – were suspended as a result of the pandemic but only one site was significantly impacted by potentially irrecoverable Covid-19 costs. This was largely due to a regionally mandated extended shut down period at the start of the pandemic and high levels of required isolation periods in FY21. This led to an increase in costs recognised on the project of £14.1m. During FY21, all sites were able to remain open with additional safeguarding and Covid-compliant procedures in place.

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

EUROPE HUB FINANCIAL SUMMARY PERFORMANCE

	FY21 (£m)	FY20 (£m)
Revenue	**1,613.4**	1,807.8
Gross profit*	**144.5**	166.7
Gross profit %*	**9.0%**	9.2%
Pre-exceptional EBIT	**90.3**	77.4
Statutory EBIT	**90.3**	75.1
Profit before tax	**70.4**	55.5
Net cash	**118.0**	106.2

* Pre-exceptional

The Europe Hub gross profit has decreased by 13.3% to £144.5m mainly due to the reduction in volume caused by the Covid-19 pandemic.

UK underlying gross margin percentage has also decreased, primarily due to increased costs around safeguarding sites and reductions in productivity incurred due to Covid-19.

The Group's share of cumulative losses in Canada increased marginally by £5.5m to £214.0m. The project is nearing completion and the Group is not expecting any further material losses.

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

The Europe Hub statutory EBIT increased to £90.3m (FY20: £75.1m) despite the decrease in gross profit due to Covid-19 mitigation (salary sacrifice and furlough) and intra-Group management fees.

AUSTRALIA HUB FINANCIAL SUMMARY PERFORMANCE

	FY21 (£m)	FY20 (£m)
Revenue	**890.3**	640.5
Gross profit*	**96.3**	81.7
Gross profit %*	**10.8%**	12.8%
Pre-exceptional EBIT	**38.8**	39.9
Statutory EBIT	**32.7**	31.6
Profit before tax	**27.3**	26.6
Net cash	**189.1**	81.2

* Pre-exceptional

The Australia Hub statutory EBIT has increased by £1.1m year on year. This improvement would further increase to £10.3m, however, if prior year intra-group management fees are excluded. The underlying result for the Australia Hub's continued strong performance in FY21 is as a result of a move towards more collaborative pricing structures that have generated more stable profits and the finalisation of certain projects during FY20. The underlying growth in FY21 compared to FY20 was mainly driven by the NSW Bushfires Make Safe & Clean Up contract and the South East Program Alliance package of works.

COVID-19

During the year the Group received grant income of £9.5m from the UK Government's Coronavirus Job Retention scheme in order to support the business through the UK's national lockdown during the first four months of FY21. This has been netted against the related employee expense presented in administrative expenses. As an emergency measure at the beginning of the Covid-19 pandemic, staff also took a voluntary pay cut between 1 April and 31 July 2020 ranging from 20-30% depending on their pay grade. All staff returned to full pay from 1 August 2020. The Australia Hub was largely unaffected by Covid-19 during FY21.

EXCEPTIONAL ITEMS

During the year the Australia Hub incurred exceptional legal costs of £3.8m (FY20: £3.2m) in respect of material contract legal issues (EPC Cryogenic Tanks). The Australia Hub also incurred costs of £2.3m in respect of restructuring costs (FY20: £nil).

The Europe Hub incurred no costs in relation to restructuring (FY20: £2.4m).

EPC CRYOGENIC TANKS

The loss to date on the EPC Cryogenic Tanks contracts, which terminated in FY17, amounts to £40.3m and represents costs in respect of delays and other matters in which the recovery of our contractual entitlement is being sought in addition to other substantial claims that have not been recognised in contract revenue at 31 March 2021. No contract losses were incurred in FY21 on this project, although legal expenses continue to be incurred.

FUNDING

The Group's net cash position (cash less debt but excluding bank arrangement fees and the impact of adopting IFRS 16) improved from £155.2m at 31 March 2020 to £276.1m at 31 March 2021. This improvement was driven by increasing cash from both contracting and investing activities as well as a decrease in contract assets of £26.8m and an increase in contract liabilities of £81.4m. The Group also repaid £56.5m of core debt and fees.

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

The Group has complied with all banking covenants during the year and has not required any waivers or relaxation of its covenants throughout the impact of Covid-19 to the date of signing of these accounts.

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

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

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

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

Over the last five years the Group has sought to reduce its use of these instruments predominantly in the UK, however it is still common practice in Australia to provide surety bonds and they have therefore increased by £28m in FY21.

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

Since the year end, on 4 October 2021, the Group has refinanced its existing facilities; further details are provided under the UK Core Debt section below.

GROUP BONDS AND GUARANTEES

	FY21 (£m)	FY20 (£m)	FY19 (£m)	FY18 (£m)
Surety Exposure	**222**	197	203	238
Bank Exposure	**141**	157	189	236

UK funding

UK CORE DEBT:

	FY21 (£m)	**FY20 (£m)**	**Term**
RCF/Term Debt	**108.7**	**159.0**	3 years
Property loan	**13.7**	**13.7**	3 years
Other loans	**42.2**	**44.6**	3 years

The core debt shown above had an expiry date of 31 December 2021.

Since 2016, the Group has been targeting a reduction in its gross bank debt, supported by improved trading results and careful cash management. By the end of July 2021, the entire total bank debt of AUD$37.5m (£20.7m) in the Australia Hub had been repaid. The Group repaid £50.3m of RCF/Term debt during FY21 and on 4 October 2021, the Group fully repaid its remaining RCF/Term Debt facility (including Arrangement fees) which was due to expire on 31 December 2021 and the entire shareholder loan (including accrued interest) of £58.3m was converted to equity. On the same day, the Group signed an agreement for a new unsecured Revolving Credit Facility with HSBC for £35.0m. The new loan has an expiry date of 3 October 2023. This new facility incentivises or penalises Laing O'Rourke depending on its progress against key sustainability metrics: reducing carbon intensity, diverting waste from landfill, and growing the number of women in project delivery.

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

In the UK, bonding and similar instruments have continued to reduce by £3m to £101m at 31 March 2021. The UK business has reduced its exposure by over 41.3% since FY18.

UK BONDS AND GUARANTEES

	FY21 (£m)	FY20 (£m)	FY19 (£m)	FY18 (£m)
Surety Exposure	**52**	55	84	108
Bank Exposure	**49**	49	54	64

Australia funding

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

AUD$60.7m of the bank guarantees facility was drawn at 31 March 2021 (March 2020: AUD$58.0m). There are also surety bonding facilities, from which AUD$307.9m was drawn at 31 March 2021 (March 2020: AUD$287.0m).

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

United Arab Emirates funding

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

At 31 March 2021, the business had AEDnil drawn on its overdraft and utilised AED293.0m of bonding (FY20: AED362.9m).
The overdraft facility is annually renewable (in line with business practice in the territory).

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

ASSET DISPOSALS

On 28 May 2020 Laing O'Rourke Plc sold 5,000 shares out of a total holding of 7,000 shares in its joint venture Yorkshire Learning Partnership Limited for £7.0m, with a Group profit on disposal of £0.8m. On 6 October 2020 Laing O'Rourke Plc sold the remaining 2,000 shares for £2.8m, with a Group profit on disposal of £0.1m. During the year the Group transferred its 100% equity holding in PFP Robotics Pty Limited to Presien Holdings Pty Limited in exchange for 2,750,000 shares in Presien Holdings Pty Limited at AUD$2.00 per share. Laing O'Rourke Australia Pty Limited's shareholding held in Presien Holdings Pty Limited at the year end is 26.19%.

ORDER BOOK

The Group order book stood at £7.9bn (FY20: £8.2bn) on 31 March 2021. While overall this is considered a strong performance, despite the ongoing market uncertainties, the Group needs to convert its pipeline to achieve its business plan and this will remain a key focus throughout FY22.

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

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

The Australian order book has improved at 31 March 2021 to £1.6bn compared with £1.3bn in FY20. This increase in the order book has been driven by 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 charge of £13.0m in the year (FY20: £10.6m) and current tax payable at 31 March 2021 was £3.7m (FY20: £3.2m).

The Group has open tax issues with a number of revenue authorities. Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the outcome of the dispute. If insufficient information is available, no provision is made. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses. At 31 March 2021, the Group had recognised provisions of £6.3m in respect of uncertain tax positions (FY20: £7.5m).

Factors affecting the tax charge in future years are set out in Note 12, 'Income Tax', specifically the UK Government announced increase to the corporation tax rate from 19% to 25% (applicable from 1 April 2023). The Group has recognised deferred tax assets of £33.2m which relate to carried forward losses in relation to the UK operations and these assets would have increased by £6.4m to £39.6m, had the rate change announcement been substantively enacted at 31 March 2021.

PENSIONS

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

INSURANCE

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

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

Our liability insurance profile closely tracks and correlates with our safety performance – High Potential (PC1) events increased by 6% in FY21, against the numbers reported in FY20. Despite this, we remain comfortable with the level of insurance risk we are carrying internally.

GOODWILL AND INTANGIBLE ASSETS

The Group carries £323.4m (FY20: £319.2m) of goodwill in the consolidated statement of financial position. The movement year-on-year is due to foreign exchange fluctuations. Goodwill is not amortised under International Financial Reporting Standards but is tested annually for impairment. In accordance with IAS 36, the recoverable amount has been tested by reference to four-year forecasts, discounted at the Group's estimated weighted average cost of capital.

As at 31 March 2021, based on the internal value-in-use calculations, the Board concluded that the recoverable value of the cash-generating units exceeded the carrying amount. Details of this test can be found in note 13 to the financial statements.

FINANCE AND TREASURY POLICY

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

UK CONSTRUCTION WORKING CAPITAL AND SUPPLY CHAIN PAYMENTS

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

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

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

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

In terms of payment data, the UK businesses reported their sixth set of payments practice data on 30 April 2021, for the six months to 31 March 2021.

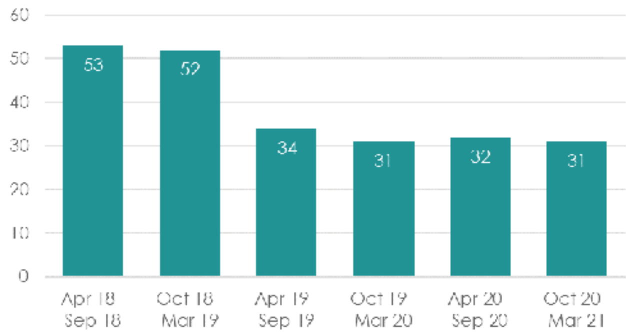
Since April 2018 significant progress has been made in reducing average payment days and increasing the percentage of invoices paid to terms or within 60 days. During the 18 months to 31 March 2021 the Group's performance has remained stable. There is still progress to be made by the Group in achieving payment to all suppliers within terms. The UK's Prompt Payment Code (PPC) also announced in January 2021 that companies will be obliged to pay small businesses within 30 days, which is half the previous 60 days.

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

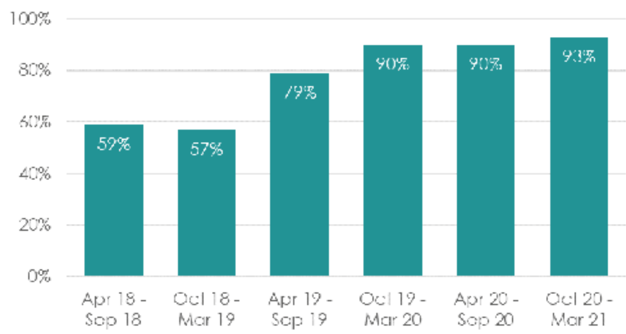
The graphs below show Laing O'Rourke Construction Limited's payment performance for the three years to 31 March 2021. Laing O'Rourke Construction Limited is the main trading entity in the UK, a wholly owned subsidiary of Laing O'Rourke plc, and is the main entity subject to the PPC.

The first graph shows how average payment days have reduced since April 2018 and remained relatively stable since October 2019. The second graph shows the improving percentage of invoices paid within 60 days. The third graph shows improving performance of payments made within terms.

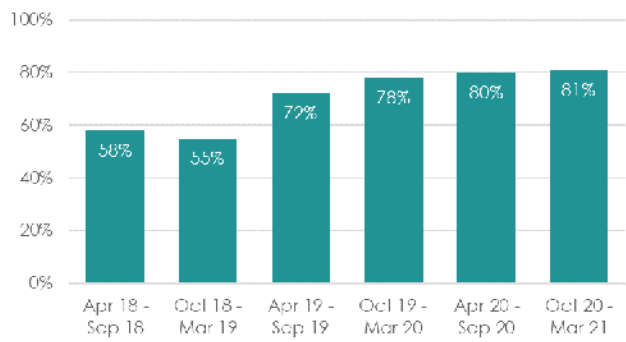
Graph One: Average days



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



Graph Three: All suppliers and subcontractors, % invoices paid to terms



RISK AND ACCOUNTING POLICIES

The Group's risk management framework and processes are largely unchanged from FY20. Since the year end, however, greater focus is being placed upon developing and enhancing our risk management framework and the work of the Risk and Internal Audit function, particularly in seeking to identify issues across all operational phases of delivery.

The Board continuously assesses and monitors risks affecting the Group. Further details of how the Group has managed key financial and operational risks, such as credit and liquidity risks, are set out on pages 39 to 46 under 'risk management'.

Laing O'Rourke reports its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Companies (Jersey) Law 1991. The Group's significant accounting policies and measures are explained in the notes to the financial statements on pages 63 to 100.

IMPACT OF BREXIT

To date, there has been no material negative impact of Brexit on current live projects. Input price inflation and material shortages have begun to affect sites but their impact is being carefully managed via contractual terms and longstanding supply chain relationships. Current challenges with staff recruitment and attrition and unexpected inflationary pressures in areas such as fuel and deliveries to site are largely mitigated through our direct delivery integrated model and direct employment. These risks, together with inflation risk, are considered to be containable within existing project contingencies and will be monitored closely going forward.

The Board will continue to monitor the potential impact of Brexit and inflation on the UK business environment and remains vigilant regarding the need to respond to changes in market conditions such as freedom of movement, right to work, finance and tariff implications, disruption to supply of plant and equipment and key construction components, exchange rates and primary commodity prices as a result of the agreement.

OUTLOOK

The Group has been impacted by the effects of Covid-19 during FY21 and delays caused during the first four months of the financial year have largely been mitigated through considered and decisive management actions.

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

Our 2022 forecast and the longer-term delivery of our 'Deliver 2025' mission is predicated on continuing to win sufficient opportunities within our pipeline, the continued implementation of our successful business model and strategic workstreams and the ability to contain the impact of any further delays or disruption to supply chain within existing project contingencies.

Whilst the impacts of Covid-19 have become clearer and are, for the most part in the UK, behind us, the full impact of the combination of Covid-19 and Brexit is still yet to be seen. However, the Board remain confident that the strategic plan can be delivered. This has been explained in our going concern note on pages 53 and 54 and the impact of climate change on our forecasts and future performance has been explained in note 2.27 (d) on page 71.

The impacts of Covid-19 on the Australia Hub are changing rapidly and include regional lockdowns, reduction in site capacity or short-term shut downs. However, we are confident that the impact on projects will be minimal given the short-term nature of these restrictions and the continued roll out of the Covid-19 vaccine in Australia which will allow lockdowns to be lifted.

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

The Australian Government's 10-year infrastructure investment programme (announced towards the end of 2020) and their intention to level up the country has strengthened the outlook for the construction sector over the next decade and the Australia Hub is well positioned to respond to this. The UK Government has now lifted the remaining legal restrictions relating to Covid-19 safeguarding which should enable our sites to run even more efficiently going forward. However, while restrictions were lifted during July and August 2021, we will continue to proceed with caution and our Covid-19 safe measures will remain in place on our sites and in our offices for as long as we deem it necessary, and in compliance with Construction Leadership Council (CLC) guidance.

The Group continues to invest in developing a sector leading capability in modern methods of construction. Our integrated delivery model, strong client engagement and robust internal control environment ensure that we are well positioned to continue to win work. The Group also continues to work closely with the UK Government as a strategic supplier in order to deliver much needed hospitals, schools and infrastructure in support of their investment agenda. The Group has continued to convert its strong pipeline throughout the Covid-19 pandemic and continued conversion of this pipeline is the Board's main priority for the remainder of the current financial year.

The Group now has 91% of its expected FY22 revenue either secured or anticipated and 63% of its expected FY23 revenue is at the secured, anticipated or preferred bidder stage.

The refinancing of UK core debt that was due to expire on 31 December 2021 was completed on 4 October 2021 and now has an expiry date of 3 October 2023.

