As an international engineering enterprise, Laing O’Rourke funds, designs, manufactures, constructs and maintains the built environment – providing the facilities to accommodate, educate, employ, connect, care for and sustain communities.

Our business model comprises the full range of engineering, construction and specialist services capabilities. Our offer is fully integrated to deliver a single-source solution for some of the world’s most prestigious client organisations.

Overall, our delivery is founded on a collaborative approach that we define as ‘Complete Thinking’: working with clients from concept to completion, advising on and providing the best ways to manage their projects and achieve the greatest value.

We are implementing a long-term strategy which aims to create sustainable value that will be shared by all our stakeholders – employees, clients, shareholders and the community.
Financial and operating highlights

Group
- Managed revenue down 15% to £4.3 billion, impacted by rapid decline in Middle East and general slowdown in core UK market
- Pre exceptional earnings before interest and tax was £110 million
- Pre exceptional gross margin improved to 10.1% reflecting effective cost management and selective approach to securing work
- Strengthened balance sheet with £716 million cash balances at financial year-end

- Geographic and sector diversification with continued growth in Australia and South East Asian markets
- Concluded first phase of Design for Manufacture and Assembly investment programme with opening of Explore Industrial Park
- Acquired Privica, a leading building information modelling and cost planning consultancy

Europe, Middle East and Rest of World
- Agreed heads of terms to build training facilities for UK Armed Forces as part of the Metrix delivery consortium
- Secured Crossness and Beckton sewage treatment works in London
- Commenced build programme for Heathrow Terminal 2
- Started work on the new London Gateway Port for DP World
- Established strategic joint venture with Toshiba Westinghouse and Shaw Group to secure major packages of work as part of the UK’s nuclear new build programme
- London 2012 Olympic and Paralympic Park on schedule and on budget

Australia and South East Asia
- 800km Saudi North-South rail project progressing well
- Completed Darling Downs power station, Australia’s largest combined-cycle gas turbine plant
- Won major utilities contract on A$50 billion Gorgon gas field project, Western Australia
- Established new venture in Hong Kong, with major civil engineering contract in joint venture with Bachy Soletanche
- First major construction contract in New Zealand to electrify Auckland rail network

Leadership and strategy
- 2010 highlights
- Corporate responsibility
- Operating and financial review
- Financial statements

At a glance

Managed revenue (£bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4.3</td>
<td>3.5</td>
<td>5.0</td>
<td>4.1</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Earnings before interest and tax (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Total</td>
<td>110</td>
<td>67</td>
<td>115</td>
<td>98</td>
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</table>

Gross margin

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<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>Total</td>
<td>10.1</td>
<td>9.3</td>
<td>7.1</td>
<td>7.4</td>
<td>7.1</td>
</tr>
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</table>

Cash balances (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Total</td>
<td>716</td>
<td>270</td>
<td>614</td>
<td>174</td>
<td>477</td>
</tr>
</tbody>
</table>

Order book (£bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>8.2</td>
<td>9.95</td>
<td>9.31</td>
<td>8.36</td>
<td>5.58</td>
</tr>
</tbody>
</table>

Total net assets (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Total</td>
<td>578</td>
<td>533</td>
<td>464</td>
<td>54</td>
<td>134</td>
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</tbody>
</table>

Data for 2007, 2008, 2009 and 2010 are extracted from the audited consolidated financial statements of Laing O’Rourke Corporation Limited prepared under IFRS. Data for 2006 is extracted from the Laing O’Rourke plc audited consolidated financial statements prepared under UK GAAP.

(1) Managed revenue includes share of joint venture revenue, inter-segment revenue and revenue from managed operations.
(2) EBIT includes profit from operations, net non-operating expense and excludes joint venture interest and tax.
Laing O’Rourke operates an integrated engineering and construction delivery model. This has proved highly effective in diversifying our income streams across targeted sectors and geographies, helping to sustain a profitable performance throughout the global financial crisis.

In September 2009, Laing O’Rourke reorganised the Group to allow its operating businesses to improve their focus on supporting key clients in our chosen markets. This Annual Review reflects the new organisational shape that was implemented during this period.

Our investment and development specialists understand the financial risk that capital investments inevitably carry. With our expertise in analysing public and private sector stakeholder requirements, we assure major asset investment delivers maximum client and end-user value.

- Precontract services
- Investment management
- Third-party negotiation

We are leading one of the world’s highest profile programme management projects: the London 2012 Olympic and Paralympic Park. Using proven and highly effective processes, our teams work within secure risk management and quality assurance frameworks. Our multidisciplinary capabilities and partnership approach make us uniquely qualified to deliver to all specifications.

- Commercial management
- Complex stakeholder and interface management
- Planning and consents expertise
- Global procurement capabilities
- Construction delivery management
- Project controls and risk management
- Programme governance

We have a proud heritage in design and engineering excellence. By connecting our expertise in both disciplines we are able to bring innovative solutions to complex construction challenges. The projects we deliver are designed and engineered to perform safely and sustainably.

- Design for Manufacture and Assembly
- Civil engineering
- Geotechnical and electrical
- Chemical and process engineering
- Digital prototyping
- Buildability reviews

Using state-of-the-art manufacturing approaches we deliver tailored solutions that exceed the quality and safety standards of traditionally constructed assets. Working collaboratively across the supply chain, our construction and specialist businesses provide full project delivery services.

- Design for Manufacture and Assembly
- Site enabling works
- Logistics management
- Project management
- Integrated delivery capability
- Building services delivery
- Industrifications
- Testing and commissioning
- Global supply chain partnering

One of the best ways to protect a building’s value is through well-planned operations and maintenance systems, and premium refurbishment services. We work with clients to develop safe, durable and energy-efficient buildings and infrastructure that retain quality and usability throughout their lifecycles.

- Major capital asset operational management
- Frameworks expertise
- Capital asset operational management
- Environmental impact management
- Building controls management

End-user value.

Laing O’Rourke’s construction and development businesses are backed by a range of in-house support services, dedicated to providing the tools and technology to help deliver engineering excellence. They combine the required skills and expertise to manage projects at every stage.

- World-class plant and equipment deployment expertise
- Digitally enabled capability

Leadership and strategy
Operating and financial review
Corporate responsibility
2010 highlights
Laing O’Rourke structures its business activities in line with the lifecycle of buildings and infrastructure. With our five main business groupings – Investment and Development; Explore Manufacturing; Construction and Building Services; Infrastructure Services; and Support Services – we span the entire client value chain.

Thanks to our internationally integrated delivery model, we can serve clients in all phases of the project. We recognise that every project is unique and tailor our service offering to provide custom solutions to the highest standards of quality – on time and on budget.

Through our global network, Laing O’Rourke has a presence in all of the major building and infrastructure sectors. Our business activities are determined by innovative services and client demands.

Our sectors and businesses

Laing O’Rourke structures its business activities in line with the lifecycle of buildings and infrastructure. With our five main business groupings – Investment and Development; Explore Manufacturing; Construction and Building Services; Infrastructure Services; and Support Services – we span the entire client value chain.
Laing O’Rourke operates through two major geographic hubs:
- Europe, Middle East and Rest of World
- Australia and South East Asia

By targeting developed and emerging economies and spreading our activities over different regions, we open up greater opportunities for the business and protect ourselves from the risks of over-reliance on a single market.

Our international coverage also allows us to respond rapidly to changing market dynamics, with resources and sector expertise quickly and efficiently deployed to where it is most needed by our clients.

Laing O’Rourke has an active presence in the European and Middle Eastern construction markets, and has relationships with prestigious clients across the entire value chain.

Our aim is to leverage the economies of scale offered by Design for Manufacture and Assembly and our integrated delivery approach to generate repeat revenues, partnering with like-minded clients. We will complement this approach by exporting our expertise into new geographies with the right strategic fit.

Laing O’Rourke has been active in Australia and the South East Asian region since 2004, strengthening our position with the acquisition of the Barclay Mowlem construction business in 2006.

Our aim in these markets is to consolidate a business that has now achieved critical mass and take a leading position in carefully targeted geographies and sectors, predominantly in power, rail, mining and materials handling.

Europe, Middle East and Rest of World

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Chairman and Chief Executive’s statement

“I believe engineering offers one of the primary routes out of recession. As an engineering enterprise, Laing O’Rourke is committed to playing a vital role in building a stronger and more sustainable economy that benefits society in general.”

Laing O’Rourke continued to benefit from a sustained focus on delivering for its clients, while pursuing a strategy that focuses on selective targeting of growth sectors and geographies. Our order book stands at £18.2 billion, reflecting a good underlying performance in Europe, Australia and South East Asia, despite the decline in the Middle East pipeline by £4 billion and a more limited scope of new opportunities. To ensure we remain insulated from longer-term consequences, we will stay committed to our policy: absolute refusal to follow the market down by chasing unprofitable work.