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

R C BAKER
CHIEF FINANCIAL OFFICER

20 October 2021

Oxford Biochemistry Building for University of Oxford, UK

RISK MANAGEMENT

PROACTIVELY AND EFFECTIVELY MANAGING RISK

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

GROUP RISK MANAGEMENT

HOW LAING O'ROURKE MANAGES RISK

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

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

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

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

The Board considers Laing O'Rourke's internal control systems to be effective and appropriate with the speed of response to recent events demonstrating the strength and maturity of these systems.

The Board reviews the effectiveness of the Group's risk management systems including the key sources of risk, the monitoring of their status and the corresponding mitigation plans. Risk reporting at the operational business unit level is structured so that key risks can be escalated rapidly through the management team, and ultimately to the Board where necessary. The increased risk associated with cyber security is subject to monitoring by the Board and the monitoring and assessment of threats arising from pandemics require significant input from each of the territories where we conduct our business.

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

Project risks are monitored and reported by our project leadership teams and reviewed by business unit operational management at monthly contract reviews.

This process covers the financial and scheduled performance of projects and is overseen by the Commercial function.

The Business Plan Review process supplements the contract reviews by providing focused weekly productivity data for analysis and review at all management levels.

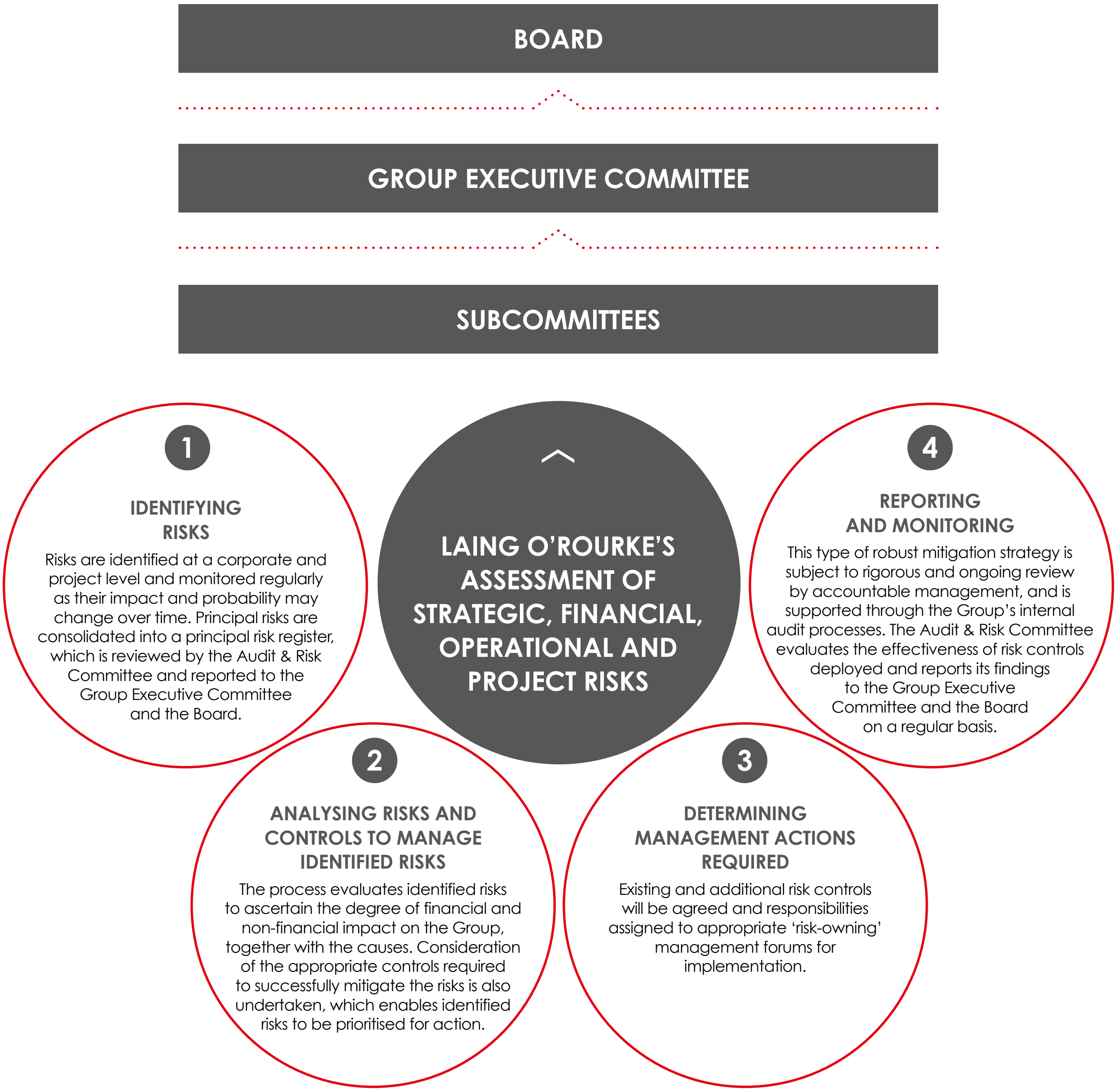
Reporting structures and mechanisms ensure that project risks are continually monitored and significant exposures can be escalated from project level to business unit level and ultimately to the Group Executive Committee and the Board. All business units with allocated project responsibilities must have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

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

INTERNAL CONTROLS

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

During FY22 we are investing in a new Risk and Internal Audit function, the objective being to ensure that our processes are on a par with those seen in operation at premier listed businesses. To facilitate this we appointed a new Head of Risk and Internal Audit in early Summer 2021 whose remit is to review and enhance our risk management and internal audit processes where necessary.



OPERATIONAL GOVERNANCE

GLOBAL CODE OF CONDUCT

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

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

GROUP POLICIES

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

PROJECT QUALITY MANAGEMENT SYSTEM

The iGMS contains Laing O'Rourke's enterprise-wide management system, knowledge and information, the repository for all processes, procedures, technical information, general information, guidance, templates, checklists and learning; enabling our people to be organised for success and providing guidance on how we want them to go to work. All of the procedures found within the iGMS are mandatory where they are applicable. The iGMS fully aligns with our operating model.

The iGMS is divided into four sections:

ENTERPRISE: Corporate policies, processes and procedures;

EMPLOYEE: Individual employee processes and procedures;

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

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

Through extensive audit, our management system and performance against it continues to be certified by the BSi against the requirements of the quality standard BS EN ISO 9001:2015. This standard has its core principles as leadership and risk-based thinking.

INTEGRATED GROUP MANAGEMENT SYSTEM

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

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

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

BUSINESS UNIT/FUNCTION GUIDELINES AND PROCEDURES

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

SUMMARY OF PRINCIPAL RISKS

The Group Executive Committee has carried out a robust assessment of the principal and emerging risks and uncertainties facing the Group, including those that would threaten our reputation, business model, achievement of strategic objectives, solvency and liquidity.

The Group's principal risks and uncertainties are identified below, together with a description of how we mitigate them.

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

HEALTH, SAFETY AND SUSTAINABILITY

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

WORK-WINNING

Risk/Impact:	Mitigation:
Market limitations on delivery of new business could put pressure on the business to secure projects with inadequate price/risk profiles or with difficult client/contractual arrangements, which could impact the Group's future profitability and its reputation with clients, suppliers and employees resulting in lost opportunities.	The Group's approach to project selection is guided by detailed governance and a set of protocols known as gateways, held on the Laing O'Rourke integrated management system, known as iGMS. The Group's project delegations of authority provide clarity as to who can approve tenders using a risk-based approach which is supported by the gateway process. Our bid settlement process ensures that all aspects of any proposed new contract can be debated and challenged with full transparency to mitigate the likelihood of excessive risk exposure. Our end-to-end delivery capability and early engagement initiatives result in greater certainty of the build sequence, cost and risk profile pre contract. Tender review meetings are held to check progress, understand the win strategy and test the contract risk profile in turn providing considerations/recommendations where necessary. Demand for services delivered by the Group can always be impacted by sudden economic changes and volatility in government and private sector investment.

Key:

- Increase in risk during FY21
- No change in risk during FY21
- Decrease in risk during FY21

PROJECT DELIVERY

Risk/Impact:	Mitigation:
The Group continues to deliver innovative, yet complex, construction and engineering projects across a range of geographies. Any inability to deliver on time, to budget and to the right quality could result in financial loss or reputational damage.	Once a project has gone through our rigorous work winning and project selection governance process as previously described, Laing O'Rourke's approach is guided by a detailed set of protocols and an associated project management approach. If there are any substantial changes proposed on a project that would deviate from the key terms and delivery methodology agreed when bidding for that project, then those changes must be approved. Special attention reviews have also been introduced to ensure compliance with project delivery plans and financial forecasts and to ensure we capture lessons learnt for future contracts. Laing O'Rourke's early engagement initiatives, innovative DfMA methodology and our integrated end-to-end capabilities and technical and engineering solutions result in greater surety of delivery. Building Information Modelling (BIM) and digital engineering technologies are used to achieve time and cost certainty through a full visualisation of the build sequence. Our digital agenda and continuing monitoring of key suppliers and subcontractors are designed to support the delivery of greater certainty to all our stakeholders.

JOINT VENTURE PARTNERS

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

SUPPLY CHAIN

Risk/Impact:	Mitigation:
Non-delivery by our supply chain – through poor performance, financial failure, or reduced capacity or capability – could impact the Group's ability to deliver projects on time, on budget and to the right quality, and result in financial loss or reputational damage. Impacts of Brexit will begin to take effect which could lead to inflation and material shortages.	Whenever specialist subcontractors are used to meet specific delivery needs, the risk is mitigated through a robust selection process, including reviews to assess financial and operational viability, as well as contractor capacity and capability. Our list of preferred suppliers is regularly reviewed to ensure compliance with Group standards, applicable laws and industry regulations. Furthermore, price inflation trends and supply chain feedback are used to better inform the business of the latest market movements. The UK business has centralised its procurement function with an emphasis on strategic procurement and has been undertaking a rationalisation of our supply chain to strengthen relationships with key supply chain partners. Due to the price inflation and material shortages that have begun to occur the Group considers this risk to remain at 'increased risk for FY21'.

OUR PEOPLE

Risk/Impact:	Mitigation:
Inability to recruit, develop and retain appropriately skilled people, as well as the availability of staff at the right pay grade, could impact the Group's ability to meet current commitments and deliver projects.	People are a primary component of Laing O'Rourke's strategy. The Group aims to be a progressive employer of choice with a clear commitment to equality, diversity and inclusion and a broad range of career opportunities with attractive reward packages. The Group actively encourages employee engagement at all levels. The Group continues to make a significant investment in training and development and conducts detailed succession planning for key personnel across all job families. Innovative partnerships with universities also help position Laing O'Rourke in attracting leading graduates. The Board has a particular focus on maintaining a balanced level of voluntary staff attrition and regularly monitors the situation. The Group ensures there are sufficient progressive programmes in place to develop and retain our people, while recognising that specific skills and project location scheduling can be influential factors. The Group's Head of Innovation and Performance supports our people agenda and this, together with the continued use of employee engagement surveys, ensure that management can develop appropriate actions to support the core business plans. The Group also has a commitment to achieve an equal number of men and women among its 5,500 global staff by 2033. Despite continued pressures in the labour market, our plans have delivered a further reduction in voluntary staff attrition. Due to concerns around availability of resource and pay inflation the Group considers this to be at increased risk for FY21.

FINANCIAL

Risk/Impact:	Mitigation:
Inability to secure funding – in the form of refinancing facilities – could impact the Group's ability to bid for work, make investments or meet its ongoing liquidity needs, which could adversely impact profitability, cash flow and future growth. Failure to meet predetermined financial covenants could lead to an event of default if any breach is not remedied within the relevant grace period.	Our experienced in-house cash management, treasury and finance teams take a prudent approach to liquidity, constantly monitoring and maintaining sufficient cash reserves, as well as available bank facilities to meet liabilities and financing needs as they fall due. The team also takes a proactive stance monitoring and ensuring compliance with covenants and reporting requirements. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that we have adequate availability of cash when required. The Group has ensured that our lender groups are fully informed of all developments in relation to liquidity management on a regular basis and has received full support from the financial stakeholders throughout the year. This has been particularly important during the Covid-19 pandemic and the Group has remained fully compliant with all financial covenants throughout. During FY22 the Group has refinanced its UK core debt facilities with a new expiry date of 4 October 2023. The growing order book, demand from the infrastructure plans in the countries where we deliver our services and liquidity initiatives indicate that we will remain compliant with our covenants. Although the potential consequences of Brexit may still result in uncertainty related to conversion of the Group's order book the Board remains confident this will be delivered during FY22.

EXTERNAL	
POLITICAL, ECONOMIC AND REGULATORY	
Risk/Impact: The Group operates in a cyclical industry and changes in the economic environment, government policy and regulatory developments (including building and fire regulations) can have a significant impact on both the number of new projects and an impact on legacy projects, thus affecting the Group's profitability.	Mitigation: The Group seeks to maintain a diverse portfolio of projects for both private and public clients and a broad exposure to several resilient sectors and geographic markets. Laing O'Rourke also maintains a focus on sustainable relationships with key clients, government departments and related regulatory authorities. This includes members of the senior leadership team actively participating in many political, economic and regulatory forums to share knowledge and, where appropriate, support the development of policy and legislation. Due to the developments during the last year in the UK political and economic environment in relation to Covid-19 and Brexit, the Group considers this risk has increased in the short term although its impact is lessened due to the recent affirmation of Government commitment to critical infrastructure spend.
BREXIT	
Risk/Impact: Following the UK leaving the European Union, the impact of any trade agreements and the transition period continues to create uncertainty particularly on the potential delays for importing materials which may put pressure (time or cost inflation) on our financial performance.	Mitigation: The Group has mapped, analysed and continues to monitor the potential challenges that have or might result from the UK's withdrawal from the European Union (EU) and, to date, has not identified any material negative impact on live projects currently in delivery within the UK construction market in either the traditional built environment or infrastructure sectors. The Group does not deliver services to any country in the EU. To date, there has been no change to the Group's work-winning methodologies, nor negative impact on current live projects nor staff recruitment. The Board will continue to monitor the potential impact of Brexit and inflation to the UK business environment and remains vigilant 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.
PANDEMICS	
Risk/Impact: Covid-19 could have a significant financial and operational impact on our business.	Mitigation: The Covid-19 crisis is continually evolving, and the Group will continue to develop its approach in all the areas in which it operates. The health, safety and wellbeing of all our people and stakeholders is, and will always be, our priority. We continued to support the government decisions in each of the territories in which we operate and have continued to operate where it is safe to do so and agreed with the relevant clients. The Group immediately invoked a crisis management process to consider and mitigate the impact of this pandemic and the agility of decision-making had a major effect on our ability to largely mitigate the financial impact of all of the consequences of compliance with government guidelines in the UK, Australia and UAE. We continue to monitor developments in relation to this pandemic and the potential impact on our business activities.

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

IT, DATA GOVERNANCE AND CYBER SECURITY

Risk/Impact:	Mitigation:
External vulnerability to attack is a growing worldwide issue which could result in erroneous information entering our systems or commercial data being accessed without permission. A serious IT systems outage could have an operational, financial and/or reputational impact. Failure to comply with General Data Protection Regulation (GDPR) could have serious financial and reputational consequences for the Group. The risk has not increased since the implementation of GDPR and our mitigation plans are robust.	We have made efforts to significantly mitigate the risk during the year through investments made in our systems and control. However, it is vital that we maintain a high level of vigilance at all times. With the European GDPR regulations and the increased frequency and severity of global cyber security threats, we have invested in a global security operations centre and the relevant systems and tools to increase our ability to identify, mitigate and react to cyber security events. This increased visibility of potential threats is enabling us to intervene at an earlier stage in any such event. In parallel, we have established a number of educational and awareness sessions including mandatory e-learning and regular email communication to all our people to assist in raising the awareness around these threats. A cyber plan has been implemented including cyber intelligence sharing with the wider construction industry. In parallel we are instigating a set of activities to allow Laing O'Rourke to maintain its compliance with the Cyber Essentials framework. We have also conducted a review of external data storage facilities and strengthened protection of all Group information, by increasing system access controls and significantly reducing the ability to extract group data.

SECURITY

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

CLIMATE CHANGE

Risk/Impact:	Mitigation:
With the climate change and zero carbon agenda gathering social, moral and regulatory focus, our inability to adapt to these pressures and client expectations could lead to pressures on our work winning ability.	The Laing O'Rourke direct delivery operating model has been a key driver to support the initiatives to reduce our carbon footprint. The Group has adopted modern methods of construction and is an industry leader in the use and application of its own offsite manufacturing capabilities. Laing O'Rourke has demonstrated the benefits of the operating model and remains confident that it can comply with any operational regulations and client expectations. The Group's sustainability strategy was launched in April 2021, with a public announcement of far-reaching Group sustainability targets to decarbonise operations by 2030 (scope 1 and 2) and to become a net zero company by 2050 (including scope 3). The new goals are critical to the company's mission to be the recognised leader within construction for innovation and excellence. The Group has also appointed Vicky Bullivant as Group Head of Sustainability, who will lead a newly created, dedicated sustainability function and be responsible for the implementation of detailed road maps to deliver the new sustainability targets.

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

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

FINANCIAL PERFORMANCE

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

MANAGED REVENUE

£2.9bn

(FY20: £3.0bn)

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

Managed revenue is the most representative reflection of the volume of work carried out by the Group (see note 4 for reconciliation).

Performance: Managed revenue decreased to £2.9bn (FY20: £3.0bn) during the year. This was attributable to Covid-19 disruption during the first four months of the financial year and a reduction in strategically aligned work winning opportunities in the Europe Hub.

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

STATUTORY EBIT (POST-EXCEPTIONAL)

Profit of £69.9m

(FY20: Profit of £72.9m)

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

Performance: Earnings before interest and tax have declined by £3.0m year-on-year due to an increase in costs relating to Covid-19. Four major projects – all in constrained city centre locations – were suspended as a result of the pandemic but only one site was significantly impacted by potentially irrecoverable Covid-19 costs. This was largely due to a regionally mandated extended shut down period at the start of the pandemic and high levels of required isolation periods in FY21.

OPERATIONAL PERFORMANCE

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

WORK-WINNING AND DELIVERY

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

ORDER BOOK

£7.9bn

(FY20: £8.2bn)

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

Performance: The Group order book is £7.9bn (FY20: £8.2bn) of which 74% is secured (FY20: 58%). This represents c.three years' revenue. The key target is to convert the strong UK pipeline and delivery of this represents the Board's main priority for the remainder of the current financial year.

	FY21 (£bn)	**FY20 (£bn)**
Secured	**5.8**	4.8
Anticipated	**1.5**	2.1
Preferred bidder	**0.6**	1.3
Total order book	**7.9**	**8.2**

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

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

SUPPORT FUNCTIONS

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

ACCIDENT FREQUENCY RATE

0.10

(FY20: 0.11)

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

Performance: AFR decreased to 0.10 (FY20: 0.11).

VALUE PROPOSITION

We combine experience with purposeful technology – that is our difference. Certainty, reliability, security – that is what our clients want. We start with our highly trained and committed people. They understand the challenges our clients face, the stakeholders they have to balance, and how to work as partners to manage the construction process and achieve our clients' aims. We then layer our people's expertise with purposeful technology – one of the industry's most transformative tools. By placing innovations like digital engineering and other modern methods of construction in experienced hands, we can yield powerful results. We know leveraging the right technology can spark positive change for clients, projects and the wider industry. That is why our 2025 mission is to be the recognised leader for innovation and excellence within our sector. Whether we are helping our clients construct the final link in a major highway or redesigning a top university hospital in the height of a pandemic, we harness our unique combination of experience and innovation to ensure projects have a lasting impact. We deliver certainty through the power of experience.

CUSTOMER SATISFACTION (EUROPE HUB)

83.9%

(FY20: 81.4%)

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

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

Performance: Our average performance score for Europe in FY21 was 83.9%, representing consolidated feedback across 17 projects. Australia scored 75.8% across 18 projects and the Middle East scored 84.0%, across three projects.

Health and Safety, technical capability, community engagement, communication, project leadership, problem solving ability and efficiency of our process resulted in the highest scores. Sustainability, environment and programme management require additional focus.

Sydney Central Station Metro, Australia

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS	Sir J Parker (Chairman) R G O'Rourke KBE (CEO) H D O'Rourke R C Baker (CFO) (appointed 22 September 2020) G J Branch J F Edmondson S G French A S McIntyre (Finance Director) (resigned 22 September 2020) 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	Lloyds Bank plc Bank of Scotland plc 10 Gresham Street London EC2V 7HN United Kingdom Emirates NBD Bank P.J.S.C Head Office, Baniyas Road Deira, PO Box 777 Dubai, UAE HSBC UK Bank Plc 7th Floor Thames Tower Reading RG1 1LX United Kingdom National Australia Bank 800 Bourke Street Docklands VIC 3008 Australia
INSURANCE ADVISERS	Marsh Limited Tower Place London EC3R 5BU United Kingdom
INSURERS	QBE European Operations Plantation Place, 30 Fenchurch Street London EC3M 3BD United Kingdom

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors present their annual management report together with the audited consolidated financial statements of the Laing O'Rourke Corporation Limited group (the 'Group') for the year ended 31 March 2021.

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;
- Building operations management; and
- Property development.

A list of principal subsidiaries, joint arrangements and associates can be found on pages 99 and 100 in note 35 to the financial statements.

A review of the Group's activities and performance for the year is presented on pages 6 to 37.

CHANGES IN GROUP STRUCTURE

The Company changed ownership on 25 March 2021 from Suffolk Partners Corporation to being owned directly by R G O'Rourke KBE (65.2%) and H D O'Rourke (34.8%). During the year, the Group only completed those disposals as described on page 79 in note 14 to the financial statements.

GENERAL INFORMATION

The Company is directly owned by R G O'Rourke KBE (65.2%) and H D O'Rourke (34.8%).

BRANCHES OUTSIDE JERSEY

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

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE

Details of future developments are presented on pages 6 to 37.

RESEARCH AND DEVELOPMENT

The Group expenditure in research and development of £33.1m (FY20: £30.0m) supports the development of construction techniques to deliver quality, certainty, and value for our customers.

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement on page 58 and show a profit for the year after tax of £28.4m (FY20: £34.9m).

The Company paid no dividends during the year (FY20: £nil). The Directors do not recommend the payment of a final dividend (FY20: £nil).

CHARITABLE CONTRIBUTIONS

During the year the Group contributed £0.2m (FY20: £0.1m) to its nominated charities.

POST BALANCE SHEET EVENTS

Subsequent to the year end, the Group has refinanced its UK facilities, resulting in the full repayment of £108.7m of RCF/Term Debt and the entering into a new £35.0m unsecured RCF with an expiry date of 4 October 2023. In addition, the Australia subordinated debt facility was fully repaid by June 2021 for £20.7m (AUD$37.5m).

On 4 October 2021, the entire shareholder loans, including accrued interest, of £58.3m were converted to equity.

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

DIRECTORS AND THEIR INTERESTS

The current membership of the Board is as set out on page 51. All the Directors were members of the Board throughout the year ended 31 March 2021, except Rowan Baker, who was appointed as Director on 22 September 2020, and Stewart McIntyre, who resigned on 22 September 2020.

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 on pages 96 and 97 in note 31 to the financial statements.

HEALTH, SAFETY AND WELFARE

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

EMPLOYMENT POLICY

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the Group's policies and procedures for managing risk are set out on pages 39 to 46.

Key judgements and areas of significant estimation uncertainty are detailed on pages 68 to 70 in note 2.26 to the financial statements.

Financial risks are detailed on pages 91 to 95 in note 28 to the financial statements.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

Details of the Group's financial instruments are set out on pages 91 to 95 in note 28 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out on page 90 in note 25 to the financial statements.

GOING CONCERN

The Group delivered a solid performance in FY21 during a challenging year and exceeded its budgeted profit before tax by £1.4m despite the impact of Covid-19 throughout the financial year. The Group's transformation plan is progressing well and the Group remains on track to achieve its 'Deliver 2025' strategic targets.

The Group has maintained a strong liquidity position throughout FY21 as a result of decisive management actions and support from initiatives in response to the Covid-19 pandemic, including tax deferrals and the coronavirus job retention scheme.

The overall impact of Covid-19, which predominantly affected the UK, was substantially mitigated by the following:

- Temporary voluntary salary reductions (ranging from 20% to 30%) for all UK staff;
- c.1,000 UK staff placed on furlough from 1 April to 31 July 2020;
- Headcount reduction of c.150 FTE in the UK;
- Closure of certain sites in line with UK government guidelines and at the request of clients;
- Acceleration and/or enhanced scope delivered at key, nationally important sites including Royal Liverpool University Hospital, The Grange University Hospital, Clatterbridge Cancer Centre, Hinkley Point C Power Station and HS2;
- Swift reconfiguration of all sites to make them Covid-19 compliant;
- Discretionary spend reduced and removal of non-essential capital expenditure; and
- Agreement with HMRC for deferrals of certain PAYE and VAT payments in line with the government Covid-19 assistance measures (PAYE fully repaid by 31 July 2020 and VAT fully repayable by January 2022).

As a result of its ongoing profitability and the financial flexibility achieved via these mitigations, the Group did not require any waivers or relaxation of its banking covenants during the financial year for facilities in place at the year end. Subsequent to the year end, UK facilities of £108.7m and Australian facilities of £20.7m (AUD$37.5m) have been repaid in full and shareholder loans of £58.3m, (including accrued interest) were converted to equity. On 4 October 2021, the UK put in place a new unsecured £35.0m RCF with an expiry date of 3 October 2023 and is forecasting full covenant compliance on its 'management case' business plan and its severe but plausible downside scenario. Details of covenants are provided in note 28.3 of the financial statements.

In forming their conclusion as to the appropriateness of continuing to apply the going concern basis of accounting in preparing these financial statements, the Directors have reviewed 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 2023. The Directors have also considered the way in which the Group constantly monitors its cash reserves and exercises tight control over its working capital as illustrated by its liquidity performance during the Covid-19 pandemic.

A consistent approach was adopted 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 severe but plausible downsides. 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 liquidity. This allows liquidity to be managed on a Group basis and therefore the most relevant forecast to assess the going concern basis of accounting for the Group as a whole is therefore a Group view of liquidity.

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

- Construction activity is assumed to continue in line with current levels, with no additional material deterioration in project gross margins or the working capital position, as a result of further Covid-19 restrictions or for any other reason. This approach accords with the Group's performance to date against a Covid-19 backdrop;
- There are no adverse material cash settlements in the period to 31 March 2023 relating to the contingent liability matters disclosed in note 27 of the financial statements;
- Work-winning continues in line with current expectations and is in line with average win rates in previous years;
- Continued support of our supply chain in terms of product material, labour supply and flexibility in payment terms;
- No imposition of a Covid-19 related lockdown on the construction sector in the Group's main markets;
- Inflationary pressures experienced in the six months to October 2021 can be accommodated within existing project inflation allowances and general contingencies. The Group has undertaken a detailed review of the possible impact of inflation on the estimated final cost of its projects and has concluded that existing contingencies are expected to be sufficient to materially cover the risk on existing projects in the period to 31 March 2023, with the risk being addressed at the tender stage for new projects;
- Based on our detailed assessment, our supply chain management and experience to date, disruption to the supply of materials to projects and shortages of labour, if experienced, can be accommodated within existing project programmes or programme contingencies; and
- The underlying relevant market drivers for construction work in infrastructure, power generation, education, healthcare, justice and residential house building remain in place.

The Board's 'management case' forecast does not anticipate any breaches of new banking covenants relating to the UK RCF that would result in an Event of Default under the facilities in the period to 31 March 2023 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 in light of the potential uncertainties created by Covid-19, Brexit and supply chain disruption risk. These scenarios have been prepared using certain key assumptions, with particular focus on compliance with financial covenants in the UK and liquidity headroom in the UK and Middle East, where headroom is the tightest. Liquidity in Australia provides short-term mitigation to low points in the UK and Middle East on downside scenarios. Of these downside scenarios, the severe but plausible scenario described further below is the most severe.

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

– Lower revenue and trading volumes in the UK and Australia and the removal of all new construction work in the Middle East, where there is a lower level of visibility in the pipeline, resulting in approximately £854m reduction or delay in Group revenue (a 13% reduction or delay in revenue across FY22 and FY23 compared to the management case) with a £183m reduction in cash to March 2023 (48% of net cash inflows to March 2023);

– Specific project risks and risks to cash generation initiatives (£63m cash inflow removed to 31 March 2023);

– Potential cost impacts of inflation on the current portfolio of projects (£19m cash removed to 31 March 2023) over and above those that can be dealt with via contingencies; and

– Potential margin erosion and a potential negative impact on the Group's ability to deliver its transformation activities, including cost reductions (a further £35m cash inflow removed to 31 March 2023).

Even under the severe but plausible downside scenario there is no forecast breach of UK banking covenants that would result in an Event of Default under the facilities. Adequate headroom exists in Australia to provide liquidity for funding shortfalls in the Middle East (£5m from October 2022) and the UK (£20m from April 2022 to September 2022 only).

The Board has considered the Group's ability to mitigate the potential impact of a downside scenario on the Group's liquidity over the forecast period, particularly in light of the outperformance compared with the business plan during the Covid-19 pandemic in the UK. The mitigating factors that would be implemented by the Board in the event of a severe but plausible downside scenario, therefore, include those that have enabled the business to deliver such a strong liquidity performance throughout the Covid-19 period. These mitigating factors include the following:

– Reduction in discretionary spend and non-essential capital expenditure;

– Further actions to manage working capital; and

– Reductions in headcount.

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

– Dispose of specific fixed assets;

– Raise additional external funding to supplement the £35.0m RCF, including refinancing of Group plant and machinery assets; and

– Dispose of non-core businesses.

In addition to its 'management case' and the severe but plausible downside case, 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 2023. This would require revenue to reduce or be delayed by £1.7bn across FY22 and FY23 (a 25% reduction or delay in revenue compared to the management case), with resultant loss of margin, with no mitigation. 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:

– Against the background of Covid-19 uncertainties, the outlook for the construction sector in the UK and Australia is positive, strengthened by the UK Government's substantial National Infrastructure Strategy and the Australian Government's Infrastructure Investment Programme. The Group continues to work closely with government in the UK and Australia to support their respective investment agendas and, in particular, as a strategic supplier in the UK in order to deliver hospitals, schools and infrastructure;

– Laing O'Rourke's investment in developing a sector-leading modern methods of construction (MMC) capability, its proven track record against a challenging market backdrop, integrated delivery model, strong client engagement, resilience to supply chain risk and robust internal control environment ensure that it is well positioned to continue to win work;

– The current order book for the Group remains strong at £7.9bn (as at 31 March 2021) as a result of continued work-winning success during the recent Covid-19 pandemic period. The Group now has 95% of its expected FY22 revenue either secured or anticipated and 89% of its expected FY23 revenue is at the secured, anticipated or preferred bidder stage; and

– Cash performance at 30 September 2021 is above the management case forecast for the Group.

Based on this assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and pay its debts as they fall due in the period to 31 March 2023 and there are no material uncertainties that may cast significant doubt on the Group's going concern status. Accordingly, the Group has continued to adopt the going concern basis of accounting in preparing the Group's financial statements for the year ended 31 March 2021.

The financial statements do not, therefore, include the adjustments that would result if the Group were unable to continue as a going concern.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (Adopted IFRS and IFRS Interpretations Committee (IFRIC) interpretations) ("IFRS").

The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the profit and loss for that year. In preparing those financial statements, the Directors are required to:

– Select suitable accounting policies and then apply them consistently;

– Make judgements and estimates that are reasonable and prudent;

– Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business; and

– State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group, and enable them to ensure the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

APPROVAL

This report was approved by the Board on 20 October 2021 and signed on its behalf by:

R C BAKER
DIRECTOR

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

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

– give a true and fair view of the state of the Group's affairs as at 31 March 2021 and of its profit and cash flows for the year then ended;

– have been properly prepared in accordance with International Financial Reporting Standards as adopted in the European Union; and

– have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 March 2021; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

INDEPENDENCE

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

EMPHASIS OF MATTER – RECOVERABILITY OF EPC CRYOGENIC TANKS CONTRACT ASSETS

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.26 (b), note 18 and note 27 to the financial statements concerning the recoverability of £103m (AUD$187m) of non-current contract assets recognised in relation to the EPC Cryogenic Tanks contract in Australia. The recoverability of this amount remains subject to private arbitration, the outcome of which is uncertain.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

REPORTING ON OTHER INFORMATION

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

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES (JERSEY) LAW 1991 EXCEPTION REPORTING

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion, we have not obtained all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

SIMON MORLEY
FOR AND ON BEHALF OF

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS

LONDON, 20 October 2021

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2021

	Note	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m	Re-presented Pre-exceptional items[1] 2020 £m	Exceptional items (note 5) 2020 £m	Re-presented[1] Total 2020 £m
Revenue	3	**2,503.7**	**–**	**2,503.7**	2,448.5	–	2,448.5
Cost of sales		**(2,267.2)**	**–**	**(2,267.2)**	(2,186.3)	(6.5)	(2,192.8)
Gross profit/(loss)		**236.5**	**–**	**236.5**	262.2	(6.5)	255.7
Administrative expenses		**(173.1)**	**(6.1)**	**(179.2)**	(174.9)	(4.2)	(179.1)
Other operating income	8	**8.4**	**–**	**8.4**	0.9	–	0.9
Profit/(loss) from operations		**71.8**	**(6.1)**	**65.7**	88.2	(10.7)	77.5
Profit on disposal of subsidiaries and joint ventures	9	**3.7**	**–**	**3.7**	0.4	–	0.4
Profit/(loss) on disposal of property		**5.8**	**–**	**5.8**	(0.1)	–	(0.1)
Share of post-tax losses of joint ventures and associates	15	**(5.3)**	**–**	**(5.3)**	(4.9)	–	(4.9)
Profit/(loss) before interest and tax	6	**76.0**	**(6.1)**	**69.9**	83.6	(10.7)	72.9
Finance income	10	**1.6**	**–**	**1.6**	1.9	–	1.9
Finance expense	11	**(30.1)**	**–**	**(30.1)**	(29.3)	–	(29.3)
Net financing expense		**(28.5)**	**–**	**(28.5)**	(27.4)	–	(27.4)
Profit/(loss) before tax		**47.5**	**(6.1)**	**41.4**	56.2	(10.7)	45.5
Tax	5, 12	**(14.4)**	**1.4**	**(13.0)**	(12.0)	1.4	(10.6)
Profit/(loss) for the year		**33.1**	**(4.7)**	**28.4**	44.2	(9.3)	34.9
Attributable to:							
Owners of the Parent		**33.2**	**(4.7)**	**28.5**	44.0	(9.3)	34.7
Non-controlling interests		**(0.1)**	**–**	**(0.1)**	0.2	–	0.2
		33.1	**(4.7)**	**28.4**	44.2	(9.3)	34.9

1. Profit on disposal of subsidiaries and joint ventures (£0.4m) and profit/(loss) on disposal of property (£0.1m loss) was previously presented as net non-operating income and has been re-presented in FY21.