During the year we have:
• Managed the European and Middle Eastern operations through the downturn by focusing on client engagement, good housekeeping and cost control, and a selective approach to bidding contracts.
• Continued a prudent investment programme in the key enablers of our strategy, including our human capital programme and the roll-out of our Design for Manufacture and Assembly (DfMA) agenda (see page 23).
• Significantly strengthened our Australian and Middle Eastern operations through the deployment of people and operational resources to support growth opportunities.
• Reviewed our risk and governance capabilities, establishing an approach on the principle of board level engagement, operational control and key performance indicators.

Strategy
Laing O’Rourke has always had a clear vision and purpose that has underpinned its growth and development. These fundamental principles are as relevant today as when they were conceived. With these drivers in mind, our overarching objective is to continue to develop a diversified international engineering- and construction-orientated business that has construction at its core.

The group has underpinned this strategy through the strategic investment in key enablers. Over the last three years, £346 million has been invested in the expansion of our DfMA agenda (see page 23), much of which is now paying dividends.

Today we are seeking to develop three key areas where we believe there is significant opportunity for growth: waste, energy, mining and rail.

This was achieved despite low levels of confidence in our core markets, and a corresponding 15% decline in managed revenue to £4.4 billion over the same period. Underlying performance was strong, with cash balances up 17% to £586 million, and a 23% increase in the value of our project portfolio and client base.

As a direct employer, the year in review was once again a key highlight, with a significant number of people working in energy, mining and oil.

Conclusion
I believe engineering offers one of the primary routes out of recession. As an engineering enterprise, Laing O’Rourke is committed to playing a vital role in building a stronger and more sustainable economy that benefits society in general.

Ray O’Rourke
Chairman and Chief Executive
The senior team continually demonstrated the collective skills and experience required throughout an unprecedented year of challenges for the global construction services industry.
Laing O’Rourke’s shareholders are committed to achieving corporate governance standards that demand the highest levels of integrity and compliance from a privately owned enterprise, and are equivalent to those expected of a similarly sized publicly listed company. We believe this is the best way of ensuring sustainable long-term growth and development of the Group.

Corporate governance

The Board of Directors has overall responsibility for the strategic direction of the Group and its other members are drawn from senior management specialising in corporate governance and externally benchmarked by the Group’s vision (see page 18) and its members are selected from the engineering and manufacturing business streams. The Board is responsible for the development and execution of the Group’s Design for Manufacture and Assembly agenda, ensuring all necessary actions to embed the approach in construction delivery phases across the project portfolio.

1 Group Shareholders

As the Group’s majority equity shareholders, they set out Chairman and Chief Executive is ultimately accountable for the working and leadership of the company on behalf of the Shareholders. He is responsible for knowing and managing the business within the authorities delegated to them by the Shareholders.

The Group’s organisation and structure is established and overseen by the Shareholders and is based on the principles of efficiency, effectiveness and control. As the diagram (Corporate Governance Framework) illustrates, the Shareholders have delegated authority to a series of boards and committees on specific matters pertinent to the successful management of the company. The Group’s Shareholders are set out on pages 12 and 13.

2 Board of Directors (Board)

The Board is primarily responsible for ensuring that the Group’s accounts are true and fair, using suitable accounting standards and judgements, ensuring internal controls are adequate and determining whether the Group is a going concern. They also have responsibility for approving the Annual Review and ensuring compliance with Cyprus company law (where the Group is registered) and other applicable legislation.

Authority for the day-to-day running of the Group is delegated to the Group Executive Committee. In addition to Ray O’Rourke, the current members of the Board of Directors are: Christalis Kloides, Victor Papadopoulos and Stelios Anastasides.

3 Group Executive Committee

The GEC is responsible to the Board and Shareholders for creating a sustainable shareholder value through the management of the constituent businesses within the Governance Framework. Their role includes oversight responsibility for formulation and development of the Group’s strategy, the allocation of the requisite levels of financial and human capital resources to deliver it, as well as reviewing and monitoring the performance of management, the integrity of financial information, and internal controls and risk management.

The internal risk assurance function reports to the GEC on a regular basis. The members of the GEC have delegated authority for the day-to-day management of business operations in the European, Middle Eastern and Rest of World territories, within agreed limits set by the GEC. The members of the Board are drawn from senior management in the Construction, Infrastructure and Specialist Services businesses and key supporting functions. The Board is also responsible for setting the strategic direction for health, safety and sustainability activities and monitoring performance within the respective sectors.

9 Australia and South East Asia Hub Board

The Hub Board has primary authority for the day-to-day management of business operations in Australia and the South East Asia territories, within agreed limits set by the GEC. Members are drawn from senior management in the Construction, Infrastructure and Specialist Services businesses and key supporting functions.

The Hub Board is also responsible for setting the strategic direction for health, safety and sustainability activities and monitoring performance.

10 Business Unit Boards

As sub-boards of the main Hub-level Boards (8 and 9) these forums have delegated authority for the day-to-day management of individual business unit operations, ensuring alignment of business plans with strategic targets, and ensuring operational performance is in line with or ahead of approved budget plans.

11 Global Sector Boards

These governance forums are chaired by the global sector leads and membership consists of the business unit leads for the global sector-related project and Specialist Services delivery businesses as well as key finance, commercial and supporting functions senior management. The Boards are responsible for ensuring delivery of sector-specific business plans and budgets and alignment to global sector strategy targets.

12 Tender and Post-Tender Review Boards

Project Boards are governed by the standardised processes and practices of ‘The LOR Way’ – a systematic approach to risk management and quality assurance in the tendering and delivery stages of all projects, whatever the scale and complexity.

Through ‘Core and Enabling Process’ (Laing O’Rourke’s approved business quality management system) Project Boards ensure project activities are performed in line with legislation, regulations, codes of practice and the requirements of BS EN ISO 9001:2008 quality management accreditation.

Continual improvement is achieved through the implementation of business objectives, audits, data analysis, corrective and preventive actions and management review.

Independent Assurance

The effectiveness and integrity of the Group’s Governance framework is monitored by the Board, through a series of sub-boards of the main Hub-level Boards (8 and 9) and its member boards as appropriate. The financial statements are independently assured by external auditors PricewaterhouseCoopers. The Group’s internal risk and audit function provides assurance to the Shareholders, GEC and Global Finance and Investment Board that efficient and effective control processes are in place to identify, manage and, to the greatest extent possible, mitigate business risk across the Group’s operations.

The Independent external auditors report to the members of Laing O’Rourke Corporation Limited, including the Shareholders and Board of Directors, on the financial position of the Group. Their audit opinion of the financial statements is set out on page 59 of this Annual Review. Additional independent assurance and accreditation (by Two Tomorrows) is also carried out on the Group’s risk and compliance systems as appropriate.

Laing O’Rourke’s shareholders are committed to achieving corporate governance standards that demand the highest levels of integrity and compliance from a privately owned enterprise, and are equivalent to those expected of a similarly sized publicly listed company. We believe this is the best way of ensuring sustainable long-term growth and development of the Group.
Health and safety

Safety is Laing O’Rourke’s number one priority and the Group has a long-term ambition of a zero accident frequency rate by 2015. Achieving this will not only eliminate the adverse consequences for affected individuals but will reduce project delays, help in attracting and retaining the very best talent, and act as an advantage in work wins.

Mitigation of this risk occurs at every level of the Governance Framework. A documented Health, Safety and Environmental Management System, containing organisational details of compulsory behavioural and training requirements, is continually reviewed, and updated when required.

However, formal processes can only achieve so much. A key challenge for the future, therefore, is to ensure that the required behaviours consistently occur at all levels of the Group and under all circumstances. Ultimately, it is the responsibility of every employee, partner and subcontractor to ensure that their health and safety remains a core value.

Political and economic

While the construction industry by its nature lags the economic cycle, there can be a high degree of variability between different markets and sectors.

The Group seeks to maintain a diverse portfolio of projects for both private and public clients in a number of sectors and geographic markets. The Global Strategy Board monitors exposure to single sources of work and advises the Group Executive Committee of any concerns.

With governments worldwide reducing budget deficits by cutting spending and raising taxes particularly in our UK and Australian markets, the next 12 months will be challenging. Credit availability is still depressed and funding costs higher compared with a few years ago. The Group will continue to monitor the situation and take timely mitigating action if necessary.

Capability

The Group’s strategic plans are ambitious and require new ways of working and new project delivery methods. This, however, can create a risk of clients and their advisors not fully embracing these changes. We are working in partnership with the industry, particularly the design and architectural communities, to mitigate against this.

Our strategic plans also call for new capabilities to be developed or existing capabilities to be extended into new markets. It is the responsibility of the Group Executive Committee, primarily through its Global Human Capital, and Engineering and Manufacturing Boards, to ensure that the Group’s staff and processes are capable of delivery to the expected standard.