The notes on pages 63 to 100 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m	Re-presented Pre-exceptional items[1,2] 2020 £m	Exceptional items (note 5) 2020 £m	Re-presented[1,2] Total 2020 £m
Profit/(loss) for the year		**33.1**	**(4.7)**	**28.4**	44.2	(9.3)	34.9
Other comprehensive income/ (expense):							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translating foreign operations[1]		**17.8**	**–**	**17.8**	(15.3)	–	(15.3)
Movement in fair value of financial assets	15	**(0.8)**	**–**	**(0.8)**	(1.0)	–	(1.0)
Share of other comprehensive income of investments accounted for using the equity method[2]	15	**1.0**	**–**	**1.0**	0.5	–	0.5
Other comprehensive income/(expense) for the year, net of tax	12	**18.0**	**–**	**18.0**	(15.8)	–	(15.8)
Total comprehensive income/(expense) for the year		**51.1**	**(4.7)**	**46.4**	28.4	(9.3)	19.1
Attributable to:							
Owners of the Parent	26	**51.2**	**(4.7)**	**46.5**	28.3	(9.3)	19.0
Non-controlling interests	26	**(0.1)**	**–**	**(0.1)**	0.1	–	0.1
		51.1	**(4.7)**	**46.4**	28.4	(9.3)	19.1

1. Exchange differences on translating foreign operations has been re-presented to include £1.2m previously presented as share of other comprehensive expense of investments accounted for using the equity method.
2. Share of other comprehensive income of investments accounted for using the equity method has been renamed from cash flow hedges as presented in FY20.

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 63 to 100 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2021

	Note	2021 £m	Re-presented[1, 2] Restated[3] 2020 £m
Assets			
Non-current assets			
Intangible assets	13	**334.8**	335.6
Investments in joint ventures and associates	15	**14.0**	15.4
Loans to joint ventures	15	**8.0**	15.3
Property, plant and equipment[1]	16	**111.5**	103.9
Right-of-use assets[1]	17	**177.3**	196.1
Deferred tax assets[3]	24	**40.5**	49.6
Trade and other receivables[2]	19	**21.7**	21.5
Contract assets[2]	18	**133.6**	142.1
Total non-current assets		**841.4**	879.5
Current assets			
Inventories	20	**19.3**	19.1
Contract assets[2,3]	18	**170.4**	183.0
Trade and other receivables[2]	19	**156.5**	152.1
Current tax assets		**9.7**	5.0
Cash and cash equivalents		**536.6**	460.8
Total current assets		**892.5**	820.0
Total assets		**1,733.9**	1,699.5
Liabilities			
Current liabilities			
Borrowings	21	**(266.1)**	(88.1)
Contract liabilities[2,3]	18	**(282.7)**	(257.3)
Trade and other payables[2]	22	**(599.5)**	(622.9)
Provisions	23	**(11.8)**	(3.5)
Current tax liabilities		**(3.7)**	(2.3)
Total current liabilities		**(1,163.8)**	(974.1)
Non-current liabilities			
Borrowings	21	**(130.4)**	(363.6)
Contract liabilities[2]	18	**(68.7)**	(8.8)
Trade and other payables[2]	22	**(15.7)**	(25.2)
Provisions	23	**(26.6)**	(44.2)
Deferred tax liabilities[3]	24	**(3.6)**	(4.9)
Total non-current liabilities		**(245.0)**	(446.7)
Total liabilities		**(1,408.8)**	(1,420.8)
Net assets		**325.1**	278.7
Equity			
Share capital	25	**–**	–
Share premium	25	**286.4**	286.4
Fair value reserve	26	**0.7**	1.5
Hedging reserve	26	**(3.9)**	(4.9)
Foreign currency translation reserve	26	**(4.4)**	(22.2)
Retained earnings	26	**46.2**	17.7
Total equity attributable to owners of the Parent		**325.0**	278.5
Non-controlling interests	26	**0.1**	0.2
Total equity		**325.1**	278.7

1. Right-of-use assets were disclosed within property, plant and equipment in FY20 and have therefore been re-presented for consistency with the presentation in FY21 which provides additional visibility.
2. Contract assets and contract liabilities were previously disclosed within trade and other receivables and trade and other payables respectively. They have been re-presented in FY20 for consistency with the presentation in FY21 which provides additional visibility.
3. See note 2.2 for details of amounts restated in FY20.

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2021 and were signed on its behalf by:

R C Baker
Director

The notes on pages 63 to 100 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	2021 £m	Re-presented[1] Restated[1] 2020 £m
Cash flows from operating activities			
Profit before tax		**41.4**	45.5
Adjustments for:			
Depreciation and amortisation	6	**44.9**	48.7
Impairment of assets		**2.9**	5.1
Profit on disposal of property, plant and equipment and right-of-use assets	6	**(10.2)**	(7.3)
Profit on disposal of joint ventures	14	**(2.5)**	–
Net financing costs		**28.5**	27.4
Research and development expenditure credit	8	**(7.2)**	–
Share of post tax loss of joint ventures and associates	15	**5.3**	4.9
Decrease/(increase) in trade and other receivables[1]		**–**	(3.1)
Decrease in contract assets[1]		**26.8**	98.4
Decrease in inventories		**0.8**	1.5
Decrease in trade and other payables and provisions[1]		**(54.8)**	(145.1)
Increase in contract liabilities[1]		**81.4**	19.9
Other including profit on disposal of subsidiaries of £1.2m (FY20: £0.4m)		**(0.4)**	0.9
Cash generated from operations		**156.9**	96.8
Interest paid		**(16.9)**	(16.3)
Tax received		**0.4**	1.9
Net cash generated from operating activities		**140.4**	82.4
Cash flows (used in)/ generated from investing activities			
Purchase of property, plant and equipment and right-of-use assets		**(13.9)**	(23.9)
Purchase of intangible assets	13	**(3.5)**	(8.8)
Capital injections in equity investments	15	**–**	(6.0)
Proceeds from sale of property, plant and equipment and right-of-use assets		**27.0**	26.4
Disposal of intangible assets		**0.1**	–
Proceeds from disposal of joint ventures and associates	14	**2.5**	–
Loans to joint ventures and associates	15	**–**	(1.4)
Loans repaid by joint ventures and associates	15	**7.3**	0.2
Interest received		**1.6**	1.9
Distributions received from joint ventures and associates	15	**0.2**	1.1
Net cash generated from/(used in) investing activities		**21.3**	(10.5)
Cash flows used in financing activities			
Proceeds from new bank loans		**5.0**	9.8
Repayments of bank loans		**(63.7)**	(28.1)
Lease principal repayments		**(41.0)**	(41.9)
Net cash used in financing activities		**(99.7)**	(60.2)
Net increase in cash and cash equivalents		**62.0**	11.7
Cash and cash equivalents at beginning of year		**460.8**	460.4
Effect of exchange rate fluctuations on cash held		**13.8**	(11.3)
Cash and cash equivalents at end of year		**536.6**	460.8
Cash and cash equivalents comprise:			
Cash at bank and on hand		**487.3**	411.8
Short-term bank deposits	29	**9.3**	9.3
Restricted cash deposits[2]		**40.0**	39.7
		536.6	460.8

1. Movement in trade and other receivables and trade and other payables and provisions has been re-presented in FY20 to split out the movement in contract assets and contract liabilities for additional visibility. They have also been restated to correct for amounts which were incorrectly classified as contract assets. See note 2.2.
2. Restricted cash deposits include £11.0m (FY20: £13.5m) relating to the project bank accounts where amounts due to subcontractors are ringfenced. Payments to subcontractors were made after the year end. There was also £38.3m (FY20: £35.5m) of cash which is pledged as short-term collateral; this balance includes short-term bank deposits.

The notes on pages 63 to 100 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Note	Share capital and share premium £m	Other reserves £m	Retained earnings £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2019		286.4	(9.9)	(14.1)	262.4	(2.8)	259.6
Profit for the year		–	–	34.7	34.7	0.2	34.9
Other comprehensive expense after tax		–	(15.7)	–	(15.7)	(0.1)	(15.8)
Total comprehensive (expense)/income for the year		–	(15.7)	34.7	19.0	0.1	19.1
Movements relating to change in beneficial ownership		–	–	(2.9)	(2.9)	2.9	–
At 31 March 2020		**286.4**	**(25.6)**	**17.7**	**278.5**	**0.2**	**278.7**
Profit/(loss) for the year		**–**	**–**	**28.5**	**28.5**	**(0.1)**	**28.4**
Other comprehensive income after tax		**–**	**18.0**	**–**	**18.0**	**–**	**18.0**
Total comprehensive income/(expense) for the year		**–**	**18.0**	**28.5**	**46.5**	**(0.1)**	**46.4**
At 31 March 2021		**286.4**	**(7.6)**	**46.2**	**325.0**	**0.1**	**325.1**

Additional disclosure and details are provided in note 26.

The notes on pages 63 to 100 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

1 GENERAL INFORMATION

Laing O'Rourke Corporation Limited (the 'Company') is a company incorporated and domiciled in Jersey. The Group prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The address of the registered office is given on page 51. The nature of the Group's operations and its principal activities are set out in note 35 and in the Financial Review on pages 33 to 37. The consolidated financial statements of the Group for the year ended 31 March 2021 comprise the Company and its subsidiaries and the Group's interest in joint arrangements and associates. The Company's financial statements are prepared separately.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

The consolidated financial statements are presented in pounds sterling, rounded to the nearest hundred thousand, and include the results of the holding company, its subsidiary undertakings and the Group's interest in joint arrangements and associates for the year ended 31 March 2021. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings (prior to the adoption of IFRS), and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The principal accounting policies which have been consistently applied (see re-presentation statement below) for all consolidated and equity accounted entities including subsidiaries, joint arrangements and associates are set out below.

Re-presentation and restatement of prior year comparatives

The following have been presented separately for FY21 in the Statement of Financial Position in line with best practice:

- Right-of-use assets previously included within property, plant and equipment;
- Contract assets previously disclosed within trade and other receivables; and
- Contract liabilities previously disclosed within trade and other payables.

Two additional notes have also been included in these consolidated financial statements as a result:

- Note 17 Right-of-use assets; and
- Note 18 Contract balances.

Comparative information in the Statement of Financial Position and in the relevant notes has been re-presented.

In addition, the share of other comprehensive income of investments accounted for using the equity method has been renamed from cash flow hedges as presented in FY20.

These presentational changes have no impact on the Group's profit/(loss), net asset position or net cash flows in the current financial year.

The following have been restated in FY20:

- Intangible asset cost and accumulated depreciation (note 13);
- Other receivable balances previously shown as contract assets (notes 18 and 19);
- Contract assets and contract liabilities were incorrectly grossed up (notes 18, 19 and 22);
- Deferred tax assets and deferred tax liabilities (note 24); and
- Financial instruments (note 28).

Comparative information in the Statement of Financial Position and in the relevant notes has been restated.

Intangible asset cost and accumulated amortisation has been restated for impairments which were incorrectly recognised in cost in prior years. Contract assets have been restated in FY20 by £76.0m due to a £40.0m adjustment between contract liabilities and a £36.0m adjustment between other receivables and contract assets. Deferred tax assets and liabilities have been restated in FY20 by £4.4m to offset deferred tax assets and 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 and liabilities. Financial instruments have been restated to exclude contract assets and prepayments from trade and other receivables and to exclude government taxes and contract liabilities from trade and other payables.

Going concern

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

Refer to note 2.26(e) and pages 53 and 54 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 2021 and have been adopted:

a) Amendments to References to the Conceptual Framework in IFRS Standards

b) Definition of a Business (Amendments to IFRS 3)

c) Definition of Material (Amendments to IAS 1 and IAS 8)

d) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

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

The Directors have considered recently published IFRSs, new interpretations and amendments to existing standards that are mandatory to the Group's accounting periods commencing on or after 1 April 2021.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF PREPARATION (CONTINUED)

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

a) IFRS 17, Insurance Contracts

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

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

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

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

f) Annual Improvements to IFRS Standards 2018-2020

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

h) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)

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

The Directors do not expect the standards above to have a material effect on the consolidated financial statements. The Group has chosen not to adopt any of the above standards and interpretations earlier than required.

2.3 BASIS OF CONSOLIDATION

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

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

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

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 35.

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

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

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

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

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

Group companies

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

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

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

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

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

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

2.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

2.6 LEASES

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

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

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

2.7 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

Other intangible assets

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

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

Impairment of non-financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INVESTMENTS

The Group has classified its financial investments as assets held to collect and to sell, which are recognised at fair value. Changes in the fair value of financial investments classified as held-for-sale are recorded in the fair value reserve within equity. When these are sold, the fair value adjustments recognised in equity are included in the income statement.

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

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

2.10 INVENTORIES

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

2.11 CASH AND CASH EQUIVALENTS

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

2.12 TRADE AND OTHER RECEIVABLES

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

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

2.13 TRADE AND OTHER PAYABLES

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

2.14 PROVISIONS

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

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

2.15 REVENUE RECOGNITION

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 CONSTRUCTION AND SERVICE CONTRACTS

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

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

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

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

2.17 FULFILMENT COST

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

2.18 PENSION COSTS

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

2.19 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 BORROWINGS AND BORROWING COSTS

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

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

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

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

2.21 SHARE CAPITAL

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

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 EXCEPTIONAL ITEMS

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

2.23 TRADING ANALYSIS

Trading analysis information is based on the Group's internal reporting structure of two operational hubs and a corporate management centre. Further information on the business trading activities is set out in the operating overview on pages 6 to 8. Trading analysis results present the directly attributable contribution of the different hubs to the results of the Group. Transactions between hubs are conducted at arm's length market prices.

2.24 INTEREST INCOME

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

2.25 GOVERNMENT GRANTS

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

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

a) Revenue and margin recognition (judgement and estimate)

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

Across the Group more than 213 construction contracts (FY20: 218) were income generating during the year. Of these 14 (FY20: 10) individually had an impact of £5.0m or greater on operating profit.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Each contract is treated on its merits and subject to a regular review of the revenue and costs to complete by the project team and senior management.

The level of estimation uncertainty in our construction business is mitigated by:

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

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

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

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

As at 31 March 2021, Covid-19 was reasonably expected to have an impact on costs to complete across the Group's portfolio of construction contracts. After the balance sheet date, management has performed an ongoing assessment of forecast costs for construction contracts. Additional costs to progress or complete projects and associated revenue as a result of Covid-19 have been categorised as follows:

- Costs that do not contribute to the progression or completion of a performance obligation; these costs are classified as inefficiencies and are expensed in the period in which they are incurred and not reflected as part of the stage of completion revenue recognition methodology (see note 2.16);
- Costs associated with delay or additional measures required, such as those due to social distancing and additional personal protective equipment, are included in the costs to complete forecast insofar as they were reasonably foreseeable at 31 March 2021; and
- Revenue associated with additional Covid-19 costs has been recognised where it was considered highly probable of not reversing as at the balance sheet date in accordance with IFRS15 and the Group's policy on revenue and margin recognition.

For the financial year ended 31 March 2020, management made an adjustment for one project where the impact of the Group's share of the costs of delay or additional measures required, net of associated revenue, were significant (> £2m). No adjustment is required for FY21.

There is one contract that the Group considers as material sources of estimation uncertainty and, as at 31 March 2021 (consistent with 31 March 2020), the Group has included estimated recoveries from the customer of £81.1m, relating entirely to the first stage of work on this project. The Group considers that the value of this contract includes potential downside risk of £35.0m, being the difference between the total estimated recovery and the amount received to date. This recovery is recognised on the basis that it is considered highly probable that a significant reversal in the amount of revenue recognised will not occur. A draft Deed of Variation (Deed) was agreed in principle with the customer in 2020 and awaits final ratification by Central Government and signing by the counterparties. Final ratification is not yet complete as the Deed also incorporates further stages of the project, for which no agreement has yet been reached by the parties and no recovery has been recognised. The customer has made, and continues to make, payments under the terms of the Deed that relate to the first stage of work.

Our construction business revenue for the year is £2.4bn (FY20: £2.3bn) with an associated margin of 8.8% (FY20: 9.7%). Should margins reduce by 1%, the impact of such a change across our projects in delivery at the year end would be an impact on gross profit of £24.0m (FY20: £24.0m). Should revenues reduce by 1%, and the associated costs reduce by 1%, the impact on gross profit would be £2.4m (FY20: £2.3m).

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 the terminated contract with EPC Cryogenic Tanks in 2017. An amount of £103m (AUD$187m) is recognised in contract assets as an estimate of the amount expected to be recovered. This will be subject to private arbitration so the actual amount recovered may be significantly different to this estimate. The Group intends to pursue several substantial claims in accordance with this contract. Refer to note 18 for further details.

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 estimated 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 reoccur; the exceptional items arising in the year were:

i) Legal costs relating to a one-off disputed contract in our Australia Hub.

ii) Costs relating to the restructuring of the Australia Hub.

There are no key estimates within exceptional items.

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.

In the year ended 31 March 2021, costs in respect of the rectification of defects of £29.0m (FY20: 8.9m) were incurred and debited to contract liabilities. As disclosed in note 18, as at 31 March 2021, the Group held liabilities, included in contract liabilities, of £76.4m (FY20: £56.7m) in respect of such defect rectification. Due to the nature of these defect liabilities, which 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, it is difficult to provide meaningful sensitivity disclosures of the range of estimation uncertainty. However, as an indication of the estimation uncertainty associated with this balance, a 10% movement in the balance would have an impact on the consolidated income statement of £7.6m, although actual movements may be greater.

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 page 53 and 54). 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;
- Structural drivers for construction work; and
- Possibility of increased Covid-19 related restriction impacting construction.

In order to form a conclusion on going concern and 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 page 53 and 54.

2.27 OTHER JUDGEMENTS AND ESTIMATION UNCERTAINTY

a) Tax (judgement)

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

At the balance sheet date, a total tax liability of £6.3m (FY20: £7.5m) has been recognised in respect of uncertain tax positions.

The £6.3m provision relates to management's judgement of the amount of tax payable on open tax returns where the liabilities remain to be agreed with the tax authorities in the UK and Hong Kong. The uncertain tax items for which a provision is made relate principally to the interpretation of tax legislation regarding the tax deductibility of expenses incurred in the ordinary course of business. Due to the nature of the uncertainty associated with such tax items, a very limited range of outcomes is possible – either the tax provision becomes payable or not – and therefore it is not practicable to provide sensitivity estimates.

b) Impairment of goodwill (estimate)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 OTHER JUDGEMENTS AND ESTIMATION UNCERTAINTY(CONTINUED)

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

Specific areas considered by management included:

- Estimates of the future cash flows used in the impairment assessment of the carrying value of goodwill where the forecasts used include the impact of climate change to the extent that these can be forecast at present (see note 13);
- Long-term contract accounting assumptions, such as the forecast costs of a project and as these progress, the estimated costs to complete and the allowance for rectification works (see note 2.26a);
- The appropriateness of the estimated useful economic lives of the Group's property, plant and equipment and right of use assets (see notes 16 and 17) where no significant changes are currently needed; and
- The recoverability of deferred tax assets recognised (see note 24) in respect of carried forward losses in relation to the UK operations.

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

3 REVENUE

3.1 DISAGGREGATION OF REVENUE

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

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

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

	United Kingdom 2021 £m	Australia 2021 £m	Rest of World 2021 £m	Total 2021 £m
Revenue	**1,514.9**	**894.5**	**94.3**	**2,503.7**
Timing of revenue recognition				
At a point in time	**16.5**	**0.6**	**15.8**	**32.9**
Over time	**1,498.4**	**893.9**	**78.5**	**2,470.8**
Revenue	**1,514.9**	**894.5**	**94.3**	**2,503.7**

	Construction 2021 £m	Manufacturing 2021 £m	Plant Hire 2021 £m	Services 2021 £m	Total 2021 £m
Revenue	**2,321.1**	**27.7**	**86.3**	**68.6**	**2,503.7**
Timing of revenue recognition					
At a point in time	**–**	**27.7**	**–**	**5.2**	**32.9**
Over time	**2,321.1**	**–**	**86.3**	**63.4**	**2,470.8**
Revenue	**2,321.1**	**27.7**	**86.3**	**68.6**	**2,503.7**

	United Kingdom 2020 £m	Australia 2020 £m	Rest of World 2020 £m	Total 2020 £m
Revenue	1,651.6	639.8	157.1	2,448.5
Timing of revenue recognition				
At a point in time	9.4	0.3	16.5	26.2
Over time	1,642.2	639.5	140.6	2,422.3
Revenue	1,651.6	639.8	157.1	2,448.5

	Construction 2020 £m	Manufacturing 2020 £m	Plant Hire 2020 £m	Services 2020 £m	Total 2020 £m
Revenue	2,311.0	20.8	88.9	27.8	2,448.5
Timing of revenue recognition					
At a point in time	–	20.8	–	5.4	26.2
Over time	2,311.0	–	88.9	22.4	2,422.3
Revenue	2,311.0	20.8	88.9	27.8	2,448.5

4 TRADING ANALYSIS

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

	Europe Hub 2021 £m	Australia Hub 2021 £m	Corporate Management and Treasury 2021 £m	Total Group 2021 £m
Performance by Hub:				
Managed revenue*	**1,961.9**	**960.3**	**9.8**	**2,932.0**
Less: Inter-segment revenue	**(227.1)**	**(63.2)**	**(9.8)**	**(300.1)**
Total revenue including share of joint ventures and associates*	**1,734.8**	**897.1**	**–**	**2,631.9**
Less: Share of joint ventures and associates revenue	**(121.4)**	**(6.8)**	**–**	**(128.2)**
Revenue	**1,613.4**	**890.3**	**–**	**2,503.7**
Profit/(loss) before tax post-exceptional items	**70.4**	**27.3**	**(56.3)**	**41.4**
EBIT* post-exceptional items	**90.3**	**32.7**	**(53.1)**	**69.9**
EBITDA* post-exceptional items	**122.0**	**45.6**	**(52.8)**	**114.8**
Profit/(loss) before tax and exceptional items	**70.4**	**33.4**	**(56.3)**	**47.5**
EBIT* pre-exceptional items	**90.3**	**38.8**	**(53.1)**	**76.0**
EBITDA* pre-exceptional items	**122.0**	**51.7**	**(52.8)**	**120.9**

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

	Europe Hub 2020 £m	Australia Hub 2020 £m	Corporate Management and Treasury 2020 £m	Total Group 2020 £m
Managed revenue*	2,239.3	710.7	9.9	2,959.9
Less: Inter-segment revenue	(333.8)	(61.3)	(9.7)	(404.8)
Total revenue including share of joint ventures and associates*	1,905.5	649.4	0.2	2,555.1
Less: Share of joint ventures and associates revenue	(97.7)	(8.9)	–	(106.6)
Revenue	1,807.8	640.5	0.2	2,448.5
Profit/(loss) before tax post-exceptional items	55.5	26.6	(36.6)	45.5
EBIT* post-exceptional items	75.1	31.6	(33.8)	72.9
EBITDA* post-exceptional items	108.7	46.3	(33.4)	121.6
Profit/(loss) before tax and exceptional items	57.8	35.0	(36.6)	56.2
EBIT* pre-exceptional items	77.4	39.9	(33.7)	83.6
EBITDA* pre-exceptional items	111.1	54.6	(33.4)	132.3

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

4 TRADING ANALYSIS (CONTINUED)

EBIT and EBITDA:	Note	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m	Pre-exceptional items 2020 £m	Exceptional items (note 5) 2020 £m	Total 2020 £m
EBIT		**76.0**	**(6.1)**	**69.9**	83.6	(10.7)	72.9
Depreciation	6	**41.4**	**–**	**41.4**	45.3	–	45.3
Amortisation	6	**3.5**	**–**	**3.5**	3.4	–	3.4
EBITDA		**120.9**	**(6.1)**	**114.8**	132.3	(10.7)	121.6

5 EXCEPTIONAL ITEMS

	2021 £m	2020 £m
Legal costs	**3.8**	3.2
Restructuring costs	**2.3**	2.4
Impairment of assets	**–**	5.1
Exceptional costs before tax	**6.1**	10.7
Income tax credit on exceptional items	**(1.4)**	(1.4)
Exceptional costs after tax	**4.7**	9.3

LEGAL COSTS

Exceptional costs of £3.8m (FY20: £3.2m) were recognised in the year, which relate to legal costs incurred in the Australia Hub regarding the disputed EPC Cryogenic tanks contract. These costs have been treated as exceptional as they are material and unusual by nature, given the circumstances surrounding the disputed contract which are unlikely to reoccur. As the relevant contract does not specify a time limit within which the dispute resolution must be determined, there can be no certainty as to when the matter will be finalised.

RESTRUCTURING COSTS

The Australia Hub incurred £2.3m of restructuring costs during the year (FY20: £nil). These relate to a restructure of companies and are primarily legal, consultancy and stamp duty costs which arise from a one-off event and are material and unusual by nature. During the year, the Europe Hub incurred £nil of costs in relation to restructuring (FY20: £2.4m). In FY20 the restructuring costs in the Europe Hub related to a redundancy programme which was a one-off, unusual event.

IMPAIRMENT OF ASSETS

During the year the Group recognised an exceptional impairment of £nil (FY20: £5.1m). The impairment of £5.1m in FY20 includes impairments of right-of-use assets (£1.3m), intangible assets (£0.5m) and other assets (£3.3m).

6 PROFIT/(LOSS) BEFORE INTEREST AND TAX

Profit/(loss) before interest and tax is stated after charging/(crediting):	Note	**2021 £m**	2020 £m
Staff costs	7	**625.8**	646.7
Depreciation of property, plant and equipment	16	**18.4**	19.2
Depreciation of right-of-use assets	17	**23.0**	26.1
Short-term lease rentals and short term hires:			
Property, plant and equipment		**6.8**	1.9
Amortisation of other intangible assets	13	**3.5**	3.4
Profit on disposal of plant and equipment		**(4.4)**	(7.3)
Profit on disposal of land and buildings		**(5.8)**	–
Foreign exchange gains		**(0.4)**	(0.4)
Cost of inventories recognised as an expense		**26.5**	19.7
Impairment of intangible assets	13	**1.3**	0.5
Impairment of property, plant and equipment	16	**1.6**	0.3
Exceptional items	5	**6.1**	10.7
Accrued costs in respect of rectification of defective works		**29.0**	8.9
Auditors' remuneration (see below)		**4.3**	3.6

Auditors' remuneration	Note	**2021 £m**	2020 £m
Fees payable to the Company's auditor for the audit of:			
The Company's annual financial statements and consolidated financial statements		**3.1**	2.5
The Company's subsidiaries pursuant to legislation		**0.9**	0.7
Total audit fees		**4.0**	3.2
Fees payable to the Company's auditor and its associates for other services:			
Services relating to tax		**0.3**	0.3
All other services		**–**	0.1
Total non-audit fees		**0.3**	0.4
Total fees		**4.3**	3.6

Included within the FY21 Group audit fee of £3.1m is £0.9m of Group audit fee overruns in respect of FY20.

7 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	**2021 Number**	2020 Number
The average monthly number of employees (including Directors) during the financial year was:		
Europe Hub	**7,905**	9,322
Australia Hub	**1,961**	2,258
Total number of employees	**9,866**	11,580

Aggregate remuneration and related costs, including Directors	**2021 £m**	2020 £m
Salaries[1]	**389.9**	387.4
Wages	**168.5**	187.9
Social security costs	**39.6**	42.8
Other pension costs	**27.8**	28.6
	625.8	646.7

1. During the financial year a government grant of £9.5m was received in respect of the coronavirus job retention scheme and has been netted off against salaries, social security and pension costs, within administrative expenses.

At 31 March 2021 £2.8m (FY20: £2.7m) was payable in respect of defined contribution schemes and included in other payables (note 22).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel during the financial year include the nine Directors and nine other members (FY20: ten Directors and nine other members) who served on the Group Executive Committee during the year, and no other individuals (FY20: no other individuals) considered key management personnel during the year.

The compensation of key management personnel is as follows:

	2021 £m	2020 £m
Salaries and other short-term employee benefits	**6.6**	7.5

DIRECTORS' REMUNERATION

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

	2021 £m	2020 £m
Salaries and other short-term benefits	**3.5**	3.5

None of the Directors are accruing benefits under a defined contribution scheme (FY20: none). No post-retirement benefits were paid on behalf of Directors (FY20: £nil).

8 OTHER OPERATING INCOME

	2021 £m	2020 £m
Rents received	**0.1**	–
Research and development expenditure credit	**7.2**	0.4
Other operating income	**1.1**	0.5
	8.4	0.9

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

9 PROFIT ON DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES

	2021 £m	2020 £m
Profit on sale of subsidiaries	**1.2**	0.4
Profit on sale of joint ventures (note 14)	**2.5**	–
	3.7	0.4

10 FINANCE INCOME

	2021 £m	2020 £m
Bank interest	**0.8**	1.0
Other interest and similar income	**0.8**	0.9
	1.6	1.9

11 FINANCE EXPENSE

	2021 £m	2020 £m
Interest payable on bank loans and overdrafts	**15.4**	15.5
Interest payable on leases	**6.7**	6.6
Other interest payable and similar charges	**8.0**	7.2
	30.1	29.3

12 INCOME TAX

	2021 £m	2020 £m
Jersey corporation tax		
Current tax on profit for the year	**–**	–
Foreign tax		
Current tax on profit for the year	**5.1**	2.5
Adjustment in respect of prior years	**(1.6)**	0.7
Total current tax	**3.5**	3.2
Net origination of temporary differences – current year	**7.0**	12.0
Net origination of temporary differences – prior years	**2.5**	(0.8)
Impact of change in tax rate	**–**	(3.8)
Total deferred tax	**9.5**	7.4
Tax charge	**13.0**	10.6

The overall charge (FY20: charge) for the year of £13.0m (FY20: £10.6m) is explained relative to the UK statutory rate of 19 % below:

	2021 £m	2020 £m
Total tax reconciliation		
Profit before tax	**41.4**	45.5
Tax at the UK corporation tax rate of 19% (FY20: UK 19%)	**7.9**	8.6
Effects of		
- higher overseas tax rates	**2.0**	1.5
- non-deductible expenditure	**1.0**	0.7
- adjustments in respect of prior years	**0.9**	(0.1)
- tax effect of joint ventures	**–**	0.1
- impact of change in future tax rates	**–**	(3.8)
- unrecognised deferred tax	**1.2**	2.7
- other items	**–**	0.9
Total tax charge	**13.0**	10.6

A total group tax charge of £13.0m (FY20: £10.6m) arises for the year on the total group profit of £41.4m (FY20: £45.5m), giving an effective tax rate of 31.4% (FY20: 23.3%). The total tax charge for the year includes an exceptional tax credit of £1.4m (FY20: credit of £1.4m) in relation to tax-allowable exceptional expenditure for Australian legal and restructuring costs (see note 5).

On 3 March 2021, in the spring budget, the UK Government announced that from 1 April 2023 the corporation tax rate would rise from 19% to 25%. Given this was only substantively enacted in the Finance Act 2021 on 24 May 2021, after the balance sheet date, all UK deferred tax assets and liabilities continue to be recognised at the existing 19% rate. Based on the probable future taxable profits against which temporary differences could be utilised at 25%, if this change had been substantively enacted before the balance sheet date, the value of deferred tax assets recognised at the balance sheet date would increase by £6.3m.

12 INCOME TAX (CONTINUED)

In the spring budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020 and therefore all UK deferred tax assets and liabilities, which were recognised at 17%, have been recalculated at 19% as at 31 March 2020, resulting in a £3.8m credit.