Project selection

The costs of tendering for major pieces of work are significant, with no guarantee of success, and difficulties encountered during the delivery phase of any project can result in unforeseeable additional costs. Choosing projects with an attractive risk and reward profile is a key determinant of the Group’s financial performance.

The Group’s approach to project selection is guided by a detailed set of protocols known as ‘Core Process’ and associated project management tools. It enables accountable directors, at various levels of the Governance Framework (depending on the size and complexity of the project under consideration) to understand the critical sign-off procedures in bidding a project and the formal requirements that must be observed to secure optimum performance. Core Process is mandatory.

With the balance of the Group’s work shifting towards larger infrastructure projects, successful management of this risk is increasingly important. The application of Core Process should result in greater consistency of delivery leading to improved profitability.

Supply chain

A significant proportion of projects are self-delivered by Group companies minimising reliance on external suppliers. Inevitably, the use of some specialist subcontractors and suppliers can expose the Group to the possibility of non-delivery, whether through bankruptcy or other causes. Clearly this would impact the ability of the Group to meet its contractual commitments.

This risk is mitigated through a robust and fully audit-tracked selection process, which includes fact-based analysis of the financial and operational viability of preferred supply chain partners.

Accountability also rests with the individual project leaders in co-operation with the commercial and finance functions. Critical subcontractors and suppliers are assessed for financial liquidity, legal liquidity and full contingency planning is also undertaken.

The Group also ensures that it adheres to contractually agreed payment terms to avoid heightening this risk.

The Group has suffered very few supplier failures in the year under review despite the difficult trading conditions in the construction industry.

However, bankruptcies are more likely the longer difficult trading conditions persist. Therefore, as the Group executes its strategy and introduces new suppliers, this risk will need careful management over the next year.

Reputation

Our reputation with clients and stakeholders directly affects the projects we are able to tender for. Delays, poor performance post-handover, industrial accidents or stakeholder dissatisfaction can all impact our reputation.

Mitigation of this risk occurs at every level of the Governance Framework. Further information on corporate responsibility relations can be found on pages 32 to 43.

Security and fraud

Laing O’Rourke is committed to protecting human and financial capital, and the communities in which it operates. By implementing robust security and fraud prevention systems, it safeguards the business against activities that would put it at risk. The Group specifically concentrates on preventing the misuse of intellectual property, confidential company data and threats to the physical security of personnel and assets.

Laing O’Rourke is exposed to a number of financial risks and their mitigation is undertaken by the Group’s finance department working to principles set and overseen by the Global Finance and Investment Board. Ultimate responsibility for all financial risks rests with the Group Director of Finance and Commerce.

Foreign currency

It is Group policy to enter into forward contracts and/or deposits in foreign currencies in order to hedge against significant transactional foreign currency exposures arising.

Investment

The Group’s expanding capabilities and strategic ambitions require investment in fixed facilities such as Explore Industrial Park. Certain types of work, particularly PFI-funded infrastructure projects in the UK, require the Group to bear a proportion typically 50% but occasionally reaching 100% of the financial risk. The Group also acts as a developer on a number of residential housing projects and purchases land.

The Global Finance and Investment Board takes the lead role in managing this risk and Group Executive Committee sanction is required for larger decisions.

Interest rate

The Group is exposed to interest rate risks in relation to some of its borrowings. Interest rate swaps are employed by the Group to manage its exposure to fluctuating interest rates.

Liquidity

The Group has a prudent approach to liquidity and maintains sufficient cash and available funding to meet liabilities as they fall due. Procedures are in place to ensure cash and other highly liquid current assets, together with committed credit facilities, are adequate for the Group’s needs.

The Group has £189 million (2009: £179 million) of undrawn committed borrowing facilities available at the year-end in respect of which all conditions precedent had been met.

Credit

The Group’s credit exposure is primarily attributable to bond assets, trade and other receivables totalling £696.6 million (2009: £702 million).

The Group has no significant concentrations of credit risk and has policies in place to ensure that sales are only made to customers with an appropriate credit history or payment profile. The age profile of receivables is continually monitored and trade debt one year past its due date but not impaired amounts to £31.1 million (2009: £71.1 million).

Cash and highly liquid current assets are held with high credit- quality financial institutions.

The finance function is not a profit centre and does not enter into speculative proprietary transactions. Details of the Group’s financial instruments can be found in note 29 to the financial statements.
Vision and strategy

Laing O’Rourke is a successful company with a long history of offering engineering and construction solutions for clients. Hence today we are an international service provider and our business portfolio spans the complete range of client services. We are able to provide integrated capabilities at every stage in the lifecycle of the built environment.

The Laing O’Rourke Group’s activities are based on a vision that remains compelling and relevant and will continue to unite us in pointing the way for our future success. (See Group strategic priorities diagram below.)

We pride ourselves on having a straightforward vision and strategy. Based on the values of the founding shareholders, it is clear, powerful and relevant to the business challenges of today and tomorrow.

We focus on specific high-value sectors and territories. We employ our vertically integrated business model to deliver directly for clients and, behind this approach, we procure competitively to connect and integrate the supply chain.

We combine a deep understanding of global building and infrastructure markets with a proven track record in engineering and constructing high-performing capital assets. We have the people and the skills to capture value at any point in the client value chain – from development feasibility to operation and management.

In our Group strategy, the following intent will guide our actions:

Expansion into high-growth countries
We will seek to continually expand our businesses, concentrating exclusively on countries with high growth rates and socio-economic environments that align with our company values and operating approach. Accordingly, our efforts are targeted at various regions that meet our criteria for growth and where we are able to mobilise efficiently and effectively.

We will extend our footprint in Australia and the South East Asian region, including Hong Kong and Indonesia where substantial investments are planned in mining and transport infrastructure. Also we will seek to gain a presence in specific areas of North America, including Canada, where markets are benefiting from a number of factors, including centrally funded economic stimulus packages.

Expansion of our service offering into key sectors
In the future, we will continue to differentiate ourselves from the competition on the basis of our technical skills and capabilities in engineering and construction – offering our clients total solutions.

We will look to develop a ‘licence to operate’ in selective infrastructure sectors on a global basis, for example in rail, and increasingly power generation. The action plans to achieve this will differ for each sector, leveraging the experience of our industry talent plus significant in-house resources in plant and equipment.

The strategic focus is not based on the sole pursuit of opportunities in one particular type of sector, but on a varied building and infrastructure portfolio spanning both public and private sectors. This allows us to be more robust in overcoming challenges in the future as a result of changing market dynamics.

Leverage integrated delivery model to create sustainable returns
Over the coming years we will boost our share of available business by targeting long-term strategic client relationships, providing solutions that extend over a greater proportion of the value chain. Offering a broader set of lifecycle services provides secure, higher-margin income on an ongoing basis and is less affected by cyclical fluctuations than the traditional contracting model.

We will develop enterprise value from the cross-selling effects resulting from co-operation between closely linked Laing O’Rourke businesses. In the future we will seek to further reinforce and expand ‘one team’ co-operation between businesses and countries.

This approach will also allow us to better anticipate and respond to global trends in areas such as demographic developments and climate change.

The degree of internationalisation in our business operations will create a broader business base which will shield us from economic fluctuations in, or an over-reliance on, any one country.

Achieve Excellence Plus in organisational capabilities
Our organisational effectiveness programmes and initiatives aim to ensure that our management operations, culture and reputation are mutually supportive of our ambitions. We will recruit, retain and develop the very best talent. We will embed best-in-class processes, systems and methodologies in areas including governance and risk management, capital allocation, Design for Manufacture and Assembly, brand and marketing, safety and sustainability, technology, corporate reporting and human capital management. These provide the key enablers that underpin the delivery of our financial and non-financial goals.

Vision and purpose

We will be the company of first choice for all stakeholders
We will challenge and change the image of construction worldwide
With honesty and integrity we will adopt processes to compete with world-leading businesses

Group strategic priorities

Near term

Priorities

 Grow our talent
 Continuous investment in health, safety and environment
 Manage our risks and achieve excellence in governance
 Deliver for clients and build long-term relationships
 Increase market share and improve our organisational fitness
 Maintain a lean and efficient cost base
 Drive DfMA through our core offering

Medium term

Strategy

 Achieve Excellence Plus in our organisational capabilities
 Expand operations into complementary sectors and countries
 Generate sustainable returns over the long-term, based on a vertically integrated delivery model

Long term

Goals

 An exemplar employer
 Global blue-chip client base
 Core business of engineering and construction, plus selective professional services
 Diversified project portfolio of high-value sectors and attractive territories globally
 Operational and financial performance equivalent to sustaining an industry-leading position

Operating and financial review

2010 highlights

1 Darling Downs Power Station, Queensland, Australia
2 MTDC, Contract #11A, Hong Kong/Rail Express, Hong Kong
3 Comal North Materials Handling Project, Queensland, Australia

Annual Review 2010
1848–2010

A proud history of achievement

162 years of engineering excellence

Laing O’Rourke has played a leading and often pioneering role in this built environment. Every generation of people around the world use the buildings and infrastructure we create.