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2021			2020		
	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	**17.8**	**–**	**17.8**	(15.3)	–	(15.3)
Fair value of held to collect and to sell financial assets	**(0.8)**	**–**	**(0.8)**	(1.0)	–	(1.0)
Share of other comprehensive expense of investments accounted for using the equity method	**1.0**	**–**	**1.0**	0.5	–	0.5
	18.0	**–**	**18.0**	(15.8)	–	(15.8)

13 INTANGIBLE ASSETS

	Restated[1] Goodwill £m	Restated[1] Computer software and licences £m	Development costs £m	Restated[1] Total £m
Cost				
At 1 April 2020 (restated[1])	**322.5**	**40.2**	**5.0**	**367.7**
Additions	**–**	**3.4**	**0.1**	**3.5**
Disposals	**–**	**(0.7)**	**–**	**(0.7)**
Transfer to property, plant and equipment	**–**	**(3.7)**	**–**	**(3.7)**
Exchange differences	**4.2**	**(0.1)**	**–**	**4.1**
At 31 March 2021	**326.7**	**39.1**	**5.1**	**370.9**
Accumulated amortisation and impairment				
At 1 April 2020 (restated[1])	**3.3**	**25.4**	**3.4**	**32.1**
Amortisation for the year	**–**	**3.5**	**–**	**3.5**
Disposals	**–**	**(0.5)**	**–**	**(0.5)**
Impairment	**–**	**1.3**	**–**	**1.3**
Exchange differences	**–**	**(0.3)**	**–**	**(0.3)**
At 31 March 2021	**3.3**	**29.4**	**3.4**	**36.1**
Net book value at 31 March 2021	**323.4**	**9.7**	**1.7**	**334.8**
Cost				
At 1 April 2019 (restated[1])	326.2	35.8	3.4	365.4
Additions	–	7.2	1.6	8.8
Disposals	–	(2.6)	–	(2.6)
Exchange differences	(3.7)	(0.2)	–	(3.9)
At 31 March 2020 (restated[1])	322.5	40.2	5.0	367.7
Accumulated amortisation and impairment				
At 1 April 2019 (restated[1])	3.0	25.4	2.4	30.8
Amortisation for the year	–	2.4	1.0	3.4
Disposals	–	(2.5)	–	(2.5)
Impairment[1]	0.3	0.2	–	0.5
Exchange differences	–	(0.1)	–	(0.1)
At 31 March 2020 (restated[1])	3.3	25.4	3.4	32.1
Net book value at 31 March 2020	319.2	14.8	1.6	335.6

1. The impairment charge was previously shown in cost and has been re-presented as an impairment charge within accumulated amortisation and impairment, therefore the balance at 1 April 2019 for both cost and accumulated amortisation and impairment have each been restated by £2.2m and the balance at 31 March 2020 for both cost and accumulated amortisation and impairment have each been restated by £2.7m. The restatements are due to disclosure errors in prior periods.

13 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have significant amounts of goodwill	2021 £m	2020 £m
Australia	**42.2**	38.0
United Kingdom	**281.2**	281.2
	323.4	319.2

The recoverable amount of goodwill attached to each cash generating unit is 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 and a perpetual growth rate of 2% based on industry data (FY20: 3%), discounted at the Group's estimated pre-tax weighted average cost of capital of 12.9% (FY20: 14.1%) for the UK CGU and 15.1% (FY20: 13.5%) 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 Covid-19, Brexit 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.

Assumed revenue growth is 24% for FY23, 11% for FY24 and 9% for FY25. Gross margin is assumed to increase from 10% in FY23 to 12% in FY25. Overheads are assumed to remain stable during the forecast period at approximately 3% 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:

	2021 £m	2020 £m
Administrative expenses	**3.5**	3.4

14 ACQUISITIONS AND DISPOSALS

YORKSHIRE LEARNING PARTNERSHIP PSP LIMITED

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

PRESIEN HOLDINGS PTY LIMITED

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

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

AUSTRALIA HUB RESTRUCTURE

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

PRIOR YEAR

There were no acquisitions or disposals in the prior year.

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Joint ventures equity investments £m	Associate equity investment £m	Loans to joint ventures £m	Total £m
At 1 April 2020	**(21.3)**	**–**	**50.4**	**29.1**
Equity investment received on disposal of subsidiary (see note 14)	**–**	**1.8**	**–**	**1.8**
Disposals	**(1.4)**	**–**	**(7.3)**	**(8.7)**
Fair value revaluation of financial assets	**(0.8)**	**–**	**–**	**(0.8)**
Share of other comprehensive income from joint ventures and associates	**1.0**	**–**	**–**	**1.0**
Exchange differences	**(0.4)**	**–**	**(1.5)**	**(1.9)**
At 31 March 2021	**(22.9)**	**1.8**	**41.6**	**20.5**
Share of results for the year after tax	**(4.9)**	**(0.4)**	**–**	**(5.3)**
Distributions received	**(0.2)**	**–**	**–**	**(0.2)**
Net book value at 31 March 2021	**(28.0)**	**1.4**	**41.6**	**15.0**
At 1 April 2019	(19.6)	–	48.0	28.4
Equity investment purchases	6.0	–	–	6.0
Loans advanced	–	–	1.4	1.4
Loans repaid	–	–	(0.2)	(0.2)
Fair value revaluation of financial assets	(1.0)	–	–	(1.0)
Share of other comprehensive income from joint ventures and associates	0.5	–	–	0.5
Exchange differences	(1.2)	–	1.2	–
At 31 March 2020	(15.3)	–	50.4	35.1
Share of results for the year after tax	(4.9)	–	–	(4.9)
Distributions received	(1.1)	–	–	(1.1)
Net book value at 31 March 2020	(21.3)	–	50.4	29.1

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 23).

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

	2021 £m	2020 £m
Investments in joint ventures and associates	**14.0**	15.4
Loans to joint ventures	**8.0**	15.3
Provisions (note 23)	**(7.0)**	(1.6)
	15.0	29.1

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The principal joint ventures and associates are shown in note 35. Each joint venture and associate has share capital consisting solely of ordinary shares, which is held directly by the Group. Each joint venture and associate is a private company and there is no quoted market price available for its shares.

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

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

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

Please refer to note 35 for details of the place of business for material joint ventures.

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	Emirates Precast Construction LLC 2020 £m	Health Montreal Collective CJV Limited Partnership 2020 £m	Private Finance Initiatives (PFIs) 2020 £m	Explore Transport 2020 £m	Juris Partnership 2020 £m	BYLOR Services 2020 £m	Other 2021 £m	Total 2020 £m
Revenue	25.5	2.2	5.9	57.8	10.2	109.2	–	210.8
Depreciation and amortisation	(0.3)	–	–	(9.0)	(0.1)	–	–	(9.4)
Other expenses	(22.8)	(14.0)	(5.7)	(48.8)	(9.1)	(109.2)	–	(209.6)
Operating profit/(loss)	2.4	(11.8)	0.2	–	1.0	–	–	(8.2)
Net finance income/(costs)	–	1.0	0.2	(1.7)	–	–	–	(0.5)
Profit/(loss) before tax	2.4	(10.8)	0.4	(1.7)	1.0	–	–	(8.7)
Tax credit/(expense)	–	–	–	0.3	–	–	–	0.3
Profit/(loss) after tax	2.4	(10.8)	0.4	(1.4)	1.0	–	–	(8.4)
Other comprehensive income	–	–	–	–	1.0	–	–	1.0
Total comprehensive income/(expense)	2.4	(10.8)	0.4	(1.4)	2.0	–	–	7.4
Dividends received from joint ventures	2.6	–	–	0.2	1.0	–	–	3.8
Non-current assets								
Goodwill	–	–	–	0.7	–	–	–	0.7
Property, plant and equipment	0.8	–	–	50.5	0.3	–	–	51.6
Other non-current assets	0.4	–	278.9	–	0.2	–	–	279.5
Current assets								
Cash and cash equivalents	6.0	10.2	14.6	3.1	2.4	9.8	–	46.1
Other current assets	19.4	20.4	1.0	11.4	7.8	6.7	0.7	67.4
Total assets	26.6	30.6	294.5	65.7	10.7	16.5	0.7	445.3
Current liabilities								
Borrowings	–	–	(5.3)	(3.6)	–	–	–	(8.9)
Other current liabilities	(9.8)	(31.6)	(1.9)	(15.4)	(3.9)	(16.5)	(0.8)	(79.9)
Non-current liabilities								
Borrowings	–	–	(281.1)	(35.5)	–	–	–	(316.6)
Other non-current liabilities	(1.8)	–	–	(2.3)	(0.7)	–	(51.0)	(55.8)
Total liabilities	(11.6)	(31.6)	(288.3)	(56.8)	(4.6)	(16.5)	(51.8)	(461.2)
Net assets/(liabilities)	15.0	(1.0)	6.2	8.9	6.1	–	(51.1)	(15.9)
Financial commitments	–	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–	–

16 PROPERTY, PLANT AND EQUIPMENT

	Group owner occupied land and buildings £m	Other land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
At 1 April 2020	**22.3**	**34.4**	**223.4**	**280.1**
Additions	**–**	**0.2**	**14.0**	**14.2**
Disposals	**(0.8)**	**(0.6)**	**(31.6)**	**(33.0)**
Transfer from intangible assets	**–**	**–**	**3.7**	**3.7**
Transfer from right-of-use assets	**–**	**0.5**	**22.8**	**23.3**
Exchange differences	**0.2**	**0.3**	**5.9**	**6.4**
At 31 March 2021	**21.7**	**34.8**	**238.2**	**294.7**
Accumulated depreciation				
At 1 April 2020	**2.1**	**20.6**	**153.5**	**176.2**
Depreciation charge for the year	**0.3**	**2.3**	**15.8**	**18.4**
Impairment	**–**	**–**	**1.6**	**1.6**
Disposals	**–**	**(0.6)**	**(25.8)**	**(26.4)**
Transfer from right-of-use assets	**–**	**–**	**11.1**	**11.1**
Exchange differences	**–**	**(0.3)**	**2.6**	**2.3**
At 31 March 2021	**2.4**	**22.0**	**158.8**	**183.2**
Net book value at 31 March 2021	**19.3**	**12.8**	**79.4**	**111.5**
Cost				
At 1 April 2019	22.5	29.8	199.6	251.9
Additions	0.1	5.0	11.4	16.5
Disposals	–	–	(21.9)	(21.9)
Transfer to right-of-use assets	–	–	(12.0)	(12.0)
Transfer from right-of-use assets	–	–	50.7	50.7
Exchange differences	(0.3)	(0.4)	(4.4)	(5.1)
At 31 March 2020	22.3	34.4	223.4	280.1
Accumulated depreciation				
At 1 April 2019	1.5	18.5	137.5	157.5
Depreciation charge for the year	0.3	1.3	17.6	19.2
Impairment	–	–	0.3	0.3
Disposals	–	–	(20.3)	(20.3)
Transfer to right-of-use assets	–	–	(6.3)	(6.3)
Transfer from right-of-use assets	–	–	27.6	27.6
Exchange differences	0.3	0.8	(2.9)	(1.8)
At 31 March 2020	2.1	20.6	153.5	176.2
Net book value at 31 March 2020	20.2	13.8	69.9	103.9

1. Right-of-use assets were disclosed within property, plant and equipment in FY20 and have therefore been re-presented for consistency with the presentation in FY21 which provides additional visibility.

17 RIGHT-OF-USE ASSETS

	Land and buildings £m	Plant and equipment £m	Vehicles £m	Total £m
Cost				
At 1 April 2020	**124.0**	**137.2**	**3.8**	**265.0**
Additions	**5.2**	**17.9**	**1.4**	**24.5**
Disposals	**(14.9)**	**(5.4)**	**–**	**(20.3)**
Transfer to property, plant and equipment	**(0.5)**	**(22.8)**	**–**	**(23.3)**
Exchange differences	**2.3**	**0.6**	**–**	**2.9**
At 31 March 2021	**116.1**	**127.5**	**5.2**	**248.8**
Accumulated depreciation				
At 1 April 2020	**16.8**	**50.5**	**1.6**	**68.9**
Depreciation charge for the year	**13.1**	**8.5**	**1.4**	**23.0**
Disposals	**(6.6)**	**(3.5)**	**–**	**(10.1)**
Transfer to property, plant and equipment	**–**	**(11.1)**	**–**	**(11.1)**
Exchange differences	**0.6**	**0.2**	**–**	**0.8**
At 31 March 2021	**23.9**	**44.6**	**3.0**	**71.5**
Net book value at 31 March 2021	**92.2**	**82.9**	**2.2**	**177.3**

	Land and buildings £m	Plant and equipment £m	Vehicles £m	Total £m
Cost				
At 31 March 2019	–	173.0	0.8	173.8
Adjustment on adoption of IFRS 16	89.0	15.2	0.3	104.5
At 1 April 2019	89.0	188.2	1.1	278.3
Additions	38.3	11.6	3.4	53.3
Disposals	(0.7)	(22.1)	(0.2)	(23.0)
Transfer from property, plant and equipment	–	12.0	–	12.0
Transfer to property, plant and equipment	–	(50.2)	(0.5)	(50.7)
Exchange differences	(2.6)	(2.3)	–	(4.9)
At 31 March 2020	124.0	137.2	3.8	265.0
Accumulated depreciation				
At 1 April 2019	–	68.7	0.6	69.3
Depreciation charge for the year	16.3	8.1	1.7	26.1
Impairment	1.3	–	–	1.3
Disposals	(0.3)	(5.0)	(0.2)	(5.5)
Transfer from property, plant and equipment	–	6.3	–	6.3
Transfer to property, plant and equipment	–	(27.1)	(0.5)	(27.6)
Exchange differences	(0.5)	(0.5)	–	(1.0)
At 31 March 2020	16.8	50.5	1.6	68.9
Net book value at 31 March 2020	107.2	86.7	2.2	196.1

This is an additional note as right-of-use assets were disclosed within property, plant and equipment in FY20 and have therefore been re-presented for consistency with the presentation in FY21 which provides additional visibility.

18 CONTRACT BALANCES

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

Contract assets	**£m**
At 1 April 2019	430.1
Transfers from contract assets recognised at the beginning of the year to receivables	(227.2)
Performance obligations satisfied in the year that have yet to be transferred to receivables	143.8
Exchange differences	(21.6)
At 31 March 2020 (restated see note 2.2)	325.1
Transfers from contract assets recognised at the beginning of the year to receivables	(135.7)
Performance obligations satisfied in the year that have yet to be transferred to receivables	100.6
Exchange differences	14.0
At 31 March 2021	**304.0**
Contract liabilities	
At 1 April 2019	(248.6)
Revenue recognised against contract liabilities at the beginning of the year	168.2
Increase due to cash received, excluding amounts recognised as revenue during the year	(191.3)
Exchange differences	5.6
At 31 March 2020 (restated see note 2.2)	(266.1)
Revenue recognised against contract liabilities at the beginning of the year	160.8
Increase due to cash received, excluding amounts recognised as revenue during the year	(242.5)
Exchange differences	(3.6)
At 31 March 2021	**(351.4)**

	Assets 2021 £m	Restated (see note 2.2) Assets 2020 £m	**Liabilities 2021 £m**	Restated (see note 2.2) Liabilities 2020 £m	**Net 2021 £m**	Net 2020 £m
The ageing of contract assets/(liabilities) at the year end was:						
Less than one year	**170.4**	183.0	**(282.7)**	(257.3)	**(104.3)**	(74.3)
More than one year	**133.6**	142.1	**(68.7)**	(8.8)	**74.2**	133.3
	304.0	325.1	**(351.4)**	(266.1)	**(30.1)**	59.0

At 31 March 2021, contract assets include customer retentions of £73.1m (FY20: £88.8m) relating to construction contracts, of which £30.2m (FY20: £49.0m) are non-current assets.

Included in non-current contract assets is an amount of £103.3m (FY20: £93.0m) in respect of the EPC Cryogenic Tanks contract terminated during FY17. This contract is denominated in AUD$ and the movement in the year relates only to foreign currency movements. The contract-to-date loss amounts to £40.3m and represents costs incurred in respect of delays and other matters which will be claimed in addition to other substantial claims net of expected losses stated above that have not been recognised in contract revenue at 31 March 2021. The Group's total claims are expected to exceed total contract costs incurred. In addition to claims for unpaid work performed (including variations), the amount to be claimed by the Group will include delay and disruption claims, post-termination costs, legal costs and interest. The contract contains dispute resolution provisions. As the relevant contract does not specify a time limit within which the dispute resolution process must be determined, there can be no certainty as to when the matter will be finalised. The matter has been referred for resolution through private arbitration. The claims process is ongoing with the parties currently undertaking evidence gathering.

18 CONTRACT BALANCES (CONTINUED)

At 31 March 2021, contract liabilities included liabilities across a number of legacy projects related to rectification works of £76.4m (FY20: £56.7m), of which £10.6m (FY20: £nil) are non-current liabilities. During the year, £9.3m of the liability as at 1 April 2020 was utilised for rectification works performed on legacy projects. Since year end, full and final settlement has been reached on £24.0m of these liabilities at amounts consistent with the provisions held at 31 March 2021. Of these remaining liabilities of £52.4m (FY20: £56.7m), the Group does not in all cases have access to the site to fully assess the costs of rectification and, therefore, there is no certainty as to the level of costs that will ultimately be incurred to settle them. As described further in note 2.26, these liabilities are therefore considered a major source of estimation uncertainty. Unless the timing of the rectification works is known and will occur more than 12 months after the balance sheet date, these liabilities are shown as current.

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:

	2021 £m	2020 £m
Construction work in hand		
Europe Hub	**4,540.7**	3,632.1
Australia Hub	**1,259.7**	1,105.2
	5,800.4	4,737.3

The remaining performance obligations expected to be settled over the next four years based on the four-year financial budgets approved by management for the Europe Hub are £4,227.1m (FY20: £3,208.1m) and for the Australia Hub are £1,259.7m (FY20: £1,105.2m). Management expects that £2,513.0m (FY20: £2,170.0m) in relation to contracts in place as at 31 March 2021 will be recognised as revenue in the next financial year.

19 TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	2021 £m	Re-presented Restated (see note 2.2) 2020 £m
Trade receivables	**100.8**	107.5
Less: provision for impairment of trade receivables	**(1.2)**	(1.9)
Prepayments and accrued income	**22.6**	29.8
Other receivables	**34.3**	16.7
	156.5	152.1
Amounts expected to be recovered after more than one year:		
Trade receivables	**0.3**	0.3
Other receivables	**21.4**	21.2
	21.7	21.5
Total trade and other receivables	**178.2**	173.6
Comprising		
Financial assets (Note 28)	**156.8**	145.7
Other financial assets outside the scope of IFRS 7	**21.4**	27.9
	178.2	173.6

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2021 £m	2020 £m
Opening balance	**(1.9)**	(6.0)
Additional provisions recognised	**(0.2)**	(0.7)
Utilised during the year	**0.1**	0.1
Unused amounts reversed	**0.7**	5.0
Exchange differences	**0.1**	(0.3)
Closing balance	**(1.2)**	(1.9)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	Carrying amount 2020 £m	Allowance for expected credit losses 2020 £m
Not overdue	86.9	0.5
0 to 3 months overdue	12.1	–
3 to 6 months overdue	1.8	–
Over 6 months overdue	7.0	1.4
	107.8	**1.9**

20 INVENTORIES

	2021 £m	2020 £m
Development land and work in progress	**11.6**	13.7
Raw materials and consumables	**7.6**	5.2
Finished goods and goods for resale	**0.1**	0.2
	19.3	19.1

Development land and work in progress at 31 March 2021 includes assets to a value of £10.0m (FY20: £10.3m) expected to be consumed after more than one year which, given the nature of these assets, is part of the normal operating cycle. Inventories carried at net realisable value at 31 March 2021 had a carrying value of £9.2m (FY20: £12.2m).

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 (FY20: £1.2m).

21 BORROWINGS

	2021 £m	2020 £m
Amounts expected to be settled within one year:		
Bank loans	**178.0**	54.0
Other loans (note 31)	**55.8**	–
Lease liabilities	**32.3**	34.1
	266.1	88.1
Amounts expected to be settled after more than one year:		
Bank loans	**11.9**	182.0
Other loans (note 31)	**–**	51.4
Lease liabilities	**118.5**	130.2
	130.4	363.6
Total borrowings	**396.5**	451.7

Obligations under leases are secured on certain non-current assets of the Group with an original cost of £183.2m (FY20: £212.9m) and total net book value of £143.3m (FY20: £157.8m).

On 4 October 2021, subsequent to the year end, the Group refinanced its UK facilities, resulting in full repayment of its existing RCF, Term Loan and Arrangement Fee, which totalled £139.5m at 31 March 2021, and the entering into of a new £35.0m RCF with an expiry date of 3 October 2023. A £13.7m property loan was also refinanced with a new expiry date of 3 October 2023. Australia repaid its core debt of £20.7m (AUD$37.5m) by 30 June 2021.

22 TRADE AND OTHER PAYABLES

	2021 £m	Re-presented (see note 2.2) 2020 £m
Amounts expected to be settled within one year:		
Trade payables	**188.3**	213.8
Other tax and social security	**67.1**	47.9
Other payables	**38.1**	46.2
Accruals and deferred income	**306.0**	315.0
	599.5	622.9
Amounts expected to be settled after more than one year:		
Trade payables	**9.1**	16.3
Accruals and deferred income	**6.6**	8.9
	15.7	25.2
Total trade and other payables	**615.2**	648.1
Comprising		
Financial liabilities (Note 28)	**539.4**	585.6
Other financial liabilities outside the scope of IFRS 7	**75.8**	62.5
	615.2	648.1

At 31 March 2021, trade payables include subcontractor retentions of £53.8m (FY20: £57.2m) relating to construction contracts, of which £9.0m (FY20: £16.3m) are non-current liabilities.

23 PROVISIONS

	Insurance technical provisions £m	Employee provisions £m	Joint venture provisions £m	Total provisions £m
At 1 April 2020	**39.4**	**6.7**	**1.6**	**47.7**
Provisions created	**–**	**1.3**	**5.4**	**6.7**
Provisions utilised	**(16.8)**	**–**	**–**	**(16.8)**
Exchange differences	**–**	**0.8**	**–**	**0.8**
At 31 March 2021	**22.6**	**8.8**	**7.0**	**38.4**
Disclosed within:				
Current liabilities	**–**	**4.8**	**7.0**	**11.8**
Non-current liabilities	**22.6**	**4.0**	**–**	**26.6**
	22.6	**8.8**	**7.0**	**38.4**
At 1 April 2019	44.3	6.4	2.3	53.0
Provisions created	–	1.0	–	1.0
Provisions utilised	(4.9)	–	(0.7)	(5.6)
Exchange differences	–	(0.7)	–	(0.7)
At 31 March 2020	39.4	6.7	1.6	47.7
Disclosed within:				
Current liabilities	–	1.9	1.6	3.5
Non-current liabilities	39.4	4.8	–	44.2
	39.4	6.7	1.6	47.7

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.

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 and jointly controlled entities in excess of amounts already loaned. At 31 March 2021 these provisions amounted to £7.0m (FY20: £1.6m) 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.

24 DEFERRED TAX ASSETS AND LIABILITIES

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

NET DEFERRED TAX POSITION AT 31 MARCH

	2021 £m	Restated 2020 £m
Deferred tax assets	**40.5**	49.6
Deferred tax liabilities	**(3.6)**	(4.9)
	36.9	44.7

The deferred tax balances have been restated in FY20 by £4.4m to reflect the legally enforceable right to offset current tax assets and current tax liabilities.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets 2021 £m	Assets 2020 £m	**Liabilities 2021 £m**	Liabilities 2020 £m	**Net 2021 £m**	Net 2020 £m
Property, plant and equipment	**2.1**	0.3	**(10.1)**	(4.4)	**(8.0)**	(4.1)
Other temporary differences	**20.9**	14.7	**(9.0)**	(4.9)	**11.9**	9.8
Tax losses carried forward	**33.0**	39.0	**–**	–	**33.0**	39.0
Deferred tax assets/(liabilities)	**56.0**	54.0	**(19.1)**	(9.3)	**36.9**	44.7

MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

	At 1 April 2020 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	**As at 31 March 2021 £m**
Property, plant and equipment	(4.1)	–	(3.9)	–	**(8.0)**
Other temporary differences	9.8	1.7	0.4	–	**11.9**
Tax losses carried forward	39.0	–	(6.0)	–	**33.0**
	44.7	1.7	(9.5)	–	**36.9**

	At 1 April 2019 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	As at 31 March 2020 £m
Property, plant and equipment	2.0	–	(6.1)	–	(4.1)
Other temporary differences	4.6	(1.8)	7.0	–	9.8
Tax losses carried forward	47.3	–	(8.3)	–	39.0
	53.9	(1.8)	(7.4)	–	44.7

The recognised deferred tax assets include £33.2m which relates to carried forward losses in relation to the UK operations. The Group has concluded that these deferred tax assets will be recovered using the estimated future taxable income, which is based on the approved forecasts prepared by management. These forecasts cover the next five years and take into account UK tax laws that, in broad terms, restrict the offset of the carried forward tax losses to 50% of the current year profits. The UK Group entities have generated taxable profits this year and this is expected to continue in the future. The losses can be carried forward indefinitely and have no expiry date. Changes in future profits will impact the recoverability of the deferred tax assets.

Other temporary differences relate mainly to assets in Laing O'Rourke Australia Pty Limited, where employee benefits, project accruals and cost provisions are debited in one period but deducted against tax in another, and Laing O'Rourke Construction (Hong Kong) Limited where an uncertain tax position exists in relation to historical trading expenditure.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of the following items:	**2021 £m**	2020 £m
Tax losses	**60.8**	56.9

The Group has unrecognised deferred tax assets of £60.8m (FY20: £56.9m) relating to unused tax losses of £233.8m (FY20: £214.5m) predominantly generated from Canadian operations which are equity accounted. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. The losses can be carried forward indefinitely and have no expiry date. No deferred tax asset has been recognised in respect of these amounts as the future taxable profits are not probable and the constraints in using the losses.

24 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The Group has undistributed earnings of £68.5m (FY20: £54.4m) 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.

25 SHARE CAPITAL AND PREMIUM

	Number of €1 shares issued	Share premium £m
At 1 April 2020 and at 31 March 2021	9,000	286.4

The authorised share capital of Laing O'Rourke Corporation Limited at 31 March 2021 was 18,000 ordinary shares of €1 each (FY20: 18,000 shares of €1 each).

26 RECONCILIATION OF MOVEMENTS IN EQUITY

	Called-up share capital £m	Share premium £m	Fair value reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2019	–	286.4	2.5	(5.4)	(7.0)	(14.1)	**262.4**	(2.8)	**259.6**
Profit for the year	–	–	–	–	–	34.7	**34.7**	0.2	**34.9**
Other comprehensive (expense)/income after tax	–	–	(1.0)	0.5	(15.2)	–	**(15.7)**	(0.1)	**(15.8)**
Total comprehensive (expense)/income for the year	–	–	(1.0)	0.5	(15.2)	34.7	**19.0**	0.1	**19.1**
Movements relating to change in beneficial ownership	–	–	–	–	–	(2.9)	**(2.9)**	2.9	**–**
At 31 March 2020	**–**	**286.4**	**1.5**	**(4.9)**	**(22.2)**	**17.7**	**278.5**	**0.2**	**278.7**
Profit/(loss) for the year	–	–	–	–	–	28.5	**28.5**	(0.1)	**28.4**
Other comprehensive (expense)/ income after tax	–	–	(0.8)	1.0	17.8	–	**18.0**	–	**18.0**
Total comprehensive (expense)/income for the year	–	–	(0.8)	1.0	17.8	28.5	**46.5**	(0.1)	**46.4**
At 31 March 2021	**–**	**286.4**	**0.7**	**(3.9)**	**(4.4)**	**46.2**	**325.0**	**0.1**	**325.1**

FAIR VALUE RESERVE

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

HEDGING RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

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

RETAINED EARNINGS

Retained earnings relate to the proportion of net income retained by the Group less distributions. On 21 July 2019, the non-controlling interest held by SAM Holdings LLC in the following companies: Laing O'Rourke Industrial LLC, Laing O'Rourke Industrial Joinery LLC, Crown House Technology UAE LLC, Crown House Facilities Management UAE LLC and Crown House Security UAE LLC was sold to Links Formation Specialists LLC. As a result of this transaction the Group now controls 100% of these entities.

27 GUARANTEES AND CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 March 2021 in respect of:

GUARANTEES

	2021 £m	2020 £m
Surety Bonds	**222.3**	197.3
Bank Guarantees	**140.5**	157.4
	362.8	354.7

£38.3m of the above guarantees were collateralised at 31 March 2021. As at 4 October 2021, following the refinancing of the UK facilities, £30.8m were collateralised with the balance of collateral released and no longer restricted. 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 Pty Limited commenced court proceedings against a consortium partner to restrain a call on AUD$49.4m (£26.9m) of surety bonds in relation to the termination of a contract. Following two judgments in favour of Laing O'Rourke Australia Pty Limited, on 8 March 2018 Laing O'Rourke Australia Pty Limited and the consortium partner agreed not to call on the bonds except in accordance with the final resolution of the contract in private arbitration.

CLAIMS

The Company has subsidiaries that have a conventional contractor's liability in relation to construction and engineering contracts, including but not limited to guarantees, counter-indemnities and guarantees in respect of their share of certain contractual obligations of joint arrangements, consortia and other similar relationships. This liability includes various claims from time to time by the Group or subsidiaries against third parties or claims by third parties against the Group or its subsidiaries or joint arrangements or consortia relationships in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. While the outcome of these claims is uncertain, where it is appropriate to do so, the Directors believe that adequate allowance has been made within the forecasted contract provisions.

Laing O'Rourke Australia Pty Limited received a claim for payment on 30 July 2018 from the party owing the Group the amounts recognised as a contract asset (see note 18). This is now subject to private arbitration. Management is vigorously defending the claim and have not recognised a liability in the financial statements as they believe it is not probable that a payment will be required to settle the claim. However, as with the recovery of the arbitration, this will take some time to resolve. Further information on this claim is not provided as management expects it would seriously prejudice the position of the Group.

JOINT ARRANGEMENTS

The Group has subsidiaries that have entered into joint arrangements under which the subsidiaries may be jointly and severally liable for the liabilities of the joint arrangements.

28 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

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

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

28 FINANCIAL INSTRUMENTS (CONTINUED)

28.1 FOREIGN CURRENCY RISK

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

	Pound sterling value of equivalent currency (£m)								
	2021 GBP	**2021 EUR**	**2021 AUD**	**2021 AED**	**2021 SAR**	**2021 CAD**	**2021 HKD**	**2021 Other**	**2021 Total £m**
Loans to joint ventures	**8.0**	**33.6**	**–**	**–**	**–**	**–**	**–**	**–**	**41.6**
Trade and other receivables	**93.1**	**–**	**53.9**	**3.1**	**–**	**6.3**	**0.3**	**0.1**	**156.8**
Cash and cash equivalents	**280.9**	**5.9**	**221.1**	**19.9**	**–**	**–**	**8.2**	**0.6**	**536.6**
Total financial assets	**382.0**	**39.5**	**275.0**	**23.0**	**–**	**6.3**	**8.5**	**0.7**	**735.0**
Borrowings	**(330.5)**	**–**	**(65.7)**	**–**	**–**	**–**	**(0.3)**	**–**	**(396.5)**
Trade and other payables	**(330.9)**	**(0.4)**	**(136.9)**	**(58.1)**	**–**	**(0.1)**	**(12.4)**	**(0.6)**	**(539.4)**
Net financial (liabilities)/assets	**(279.4)**	**39.1**	**72.4**	**(35.1)**	**–**	**6.2**	**(4.2)**	**0.1**	**(200.9)**

	Pound sterling value of equivalent currency (£m)								
	2020 GBP	2020 EUR	2020 AUD	2020 AED	2020 SAR	2020 CAD	2020 HKD	2020 Other	2020 Total £m
Loans to joint ventures	15.3	35.1	–	–	–	–	–	–	50.4
Trade and other receivables (restated[1])	84.4	0.4	45.1	9.7	–	5.6	0.3	0.2	145.7
Cash and cash equivalents	258.9	5.3	154.5	30.6	–	–	10.8	0.7	460.8
Total financial assets	358.6	40.8	199.6	40.3	–	5.6	11.1	0.9	656.9
Borrowings	(414.1)	–	(37.6)	–	–	–	–	–	(451.7)
Trade and other payables (restated[1])	(345.6)	–	(139.8)	(85.0)	–	(0.2)	(14.5)	(0.5)	(585.6)
Net financial (liabilities)/assets	(401.1)	40.8	22.2	(44.7)	–	5.4	(3.4)	0.4	(380.4)

1. Trade and other receivables and trade and other payables balances for FY20 have been restated by £381.7m and £321.1m respectively to remove assets and liabilities that do not meet the definition of a financial instrument per IFRS 7. This has therefore reduced our exposure to the risks associated with financial instruments compared with the disclosure in the prior year.

Of the total foreign currency borrowings of £66.0m (FY20: £37.6m), the amount of borrowings used to finance overseas operations amounts to £66.0m (FY20: £37.6m).

If the foreign exchange rates that the Group is exposed to had changed adversely by 10% at the balance sheet date, the results for the year and equity would have decreased by £4.8m (FY20: £3.7m). This sensitivity analysis takes into account the tax impact and the forward exchange contracts in place.