As we pursue our growth agenda, we will build on a proud history of achievement which includes some of the world’s most recognisable structures. While much has changed over the past century and a half, our intent remains the same: to lead the way in the delivery of superior engineering solutions.

Leadership and strategy

Excellence in sustainability

Financial statements

Operations and financial review

Corporate responsibility

2010 highlights

officially opens

Explore Industrial Park, UK

A recognised design for Factory of the Future, the Explore Industrial Park is a major project to deliver economic regeneration, environmental sustainability and excellent quality of life as a destination for manufacturing. Officially opened in March 2010, it is a far-reaching 200-acre site comprised of various buildings including a pre-assembly manufacturing facility that is described as the largest and most advanced of its kind in Europe. The vision for the park is for businesses, construction contractors and skilled tradespeople to work together in a sustainable and forward-thinking manner, creating a thriving environment that is beneficial to all.

The highly polluted site – a legacy of the heavy industrial heritage – is transformed into a new destination through innovation and sustainable construction techniques. The park’s design takes into account the need for effective pollution management, efficient energy use and the use of renewable energy sources. The facility is equipped with state-of-the-art technology and is designed to be carbon-neutral, offering a cost-effective and sustainable solution for businesses and the environment.

Since its launch, the facility has employed 150 locals, helping 80 unemployed skilled trades people get back into work. The facility has also created an innovative model for collaboration and sustainability, with North Nottinghamshire College helping to train an additional 50 people, as well as providing a gateway to skilled experience by driving out waste, making the construction process safer, more cost and time effective, and ultimately more sustainable.

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Laing O’Rourke leads the UK industry in the development and application of DfMA – a methodology that demands working in partnership at the earliest stage of projects with clients and consultants to achieve 90% design completion before construction commences.

This approach allows clients to build the buildings they need in any shape, size, finish and colour relating to site context, planning requirements and client aspirations through the smart application of DfMA systems and technologies.

Our extensive organisational infrastructure and in-house manufacturing capabilities allow an often complex set of building system components to be safely manufactured and assembled in a controlled factory environment, for onsite assembly.

Value engineering using DfMA assures predictability of time, cost and quality in all stages of design, build and operation of major capital assets, creating long-term client value.

Excellence in Design for Manufacture and Assembly

Explore Industrial Park, UK
London’s most exclusive new residential development, every aspect of One Hyde Park’s construction is a showcase of our integrated delivery model in action.

The project brings together nine Group businesses to create a formidable ‘one team’ capability and a tangible benchmark of quality. The development is clad in a customised precast solution that was designed in-house to complement the surrounding architecture.

The logistical challenge of working in one of London’s most congested locations demanded the complete reconfiguration of the surrounding road network. And with space at a premium, materials are housed at a holding centre in north London before just-in-time site delivery.

Community stakeholders are another key factor in logistics management and considerate construction remained a priority throughout delivery. Regular engagement with interested parties resulted in a positive response to the project.
As part of the programme delivery consortium for the London 2012 Olympic and Paralympic Park, Laing O’Rourke plays a key role in managing the immense safety challenges posed by a project of this scale.

The largest construction project in Europe, the Park covers an area of 2.7km² and is supported by a peak workforce of 11,000. With 3,320 individual contracts on site, Laing O’Rourke has drawn from its experience of previous ‘megaprojects’ to influence the safety performance and behavioural culture of a diverse group of delivery businesses across the entire supply chain.

This has resulted in standards in health, safety and the environment that are recognised by the Health and Safety Executive as industry-leading. Together with our consortium partners, we have focused on designing out risk, setting exacting performance benchmarks and promoting a culture of consistent workforce engagement and communication.
As longstanding advocates of the mutual value in connecting industry and academia, we are working with some of the world’s premier educational institutions to share knowledge and resources in delivering professional development programmes that serve the full spectrum of our employee population.

During the year we demonstrated our commitment to life-long learning by broadening our strategic partnerships with Cambridge University and the University of Queensland. We also continue to intensify our strong relationships with University College London, Oxford University and Imperial College London.

Building on the already close connections between our senior leaders and some of the world’s most eminent engineering scholars, we are working collaboratively to exchange industry skills and academic discipline. Through these partnerships we are establishing a range of innovative learning approaches. At Cambridge University, for example, we are launching the ‘Laing O’Rourke Centre for Construction, Engineering and Technology’ and developing a Masters in Engineering and Construction.

Our Guns and K2 leadership development programmes, designed in conjunction with a number of leading universities, will ensure our future leaders benefit from a professional education second to none. They will join the many engineering alumni we are attracting into the business in bringing continued intellectual vigour to our tailored client solutions.
Excellence in engineering
Darling Downs Power Station, Queensland, Australia

The largest combined-cycle power station ever constructed in Australia, Darling Downs is a feat of precision engineering. Built to exacting tolerances, electricity is generated through two turbines: one powered by natural gas, the other driven by steam produced from recycled heat from the first. This system produces more power with less fuel, making it more environmentally sustainable and cutting operational costs.

Applying its technical expertise, Laing O’Rourke constructed a closed-system, air-cooled condenser which reduces water consumption by up to 98% compared with traditional methods. When fully operational, Darling Downs will emit around 20% fewer greenhouse gases than a conventional coal-fired facility.

The complex engineering works were carried out for Australia’s largest green energy supplier, Origin, against extremely tight timeframes. Demanding absolute accuracy, the project has drawn on the integrated capabilities of a 750-strong team working round the clock to deliver optimum efficiency.
It has been a year of strong achievement. Despite difficult economic conditions, we have maintained positive momentum across our CR agenda. Our safety performance is rising ahead of the rigorous targets we have set ourselves. We have increased spending on training and development, demonstrating our abiding commitment to our people.

To maximise our positive purchasing power, we have been working with suppliers to ensure they provide us with the most environmentally sound products and services. While thinking globally we are acting locally by meeting our UK target to source at least 15% of our materials locally by meeting our UK target to source at least 15% of our materials and labour from within 65km of each project.

We are collaborating with a range of external bodies, who share with us their expertise in fields such as biodiversity, carbon management, product design, occupational health and education.

As our CR processes mature and further embed themselves within our day-to-day operations, we are beginning to see tangible results. We set and communicated clear targets for the 2009-10 financial year, and have outlined equally stretching goals for the period ahead. Through these objectives we will drive steady progress in areas of strong performance while accelerating improvement in areas where we must do better.

Approach to corporate responsibility
For Laing O’Rourke corporate responsibility is about doing the right thing, instinctively, in all our decisions. We recognise that good corporate governance and responsible conduct are essential to sustained commercial success. The health and safety of all those involved in or affected by our works is paramount. This takes precedence over all other matters. With health and safety a stand-alone priority, we divide our CR activities into four central pillars: Environment, People, Industry and Community. We call this our EPIC agenda.

Increasingly our clients, stakeholders, suppliers and employees seek assurance of our ethical integrity – as well as our commercial performance. Reinforcing the link between sustainable growth and responsible decision-making, we have for the first time combined our operational, financial and CR reports within a single Annual Review document.

Approach to reporting
This report covers our CR activities for the 2009-10 financial year. It details our strategy and performance in the areas of health and safety, environment, people, industry and community.

The information used in this report is drawn from centralised systems and hub-specific databases, and collated at our head office. Unless otherwise stated this data encompasses the consolidated world-wide operations of the Laing O’Rourke Group.

Key personnel from across the organisation have contributed to the production of this document. These individuals have direct accountability for driving CR performance across a range of business functions.

To underline the integrity of this document, we have engaged assurance providers Two Tomorrows to offer an independent opinion of its contents.

Corporate responsibility governance
Our Governance Framework is made up of an established network of boards, all ultimately accountable to the Chairman and Chief Executive. (See the ‘corporate governance’ section on pages 14 and 15 for more detail.)

- Global Human Capital Board: meets quarterly; chaired by Chairman and Chief Executive, Ray O’Rourke; drives human resources and organisational effectiveness.
- Europe and the Middle East Safety and CR Forums (sub-committees of the Hub Board): meet bi-monthly; chaired by Executive Director, Roger Robinson and Director of Health, Safety, Environment, Quality and CR, John Green, respectively.
- Australia and South East Asia Hub Board: meets monthly; chaired by Executive Chairman, Andrew Wilson; ensures all investment decisions comply with our CR agenda, with particular focus on the long-term impact on employment.
- Risk management

Risk is assessed at every level of the business through a set of stringent protocols and processes. Ultimate accountability for risk mitigation sits with the Group Executive Committee, which oversees its management at every level of our Governance Framework.

At project level, threats to health, safety and the environment are dealt with through Group-wide procedures defined within our corporate health, safety and environment systems. These systems comply with ISO 9001: 2008, BS EN 14001:2004 and OHSAS 18001:2007 and are reviewed throughout the year.

As public-facing representatives of the business, our project leaders are responsible for protecting our reputation through the principles of considerate construction and by meeting our CR targets.

Business conduct protocols and ethical business practice
Laing O’Rourke demands the highest ethical standards of all its employees, wherever they work globally. Our expectations are outlined in our business conduct protocols and ethical business practice policy, which are communicated on our intranet. These are reviewed annually.

As a minimum, employees must adhere to international standards of good practice and the laws governing the country in which they work. They must also comply with the Universal Declaration of Human Rights and act in accordance with the International Labour Organization’s conventions on labour standards. Any breaches of policy or suspected acts of corruption must be reported to company management. Alternatively, employees who wish to remain anonymous can contact our independent whistle-blower service.

Audit and assurance
This report has been independently assured by world-leading sustainability experts, Two Tomorrows, in accordance with the globally recognised AA1000 Assurance Standard.

Two Tomorrows has conducted a thorough review of our data-collection systems and management processes. To verify key claims within this report they have examined supporting evidence, interviewed directors and managers, and visited our offices and construction sites. The recommendations included within this report will help shape our activities in the coming year.

We hope this external analysis will encourage greater interrogation from within, enhancing the integrity of our CR function and adding value to the business as a whole.

Corporate responsibility
Our approach

It is paramount. This takes precedence over all other matters. With health and safety a stand-alone priority, we divide our CR activities into four central pillars: Environment, People, Industry and Community. We call this our EPIC agenda.

Today, we are broadening our CR agenda. Our safety performance is rising ahead of the rigorous targets we have set ourselves. We have increased spending on training and development, demonstrating our abiding commitment to our people.
Our goal
To protect the health and safety of everyone involved in or affected by our work, creating an incident and injury free business.

Strategy
Safety is central to the way we do business and remains our number-one priority. This duty of care surpasses all other imperatives as a matter of moral responsibility. Through visible commitment to safety, the Group’s shareholders and senior executives continue to set the pace in driving the business towards a future free of incident and injury.

As one of our guiding principles, we expect all our people to ‘make safety personal and work responsibly’. By communicating clear expectations and educating employees through training and awareness campaigns, Laing O’Rourke has united a large and diverse workforce in the shared goal of safety excellence.

Performance
In 2008, the business set itself the challenge of reducing its accident frequency rate to 0.1 by 2012. By the end of the reporting period we had achieved this target. Having reached this goal early we reset our AFR target to 0.1 by 2011 and by 2015. Our AFR statistics encompass any accident involving Laing O’Rourke or its subcontractors.

Despite this strong overall performance we are saddened to report a fatality in our Middle Eastern division, where a subcontractor fell to his death while working on a framework project. This incident is an unfortunate reminder of the importance of sustaining safety vigilance and, as we strive for ongoing improvement, we will apply the lessons learned from this regrettable event.

There were a number of particularly exemplary performances. In Abu Dhabi, our Al Raha Beach project achieved three sets of 10 million man-hours without a lost time incident, and one 13 million hour period. The Al Bandar project team and Lifting Solutions division ended the year with a 12-month AFR of zero. In July 2009 our Wales & West business celebrated 12 months without a single accident.

In 2009, we launched the ‘LOR HS&E Way’ – a set of standards embedded across the European business to drive rigorous and consistent health, safety and environmental management. This practical toolkit defines the service provided by the health, safety and environment function, its organisational structure and governance model.

Incident and Injury Free (IF)
IF represents a radical change in attitudes to safety. It focuses on making everyone more risk aware, underlining the personal responsibility we each have to ourselves and others. Since its launch in Europe and the Middle East in 2005, 58.3 million man-hours have been invested in providing 3.8 million training days. During the reporting period approximately 2.3 million people received IF Phase 1 training.

Health and safety training
Across the Group, 538,401 was invested in 4,003 training days.

During the year we launched an innovative manual handling training programme in collaboration with organisers, Pristina Condition, to help prevent work-related musculoskeletal disorders.

Unlike the traditional approach, where teaching takes place off site in a more abstract environment, the programme is delivered in the workplace with trainers guiding employees in real-life situations involving numerous types of lifting activity.

In the Middle East, Laing O’Rourke supports an independent medical centre which provides healthcare for our employees. During the reporting period there were 18,739 employee visits to the clinic.

Employee wellbeing
Across the Group, we are working with a range of agencies to provide employees and their families with health and wellbeing services, including counselling and rehabilitation services.

In Europe our employee assistance programme has been providing our employees with psychological services for eight years. Our Australian business recently appointed OzHelp to pilot a mental health programme developed specifically for construction industry workers.

Drug and alcohol testing
We have expanded our drug and alcohol testing programme to include pre-employment checks in addition to random and ‘with-cause’ assessments. Anyone failing these tests is subject to disciplinary action, up to and including dismissal.

9,832 random tests were conducted on our sites, resulting in 82 failures. Cannabis remains the main cause of failure (50%) with alcohol (39%) and cocaine (9%).

Recognising the impact of drug and alcohol misuse on health as well as safety, we continue to support awareness campaigns on our projects. Last year we introduced an internal counselling and rehabilitation service in Europe. 39 individuals sought help for misuse issues (up from 11 last year) and successfully completed change therapy. They then received training, with ongoing testing and support to prevent relapse.

We operate a similar service in Australia but for reasons of privacy we do not publish these figures. A new process will be put in place to make this available from 30 June 2010.

Health and safety enforcements
There were three prosecutions during the reporting period:

- Project: Jeremstock, Canary Wharf; date of offence: 09.08.04; offence: fall from height.
- Project: Heathrow, Terminal 5; date of offence: 09.08.05; offence: fall from height.
- Project: Selondon Park, Croydon; date of offence: 02.06.07; offence: crane collapse.

Accident response procedures
Following any accident, the business will implement proven response processes to identify what can be learned from the event and highlight any procedural changes needed to prevent a recurrence. All accidents are discussed at the relevant safety leadership team meeting, where any necessary action will be agreed.

The year ahead
As we endeavour to make the construction process safer, we will continue to collaborate with clients, consultants and designers to manage out risk at the earliest stages.

Key to this will be a shift towards Design and Manufacturing and Assembly (DMA) facilitated by the opening of our European hub in the Middle East. Through DMA, we are improving safety performance by moving construction activities off site, with a number of scenarios being considered. This cuts down workforce numbers on site and shortens the overall construction process.

As we move towards greater integration of DMA, we can expect to see fewer incidents associated with onsite construction methodologies. However, this change of approach will produce different risk profiles. We are now adapting our control measures to reflect this, taking into account for example increased transportation and lifting operations.

While we are ahead of our target AFR, we are not yet incident and injury free. Having achieved an AFR of 0.1 in 2010 we will work towards a targeted AFR of 0.5 by 2015. In Europe in the coming year we will launch the new target, 0.1 IIFPR by 2015 (incidents resulting in the loss of a complete shift and 0.1 AAFR by 2020 (all accidents).

Corporate responsibility
Health and safety

Ipsos MORI survey results (global)
86% ‘Laing O’Rourke puts safety first’ Positive

Performance highlights
Safety training days
4,003
People who received IIF training this year
2,300
Total investment in IIF programme since launch (2005)
£6.3m
RISPA Gold awards
10
Laing O’Rourke Annual Review 2010

Corporate responsibility

Environment

**68% Positive**

Corporate responsibility is given a high priority across Laing O’Rourke*

Strategy

The environmental sustainability of our operations is an ongoing priority. During the reporting period, we established systems to measure our carbon emissions and water usage, and remained focused on managing waste and enhancing biodiversity on and around our sites.

We continue to work with regulators, governments, clients, suppliers, and industry and academic partners to improve performance and promote knowledge sharing. In Europe, we are maintaining productive links with the Carbon Trust and the Wildlife Trust.

Our Group Innovation Executive, Professor David Gann CBE, is a trustee and board member of the Institute for Sustainability, Thames Gateway. He also represents Laing O’Rourke on the UK Government’s Innovation and Growth Team for Low-Carbon Construction.

In Australia, our relationship with the University of Queensland remains strong, and we have appointed Chief Scientist, Dr. John Glotter, to the business to oversee our environmental and sustainability strategy.

An informed workforce is key to strong environmental performance. Through training we can be sure our people have the skills to manage environmental risks and opportunities. This is supported by our ISO 14001-certified Environmental Management System (EMS) which all projects must adhere to.

Performance

Building on the groundwork achieved in 2008-09, we have sharpened our focus on carbon management, waste reduction, and biodiversity and environmental conservation.