28 FINANCIAL INSTRUMENTS (CONTINUED)

28.2 INTEREST RATE RISK

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

		Repricing/maturity date			
	Total £m	Within one year £m	Between one and two years £m	After two years £m	Effective Interest rate %
At 31 March 2021					
Bank loans	**189.9**	**178.0**	**4.4**	**7.5**	**3.28%**
Other loans	**55.8**	**55.8**	**–**	**–**	**8.71%**
Lease obligations	**150.8**	**32.3**	**27.6**	**90.9**	**4.22%**
	396.5	**266.1**	**32.0**	**98.4**	**–**
At 31 March 2020					
Bank loans	236.0	54.0	116.9	65.1	7.94%
Other loans	51.4	–	–	51.4	8.70%
Lease obligations	164.3	34.1	18.1	112.1	6.90%
	451.7	88.1	135.0	228.6	–

If interest rates on variable rate borrowings had been 1% higher during the financial year, the results and equity would have reduced by £1.5m (FY20: £2.9m). This sensitivity analysis takes into account the tax impact.

28.3 LIQUIDITY RISK

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

Subsequent to the year end, the Group has refinanced its UK facilities, resulting in a full repayment of £108.7m of RCF and Term Debts and the entering into of a £35.0m RCF. The new facility has four covenants related to net debt to EBITDA, interest cover, minimum liquidity and forecast liquidity. If certain of these covenants are breached this will constitute an event of default on the Group's borrowing facilities. The Group takes a proactive stance in monitoring and ensuring compliance with covenants and reporting requirements. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that we have an adequate availability of cash when required.

Maturity of financial liabilities

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

	Trade and other payables (Restated[1]) £m	Other loans £m	Bank loans £m	Leases £m	Total £m
At 31 March 2021					
Within one year	**599.5**	**60.7**	**183.8**	**33.7**	**877.7**
Between one and less than two years	**5.5**	**–**	**4.5**	**28.6**	**38.6**
Between two and less than five years	**3.8**	**–**	**7.8**	**46.0**	**57.6**
Five or more years	**6.4**	**–**	**–**	**45.3**	**51.7**
	615.2	**60.7**	**196.1**	**153.6**	**1,025.6**
At 31 March 2020					
Within one year	622.9	–	58.3	35.6	716.8
Between one and less than two years	9.9	–	181.7	29.8	221.4
Between two and less than five years	6.2	55.9	14.8	46.8	123.7
Five or more years	9.1	–	–	54.9	64.0
	648.1	55.9	254.8	167.1	1,125.9

1. Trade and other payables balances for FY20 have been restated by £306.1m to remove liabilities that do not meet the definition of a financial instrument per IFRS 7. This has therefore reduced our exposure to the risks associated with financial instruments compared with the disclosure in the prior year.

28 FINANCIAL INSTRUMENTS (CONTINUED)

28.4 FAIR VALUES

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

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities. The Group holds available-for-sale investments which are traded in active markets and valued based on the closing per unit market price at 31 March 2021.

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

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2021.

	Fair value measurement 2021				Fair value measurement 2020			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held to collect and to sell	**–**	**–**	**2.6**	**2.6**	–	–	4.6	4.6
	–	**–**	**2.6**	**2.6**	–	–	4.6	4.6

The fair value movements on held to collect and to sell financial assets and cash flow hedges are recognised in the consolidated statement of comprehensive income. The Group recognised a £0.8m loss (FY20: £1.0m) 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 2021 and 31 March 2020 are as follows:

	Fair value 2021 £m	**Carrying amount 2021 £m**	Restated[1] Fair value 2020 £m	Restated[1] Carrying amount 2020 £m
Loans and receivables	**198.4**	**198.4**	176.7	176.7
Financial liabilities measured at amortised cost	**(948.0)**	**(945.0)**	(937.2)	(937.2)

1. Loans and receivables and financial liabilities measured at amortised cost for FY20 have been restated from £577.8m to £176.7m and from £1,358.4m to £937.2m to remove assets and liabilities that do not meet the definition of a financial instrument per IFRS 7. This has therefore reduced our exposure to the risks associated with financial instruments compared with the disclosure in the prior year.

The carrying and fair values of the Group's financial instruments were not materially different at 31 March 2021as 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.

28 FINANCIAL INSTRUMENTS (CONTINUED)

28.5 CAPITAL RISK MANAGEMENT

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

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

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

Net cash is calculated as cash and cash equivalents less total borrowings but excluding bank arrangement fees and the impact of applying IFRS 16 (including 'current and non-current borrowings' as shown in the consolidated statement of financial position).

At 31 March 2021 the Group had net cash of £276.1m (FY20: £155.2m), see note 34.

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.

29 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 £38.3m (FY20: £35.5m).

As part of the Group's management of its insurable risks, a proportion of this risk is managed through self-insurance programmes operated by its captive insurance subsidiary company, Laing O'Rourke Insurance Limited. This company is a wholly-owned subsidiary of the Group and premiums paid are held to meet future claims. The cash balances held by 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 £9.3m (FY20: £9.3m) have been provided to certain external insurance companies. The standby letters of credit have been issued via banking facilities that Laing O'Rourke Insurance Limited has in place.

No financial assets have been provided to the Group as collateral (FY20: £nil).

30 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 £13.2m (FY20: £nil) in the Group.

The Group has committed to provide its share of further equity funding and subordinated debt investments in PPP (public-private partnerships) special purpose entities amounting to £nil (FY20: £nil).

31 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

	2021		2020	
	Income earned in year £m	**Receivable at year-end £m**	Income earned in year £m	Receivable at year-end £m
Joint ventures	**2.8**	**0.3**	1.6	0.4

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2021		2020	
	Expenses paid in year £m	**Payable at year-end £m**	Expenses paid in year £m	Payables at year-end £m
Joint ventures	**34.7**	**5.5**	29.3	5.4

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

PROPERTY LEASES

During the year the Group incurred expenditure of £1.8m (FY20: £2.1m) with Mark Holding and Finance Limited and £6.1m (FY20: £7.2m) with Steetley Investments Limited in respect of amounts due under lease agreements for premises occupied by the Group. During the year the interests in Mark Holding and Finance Limited and Steetley Investments Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke. At the year end the balance outstanding to Mark Holding and Finance Limited was £nil (FY20: £nil) and to Steetley Investments Limited was £nil (FY20: £nil). No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

LOANS

Suffolk Partners Corporation was the ultimate parent company of Laing O'Rourke Corporation Limited until 25 March 2021 and it was a 50% shareholder of Augur Investments Limited until 4 October 2019. R G O'Rourke KBE and H D O'Rourke, who own 100% of the shares of the Company, are also beneficiaries of the trusts which ultimately own Suffolk Partners Corporation.

The Group has a loan outstanding from Suffolk Partners Corporation, although they did not advance any loan amounts in the year (FY20: £nil). The balance outstanding at the year end was £20.4m (FY20: £19.9m).

Augur Investments Limited was a related party between 1 April 2019 and 4 October 2019 and there are therefore no related party balances to report at either 31 March 2020 or 31 March 2021.

31 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

SUBORDINATED LOAN

The Group has a £23.6m subordinated long-term loan from R G O'Rourke KBE and H D O'Rourke, who own 100% of the shares of the Company. During 2019 a further £15.0m shareholder loan was made available to the Group. Total interest of £4.4m was accrued on the loan balances during the year, with £12.8m of brought forward accrued interest. The balance outstanding as at 31 March 2021 was £55.8m (FY20: £51.4m). On 4 October 2021 the entirety of the shareholder loans, including accrued interest, of £58.3m were converted to equity.

LOANS TO AND FROM JOINT VENTURES AND ASSOCIATES

At 31 March 2021 loans to joint ventures amounted to £41.6m (FY20: £50.4m) and loans from joint ventures amounted to £nil (FY20: £nil). During the normal course of business the Group provided services to, and received management fees from, certain joint ventures and associates amounting to £nil (FY20: £nil). Amounts due to and from joint ventures and associates at 31 March 2021 are disclosed within investments in joint ventures and associates, trade and other receivables and trade and other payables in notes 15, 19 and 22 respectively.

DIRECTORS' REMUNERATION

During the year the total remuneration of the Directors was £3.5m (FY20: £3.5m) of which pension costs amounted to £nil (FY20: nil), see note 7.

During the year ended 31 March 2021 the Directors received a reduction in salary for the period 1 April 2020 to 31 July 2020. The Directors received full salary from 1 August 2020 in line with the rest of the UK Group.

OISIN

On 2 June 2016, the Group sold an aircraft to Oisin Aviation (IOM) LP. During the current year the Group paid leasing costs of £0.1m (FY20: £0.1m) to Oisin Aviation (IOM) LP for the rental and £0.2m (FY20: £0.2m) for the operational services of the aircraft to Oisin Aviation (Jersey) LP. During the year the limited partners of Oisin Aviation (IOM) LP and Oisin Aviation (Jersey) LP were R G O'Rourke KBE and H D O'Rourke.

SELECT PLANT HIRE COMPANY LIMITED

During the year, R G O'Rourke KBE and H D O'Rourke made a payment to Select Plant Hire Company Limited for £nil (FY20: £1.9m) for the beneficial use of Company assets. Amounts owed as at 31 March 2021 are £nil (FY20: £nil).

32 ULTIMATE PARENT COMPANY

The immediate and ultimate parent company of Laing O'Rourke Corporation Limited was, until 25 March 2021, Suffolk Partners Corporation, a company incorporated in the British Virgin Islands. On 25 March 2021 100% of the share capital of Laing O'Rourke Corporation Limited was sold to R G O'Rourke KBE (65.2%) and H D O'Rourke (34.8%). R G O'Rourke KBE is the ultimate controlling party by virtue of his majority shareholding.

33 POST BALANCE SHEET REVIEW

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

On 4 October 2021, the Group refinanced its UK facilities, resulting in full repayment of its RCF, Term Loan and Arrangement Fee and the availability of a new unsecured RCF with an expiry date of 3 October 2023. A £13.7m property loan was also refinanced with an expiry date of 3 October 2023. In addition, the Australia subordinated debt facility was fully repaid by June 2021 for £20.7m (AUD$37.5m).

On 4 October 2021, the entire shareholder loans, including accrued interest, of £58.3m were converted to equity.

34 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 2019	(296.2)	20.8	(52.1)	(327.5)	460.4	132.9
Cash flow	(9.8)	–	–	(9.8)	81.8	72.0
New lease arrangements	–	–	(45.9)	(45.9)	–	(45.9)
Repayments	28.1	–	41.9	70.0	(70.0)	–
Exchange differences	3.5	–	2.5	6.0	(11.4)	(5.4)
Impact of IFRS 16 adoption at 1 April 2019	–	–	(104.5)	(104.5)	–	(104.5)
Impact of IFRS 16 at 31 March 2020	–	–	117.7	117.7	–	117.7
Other changes*	(13.0)	7.6	(6.2)	(11.6)	–	(11.6)
As at 31 March 2020	(287.4)	28.4	(46.6)	(305.6)	460.8	155.2
Cash flow	**(5.0)**	**–**	**–**	**(5.0)**	**160.5**	**155.5**
New lease arrangements	**–**	**–**	**(17.8)**	**(17.8)**	**–**	**(17.8)**
Repayments[1]	**63.7**	**(6.2)**	**41.0**	**98.5**	**(98.5)**	**–**
Exchange differences	**(3.8)**	**–**	**(3.0)**	**(8.8)**	**13.8**	**5.0**
Impact of IFRS 16 at 31 March 2020	**–**	**–**	**(117.7)**	**(117.7)**	**–**	**(117.7)**
Impact of IFRS 16 at 31 March 2021	**–**	**–**	**105.2**	**105.2**	**–**	**105.2**
Other changes*	**(13.2)**	**8.6**	**(6.7)**	**(9.3)**	**–**	**(9.3)**
As at 31 March 2021	**(245.7)**	**30.8**	**(45.6)**	**(260.5)**	**536.6**	**276.1**

* Other changes include accrued interest not yet paid and interest relating to lease liabilities

[1]Repayments of £63.7m in FY21 include £56.5m related to core debt and fees.

The Group defines net cash as cash less debt but excluding bank arrangement fees and the impact of adopting IFRS 16.

The layout of the reconciliation of net cash flow has been re-presented in 2021 for additional visibility.

35 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
Expanded Limited	Civil and structural engineering, piling and demolition	100%	United Kingdom
Explore Capital Limited	Holding company	100%	United Kingdom
Explore Investments Australia Pty Limited	Property development	100%	Australia
Explore Investments Limited	Commercial property development	100%	United Kingdom
Explore Living Limited	Residential development	100%	United Kingdom
Explore Manufacturing Limited	Manufacture of construction products	100%	United Kingdom
John Laing International Limited	Overseas contracting	100%	Hong Kong
Laing O'Rourke Court Investments Pty Limited	Holding company	100%	Australia
Laing O'Rourke Australia Construction Pty Limited	Building contracting, civil engineering, infrastructure and plant hire	100%	Australia
Laing O'Rourke Australia Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Australia Group Pty Limited	Holding company	100%	Australia
Laing O'Rourke Canada Limited	Building contracting	100%	Canada
Laing O'Rourke Construction Limited	Building contracting, civil engineering and infrastructure	100%	United Kingdom
Laing O'Rourke Construction Hong Kong Limited	Building contracting, civil engineering and infrastructure	100%	Hong Kong
Laing O'Rourke India Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Infrastructure Limited	Civil engineering and infrastructure	100%	United Kingdom
Laing O'Rourke Ireland Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Ireland Limited	Building contracting	100%	Ireland
Laing O'Rourke Manufacturing Limited	Manufacture of precast concrete	100%	United Kingdom
Laing O'Rourke Middle East Holdings Limited	Building contracting and civil engineering	100%	Jersey
Laing O'Rourke Plc	Holding company	100%	United Kingdom
Laing O'Rourke Services Limited	Service company	100%	United Kingdom
Laing O'Rourke Treasury Limited	Treasury company	100%	United Kingdom
O'Rourke Investments Holdings (UK) Limited	Holding company	100%	United Kingdom
Select Plant Hire Company Limited	Plant hire and operations	100%	United Kingdom
Suffolk Partners Three Limited	Treasury company	100%	British Virgin Islands
Vetter UK Limited	Finished stone products	100%	United Kingdom

35 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
Canal Harbour Development Company Limited	Property Development	50%	Ireland
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
Juris Partnership	Law court facility construction and maintenance	50%	Australia

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

Joint Operations	Principal activity	Group ownership interest	Principal place of business
Bayswater JV	Civil engineering	50%	Australia
BYLOR	Civil engineering	50%	United Kingdom
COLOR Bond Street	Civil engineering	50%	United Kingdom
FLO JV	Civil engineering	50%	United Kingdom
Staffordshire Alliance	Civil engineering	33%	United Kingdom
Laing O'Rourke – Bachy Soletanche JV	Infrastructure and building construction	50%	Hong Kong
Laing O'Rourke – Hsin Chong Paul Y JV	Infrastructure and building construction	55%	Hong Kong
Laing O'Rourke – Kier Kaden JV	Infrastructure and building construction	43%	Hong Kong
Laing O'Rourke – Hsin Chong Paul Y (WKCD) JV	Infrastructure and building construction	55%	Hong Kong
M-Pact Manchester	Civil engineering	60%	United Kingdom
Pacific Complete JV	Civil engineering	60%	Australia

The registered address of those registered in Jersey is Level 4, International Finance Centre 1, St Helier, Jersey, JE2 3BX.

The registered address of those registered in United Kingdom is Bridge Place, Anchor Boulevard, Admirals Park, Dartford, Kent DA2 6SN except Alder Hey (Special Purpose Vehicle) Limited, whose registered address is 1 Kingsway, London WC2 6AN.

The registered address of those registered in Australia is Level 21, 100 Mount Street, North Sydney, NSW 2060, Australia.

The registered address of those registered in the Republic of Ireland is 25/28 North Wall Quay, Dublin 1.

The registered address of Emirates Precast Construction LLC is Emirates Precast Construction LLC, P.O. Box 10062, Jebel Ali Industrial Area 2, Dubai, U.A.E.

The registered address of Suffolk Partners Three Limited is Trident Chambers, P.O. Box 146 Road Town, Tortola, VG1110, British Virgin Islands.

The registered address of those registered in Hong Kong is RM905, 625 King's Road, Quarry Bay, Hong Kong.

The registered address of those registered in Canada is 1031 Saint-Denis Street, Montreal, Quebec, Canada.

Associate	Principal activity	Group ownership interest	Principal place of business
Presien Holdings Pty Limited	AI vision technology development	26.2%	Australia

The registered address of Presien Holdings Pty Limited is Suite 113, National Innovation Centre/Cicada Innovations

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