Energy efficiency

We are working to reduce our carbon emissions by improving energy efficiency and limiting our use of finite fuel resources. To cut our carbon footprint, we are targeting a 15% reduction in carbon emissions by 2012 (against the 2008-09 baseline) and will deliver training and awareness programmes to create a cultural change needed to achieve this.

These objectives are supported through the Group EMS, which we will use to monitor, review and communicate our carbon emissions and energy consumption. We will revise our improvement targets regularly and promote energy efficiency throughout the business, and among our subcontractors and suppliers.

Environmental training during the year

There were 144 environmental training days in 2009, a 68% increase on the 2008-09 total of 222.

Environmental training during the year

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Measurement

We operate a number of systems to manage our environmental activities. Our IMPACT+ database collates environmental information from across the Group. All environmental incidents are recorded on IMPACT+, enabling our teams to analyse trends and take preventative action.

In Europe the IMPACT+ ‘Waste Tracker’ monitors type, volume, cost, destination and the proportion sent to landfill. These figures are reviewed quarterly and reported at our senior leadership meetings. We measure carbon emissions through a number of different systems, which allow us to track progress against benchmarks established with the Carbon Trust.

In Europe our projects are subject to internal audits, which are carried out by a qualified member of our environmental team. An initial audit is held within 12 weeks of project start-up and at six-month intervals thereafter.

Water conservation

During the year we began assessing our water usage, with projects required to record consumption levels on IMPACT+. We are still in the early stages of this work and are currently collating this data. We will communicate targets in our next year’s CR Challenge.

Water reduction

In the UK our waste management performance continues to improve. In the first half of 2009, 68% of all waste was diverted from landfill. By the end of the year that figure rose to 73%, meaning we are on track to meet our commitment to halve our waste to landfill by 2012.

We are also working to enhance resource efficiency through sustainable procurement, in line with our responsible sourcing policy and lean construction methodologies. Our Design for Manufacture and Assembly (DFMA) strategy is yielding savings in energy usage by automating the traditional construction process in a controlled environment to reduce raw materials usage and permit greater levels of recycling.

Biodiversity

In 2009, we established a new biodiversity policy for our European operations, outlining objectives and targets for our projects and establishments. The policy complies with our ISO 14001-certified EMS.

Biodiversity targets are set in line with contractual and legal requirements. However, we expect our projects, where possible, to enhance biodiversity, in line with the goals set out in our CR Challenge. Information on progress against these is extracted from environmental impact statements, prepared and verified on our behalf by export consultants. Targets and performance are also detailed within specific site environmental management plans (and ecology and landscape management plans, if these are required).

Environmental management plans

All projects and establishments are required to prepare an environmental management plan with applicable sustainability issues. The environmental performance of each is measured against the targets set in that plan, with examples of best practices and specific case studies communicated throughout the business.

Environmental certification

To ensure the highest levels of integrity in our environmental management processes we have targeted and achieved 100% ISO 14001:2004 qualification across our European construction businesses. Our Explore Industrial Park has also received the same accreditation. Our Australian business is certified to ISO 14001.

Environmental training

We run a suite of environmental training programmes for employees of all levels. This year we trained 98 employees in environmental management, sustainability and sustainable procurement.

Environmental incidents

During the reporting period there were 316 environmental incidents in Europe and the Middle East, only one of which resulted in prosecution. Laing O’Rourke plc was fined for breaches of noise consent on the Embassy Court project, London. There were no environmental incidents in Australia.

The year ahead

As our DfMA strategy gains momentum with the opening of Explore Industrial Park, we are beginning to see environmental advantages through reduced waste and increased resource efficiency.

Our DfMA agenda will become increasingly aligned with our environmental objectives, as we move closer towards low-carbon construction. As Explore Industrial Park becomes fully operational, a spike in activity will create a short-term rise in carbon emissions. However, over the longer term our relative carbon footprint will be reduced as more projects are delivered through a sustainable DfMA solution.

In keeping with our ambition to halve waste to landfill by 2012, we will improve recycling levels. All new projects and establishments will be reviewed to identify ways to enhance local biodiversity, and we will continue to work with partners such as the Wildlife Trust to achieve this.
Corporate responsibility

People

Our goal
To attract, develop and retain world-class talent, creating an environment that inspires our people to give their best and makes human capital one of our greatest differentiators.

Strategy
In 2008 the Board ratified a five-year strategic human capital programme. With much of the framework established in 2008, our intention this year has been to put the strategy into practice.

As an engineering enterprise our operations are driven by the application of intellect and innovation. Education is fundamental to our business, building capability throughout the organisation, providing entry-level employees with new skills, and diversifying the knowledge base of our experienced professionals.

We have increased our per capita investment in our people, continued to invest in developing industry skills, and strengthened our relationship with key commercial and academic partners. We launched our Excellence Plus behaviour model, to add rigor to our global organisational effectiveness review in response to a general slowdown in the construction sector.

We worked hard to reallocate resources to overseas opportunities (primarily in our Australia and South East Asia Hub) and upskill individuals for new roles within the business. We engaged outplacement organisations to help employees who could not be retained to find new opportunities in the external market.

Diversity
Our diversity policy commits us to employing a workforce that reflects the diverse society in which we live, with individual rewards based on skill and achievement.

Ensuring diversity among our current and future leaders, we create a culture that promotes equality of opportunity at every level of the business.

Training and development
Investment in training and development increased during the reporting period, with employees receiving an average of three days per year. This year a total of £6.4 million was invested in training and development across the Group.

We have identified opportunities to deepen existing relationships and build new ones over the coming year. Alongside this, we work with colleagues, schools and government bodies to inspire young people to seek careers in construction. These will help us to support a new generation of skilled tradespeople, construction professionals and industry leaders.

The year ahead
As we enter the third year of our human capital programme we will continue to further our achievements and enhance our employee terms. We will streamline our working processes and tools to enable our people to move freely around our international hubs, while remaining in a familiar working environment.

Our focus on talent and performance will continue to raise the bar. We continue to put energy into recruiting young talent to the business, and identify best-in-class engineers and sector leaders from across the globe to complement our current team.

Performance highlights
Employee engagement across the Group

Performance review survey results (global)

Employees on development programmes

Professional development training days provided

Apprenticeship intake

Graduate intake

Employees: staff to workforce ratio

Staff: male to female ratio
Corporate responsibility

Industry

70% Positive

Ipsos MORI survey results (global) ‘I am supported to challenge and change existing ways of doing things’

Our goal

To develop innovative processes to compete with world-leading businesses, challenging and changing the image of construction.

Performance

The opening of Explore Industrial Park in 2010 marked a bold step in our ambition to lead the industry towards new methods of construction. The facility is the largest of its kind in Europe and sits at the heart of our Design for Manufacture and Assembly (DFMA) strategy.

Through DFMA we are constructing better quality buildings quicker, safer and more sustainably. Using automated manufacturing systems in a controlled environment we produce components of consistently high quality to predictable schedules, unaffected by the arbitrary delays typical of traditional construction.

For example, we are using our purchasing power to encourage responsible sourcing within our supply chain.

Strategy

As a privately owned business we are in a unique position to effect positive and timely change, and are able to take long-term investment decisions. The result is a strong focus on international operations and the agility afforded by our private status offers us a level of influence and independence enjoyed by few in our industry.

We are collaborating with our partners in industry and academia to develop more sustainable engineering solutions and bring further intellectual rigour to our business. By engaging with leading educational institutions we are nurturing talent through stimulating educational opportunities, and rewarding careers. Leading by example, we are using our purchasing power to encourage responsible sourcing within our supply chain.

Research and development projects (Europe)

University Department Project details Duration
Cambridge University Judge Business School PhD – Delivering value for PPIL projects 3 years
Cardiff University School of Engineering Hybrid concrete innovation (Laing O’Rourke Professor) 3 years
Imperial College London Civil & Environmental Engineering PhD – Magnesium oxide based carbon neutral cement binders for sustainable construction products 3 years
Civil & Environmental Engineering Post-Doctoral – Development of carbon negative construction products using novel MgO based binders 2 years
Civil & Environmental Engineering Technology Strategy Board funded project – Carbon neutral construction products using novel cement 2 years
Swansea University School of Engineering PhD – Novel application of biomimetics in construction industry 3 years
School of Engineering PhD – Waste management and resource efficiency in construction industry 3 years
School of Engineering PhD – Novel application of RFID technology in precast concrete manufacture and lifecycle management 3 years
University College London Civil, Environmental & Geomatic Engineering EngD – Connectivity of components in hybrid structural systems 4 years
Civil, Environmental & Geomatic Engineering EngD – Energy piles 4 years
Civil, Environmental & Geomatic Engineering and Computer Science EngD – Modelling the management of construction logistics for a major project in a world capital 4 years

University partnerships

Europe
Cambridge University
Cardiff University
Imperial College London
Massachusetts Institute of Technology
Swansea University
University College London
University of Loughborough
Australia
Curtin University
James Cook University
Queensland University of Technology
University of New South Wales
University of Newcastle
University of Queensland
University of Technology Sydney
University of Western Australia

Industry partnerships

Europe
Constructionarium
Southampton University
Loughborough University
University College London
ConstructionSkills
Judge Business School, Cambridge University
Imperial College London
Business School
Australia
Carriageway Australia (trades college)
Construction Skills Queensland school based apprentices
Women in Hard Hats

Innovation portal

We operate an online innovation management system to capture and commercialise pioneering ideas. During the reporting period we filed for four new patents.

Working with our supply chain

We continue to challenge our supply chain to support our vision of engineering excellence and high-quality, safer build programmes and enhanced operational efficiency.

Industrial relations

Laing O’Rourke operates a robust industrial relations policy and compliance auditing process which is successfully meeting the needs of stakeholders, contractors and trade unions. We were not involved in any issues of contention or disputes with trade unions during the reporting period.

Audit and assurance

Third party certification demonstrates to our clients, suppliers and employees that we operate recognised management systems and processes that adhere to industry benchmarks.

In 2009-10 we asked our supply chain to commit to our supplier code. This statement of good practice outlines our expectations on safety, training, sustainable development, community engagement and ethical conduct. 172 key partners have signed up to the code.

In support of good environmental management within our supply chain we are working with an agency called BSI to facilitate ISO 14001 accreditation through the fast-track FT14 programme. 33 supply chain partners have qualified so far, with another 24 currently working towards accreditation.

In Europe and the Middle East 66 audits were conducted to support ISO 9001:2008 certification, 35 for BS EN ISO 14001:2004 and 11 for BS OHSAS 18001:2007. In Australia we are certified to ISO 14001, ISO 9001, AS/NZS 4801 (safety) and OHSAS 18001. Our Australian and South East Asian business conducted 13 internal audits during the year.

The year ahead

As we continue to develop innovative construction solutions, our ability to lead in partnership will become increasingly important. We will continue to collaborate with our industry colleagues to support better, safer and more sustainable ways of working.

By strengthening our academic affiliations, we expect to see tangible benefits in our capacity to attract and develop the creativity and intellect that underpins our vision as an engineering enterprise.

We will endeavour to better understand the needs of our stakeholders, clients and consultants. We will collaborate with our clients to explore earliest stages of development, acting as trusted advisers in the early stages of exceptional quality and value.

We have made significant progress in digital prototyping with our leading-edge building information modelling system. Using 3D models to ‘build before we build’ we can enhance the quality of the design, construction and operational management of a structure. In 2010, we received the national award for innovation at the annual Constructing Excellence event for our groundbreaking work in this area.

We are working with Imperial College London and other industry partners on two groundbreaking projects funded by the Technology Strategy Board UK. The carbon-negative cement, Novacem, was recently named among the top 10 emerging technologies by the Massachusetts Institute of Technology. SILEG-0, a lightweight expanded clay-glass aggregate, will be used to develop sustainable concrete-based components.

In collaboration with University College London we have created an ‘augmented reality’ system for use in planning and logistics, construction and maintenance. Combining interactive physical and virtual models, this system allows us to view structures in intricate detail against a virtually infinite range of criteria.

We have a strong track record in research and development partnerships that bring out the best in industry and academia. Working closely with a range of leading institutions we are exchanging expertise and experience.

We are collaborating with our partners in industry and academia to develop more sustainable engineering solutions and bring further intellectual rigour to our business. By engaging with leading educational institutions we are nurturing talent through stimulating educational opportunities, and rewarding careers. Leading by example, we are using our purchasing power to encourage responsible sourcing within our supply chain.

Our goal

To develop innovative processes to compete with world-leading businesses, challenging and changing the image of construction.

University partnerships

Europe
Cambridge University
Cardiff University
Imperial College London
Massachusetts Institute of Technology
Swansea University
University College London
University of Loughborough
Australia
Curtin University
James Cook University
Queensland University of Technology
University of New South Wales
University of Newcastle
University of Queensland
University of Technology Sydney
University of Western Australia

Industry partnerships

Europe
Constructionarium
Southampton University
Loughborough University
University College London
ConstructionSkills
Judge Business School, Cambridge University
Imperial College London
Business School
Australia
Carrigeway Australia (trades college)
Construction Skills Queensland school based apprentices
Women in Hard Hats

We have made significant progress in digital prototyping with our leading-edge building information modelling system. Using 3D models to ‘build before we build’ we can enhance the quality of the design, construction and operational management of a structure. In 2010, we received the national award for innovation at the annual Constructing Excellence event for our groundbreaking work in this area.

We are working with Imperial College London and other industry partners on two groundbreaking projects funded by the Technology Strategy Board UK. The carbon-negative cement, Novacem, was recently named among the top 10 emerging technologies by the Massachusetts Institute of Technology. SILEG-0, a lightweight expanded clay-glass aggregate, will be used to develop sustainable concrete-based components.

In collaboration with University College London we have created an ‘augmented reality’ system for use in planning and logistics, construction and maintenance. Combining interactive physical and virtual models, this system allows us to view structures in intricate detail against a virtually infinite range of criteria.

We have a strong track record in research and development partnerships that bring out the best in industry and academia. Working closely with a range of leading institutions we are exchanging expertise and experience.

We are collaborating with our partners in industry and academia to develop more sustainable engineering solutions and bring further intellectual rigour to our business. By engaging with leading educational institutions we are nurturing talent through stimulating educational opportunities, and rewarding careers. Leading by example, we are using our purchasing power to encourage responsible sourcing within our supply chain.

University partnerships

Europe
Cambridge University
Cardiff University
Imperial College London
Massachusetts Institute of Technology
Swansea University
University College London
University of Loughborough
Australia
Curtin University
James Cook University
Queensland University of Technology
University of New South Wales
University of Newcastle
University of Queensland
University of Technology Sydney
University of Western Australia

Industry partnerships

Europe
Constructionarium
Southampton University
Loughborough University
University College London
ConstructionSkills
Judge Business School, Cambridge University
Imperial College London
Business School
Australia
Carriageway Australia (trades college)
Construction Skills Queensland school based apprentices
Women in Hard Hats

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Laing O’Rourke
Annual Review 2010

Corporate responsibility
Community

Knowledge
To work with the communities in which we operate to deliver truly transformational projects that enable economic progression, and leave behind a positive public legacy.

Strategy
With operations spanning the globe, our projects touch the lives of a diverse range of people from many different communities. We believe it is our responsibility to bring long-term benefits wherever we work.

The idea of legacy is integral to every project we undertake – whether through education and apprenticeships, encouraging our employees to become active in the community or by creating local job opportunities.

As a responsible employer it is our strategy to help integrate socially excluded individuals into the workforce. Collaborating with educational bodies, we seek to raise employability levels among disadvantaged groups through training and upskilling opportunities.

In the Middle East, our community workforce is working with these communities, along with local and national charities, to help improve standards of living in these areas.

Many of our Australian projects are based in remote areas with sizeable indigenous populations. These communities face a range of social issues including poor housing and education, ill health and unemployment.

Job opportunities in these isolated regions are often limited, with non-profit organisations frequently receiving less funding than their urban counterparts. Laing O’Rourke is working with these communities, along with local and national charities, to help improve standards of living in these areas.

Performance
We continue to build on our relationships with public-sector agencies and educational bodies to maximise employment prospects for those living near our construction sites.

The opening of Explore Industrial Park in the UK marked a high point in this agenda, with the creation of 100 local jobs helping 80 unemployed tradespeople back into work.

Throughout the year our project teams have developed close links with local schools, helping open up career paths for school children and demonstrating the diverse and interesting roles the industry has to offer.

Through effective community liaison, our project leaders and other representatives have encouraged open dialogue with local stakeholders, upholding the principles of considerate construction.

Across the business particular emphasis is placed on supporting our younger members of staff such as apprentices, trainees and graduates. Our Australian business is helping young people with drug- controlling addictions by providing funding for a one-year rehabilitation programme and other shorter-term awareness campaigns.

Community and charitable work
In 2009 we introduced a community page to our IMPrACT+ reporting system. This was designed to allow projects and individuals to upload details of community work and charitable giving into a centralised database, enabling us to highlight best practice and identify future opportunities.

The past year has seen charitable donations and engagement in local initiatives in every sector of the business. In Europe, £107,929 was raised by employees for charity, and in Australia our staff raised £43,883 for our corporate charity, Freedom Projects.

We support a range of non-profit organisations via our ‘volunteer leave’ programme, which encourages employees to take paid time off to carry out charitable work. In Europe 350 working days were dedicated to supporting community initiatives, while in Australia this figure was 165.

Performance highlights
Charitable donations – corporate
£568,820
Charitable donations – employees
£151,812
Days given to volunteer work
515
Considerate Constructors Awards
1
1

Corporate charities
Laing O’Rourke supports a number of charities at corporate level, including Cancer Research UK, the Integrated Education Fund (Northern Ireland) and Freedom Projects (Australia). Proceeds from annual staff events in the UK and Australia are donated to these respective charities.

Our Australian business donated £43,883 to Freedom Projects (matching funds raised by employees) with an additional £48,670 for other charities, including £25,269 in community grants. £200,000 was raised for CRUK and £200,000 for the IEF, with an additional £76,267 donated to other charitable causes.

Considerate Constructors Scheme
Laing O’Rourke actively participates in the CCS. We have achieved an average target score of 35/40. This signifies that our actions are ‘high level above compliance’ leading to ‘exceptional measures’ in the eyes of CCS auditor.

We have a long and successful history of obtaining gold, silver and bronze CCS awards. In 2009 we won 20 CCS awards.

Corporate responsibility indexing
Business in the Community’s CR Index is the leading voluntary benchmark of ethical business practice. Participating companies are assessed on key areas of corporate responsibility and the extent to which this is integrated with business strategy and management processes.

In 2009 our European and Australian businesses took part in this index for the first time. In Europe we received 83.65%, placing us in the ‘silver’ performance band and in Australia we achieved ‘bronze’ with 71.5%.

While success in these indexes can generate reputational benefits, these are more practical advantages. This level of assurance helps us build long-lasting relationships with our stakeholders and enables us to better understand our own strengths and weaknesses.

The year ahead
In the coming year, we will continue to actively engage in community and charitable programmes. We will launch a project liaison team setting out how our staff work with community stakeholders and businesses throughout the project lifecycle.

All larger projects and regional offices will ‘adopt a school’. Under this initiative, our employees will provide pupils with opportunities to learn about construction first hand. In Australia, as part of our New South Wales schools building programme, plans are in place to engage young people through a project art competition and the introduction of CR teaching and learning resources.

Ipsos MORI survey results (global)
60%
Positive
1. ‘I feel proud of the contribution Laing O’Rourke makes to the communities in which we operate’

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60%
Positive
1. ‘I feel proud of the contribution Laing O’Rourke makes to the communities in which we operate’

Ipsos MORI survey results (UK)
1. Taking a break from day duties, the London 2012 Olympic Park project team support ‘Time to Shine’ – an initiative to introduce young disabled people from the five Olympic boroughs to sports such as athletics, cycling and swimming. The four-day residential event is funded by programme delivery partner CLM and charity WheelPower.

2. Workers from the Great Northern Highway project, Australia, at the bike park they built for local children. The joint venture team was recognised for its contribution to the indigenous community, which included employment initiatives and mentoring schemes, with the award for ‘outstanding contribution to training and development’ at the East Kimberley Aboriginal Achievement Awards.

Corporate responsibility
Performance
2010 highlights

Leadership and strategy
Financial statements
Annual Review 2010

Laing O’Rourke
Annual Review 2010
Laing O’Rourke’s private ownership status and active shareholder engagement means it is able to plan and operate for the long term. The investment strategy and management model deployed across all our business operations is serving us well in protecting the Group from the inevitable shocks which are part of the current business cycle.

Anna Stewart
Group Director of Finance and Commerce

The review period has been characterised by political and economic uncertainty. We expect the challenging environment to prevail in our core market for some time. The shortage of credit, extensive sovereign debt and fiscal imbalances, and new governing administrations wrestling with large budget deficits, will combine to slow the rate of recovery.

We do, however, believe that the year ahead marks the bottom of the curve and we have taken pre-emptive and decisive steps to shape our business to respond to the trading conditions during 2010-11, while creating the growth platforms to profit from the opportunities we see in newer markets at the earliest stages of recovery.

We continue to strengthen our capabilities in heavy infrastructure, particularly in the energy, minerals handling and rail transport sectors where, in the UK, Australia, Indonesia, Hong Kong, Canada, and Saudi Arabia, we see growing demand for these services with limited domestic construction capacity to meet it.

We believe our cautious approach to capital allocation, together with the adoption of much greater selectivity in the sales process has strengthened significantly the resilience of our international business operations. The Group is in good shape to earn, invest and grow.

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Financial summary

Managed revenue
£4.3bn

Earnings before interest and tax (pre exceptional items—see note 3)
£110m

Gross margin (pre exceptional items)
10.1%

Order book
£8.2bn

Cash balances
£716m

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In the period under review, we concluded phase one of our DfMA strategic investment programme, celebrating the official opening of our new manufacturing facility at Explore Industrial Park.

We also strengthened our modelling and cost-planning capabilities during the year. To move us further towards our ambition of “7D” modelling we acquired Privica, a leading building and cost information modelling specialist, to complement and extend our existing capabilities. Laing O’Rourke already possesses a leading specialism in the 3D spacial/geometric dimensions, and this acquisition accelerates the inclusion of the 4D time and 5D cost dimensions to our approach. We will be focusing on the addition of 6D lessons learned and 7D whole-life cost dimensions into our modelling tools over the coming year.
Group performance

Managed turnover reduced 15% at the year-end to £4.5 billion as a direct result of the market structures in the UK and Middle East. Our cautious strategy to sustain earnings quality and the benefits of our diversified international portfolio provided the necessary protection. More than half of the recorded decline was in our Middle East business, as the economy, particularly in Dubai, paused.

Our pre exceptional earnings at £110 million were maintained at a similar level to last year, while cash balances grew by 17% to £716 million, reinforcing the highly cash-generative nature of our business model. Our net cash also grew by 55% to £270 million, reinforcing the highly cash-generative nature of our business model. Our net cash also grew by 55% to £270 million as we managed both costs and working capital tightly.

Gross margin increased to 10.1% as we continued to deploy our ‘one team’ approach to delivering all elements of a project to remove duplication and cost. Shareholders funds at the year-end had increased to £578 million, an increase of 56% to the previous year’s level, reinforcing the highly cash-generative nature of our business model. Our net cash also grew by 55% to £270 million as we managed both costs and working capital tightly.

Order book

Our pipeline of secured and anticipated work has reduced from the record level of £110 billion reported last year, to £8.2 billion at the year-end. This fall does, however, mask a good underlying performance in our core European and Australian businesses, where we secured a number of high-quality contracts in important sectors, including rail, power and social infrastructure. The majority of the reduction is directly attributable to the removal of future workload previously secured under the ALDAR-Laing O’Rourke joint venture in Abu Dhabi.

This decrease followed ALDAR’s decision to cease procurement of its real estate and infrastructure service requirements under framework arrangements, preferring instead to buy direct from the open market. Although we fully understand and respect their position, this type of procurement methodology does not support our business model. The relationship between our two organisations continues to be strong, and we have a further two years of work to complete under the current terms of the joint venture on the Al Raha Beach project.

During the year we were successful in securing a place on a number of large frameworks, including several local education partnerships, as part of England’s Building Schools for the Future (BSF) programme. We are adopting a cautiously optimistic approach in recognising work that might flow through these frameworks as it may be limited to those schools that have already been awarded, rather than all proposals outlined under the original framework agreements.

We are currently reviewing the implications of the UK Chancellor’s recent budget statement. We await with interest the outcome of the new UK Coalition Government’s various public spending reviews, due to report later this year, and will continue to deliver value for our clients on those schemes we have already secured.

Operating costs and exceptional items

A major focus during the period under review has been the completion of a comprehensive efficiency review, to remove excess capacity in our UK and Middle East operating businesses as work volumes declined. The largest element of our variable cost base is staff and during the year we have reduced our employee numbers in line with our current and future requirements. This exercise has reduced Group expenditure by £63 million on an annualised basis, contributing to improvements in the Group’s financial capacity.

We have incurred £16.7 million of redundancy costs relating to this exercise, which are included within the year’s exceptional items. We have also posted an exceptional provision of £8.3 million to cover the impairment charge of plant assets in Dubai. Due to further falls in market values for commercial real estate, we have taken a £16.4 million exceptional provision to cover writedowns on development projects in the UK and Ireland. Real estate values in the UK and Ireland continue to be subdued, although we believe our valuations are appropriate. A review of Explore Living’s land bank demonstrated that no impairments were required. Following a similar impairment review of our Explore real estate portfolio in Australia, we concluded that current book values of these assets remain fair and appropriate.

Taxation

The tax charge for the year is 30% (2009: 20%). This increase in the tax charge is, in part, a result of reduced profits in the low tax environments of the Middle East. Additionally, the Group posted an increased profit performance in Australia, where the tax charge is similar to the UK. We expect the tax charge to fall below the headline rate in the UK and Australia in future as a material proportion of our portfolio will continue to generate profits in lower tax environments. Further details are provided in note 10 to the financial statements.

Goodwill

The Group carries £321.8 million goodwill in the consolidated balance sheet. Goodwill is not amortised under IFRS, but is tested annually for impairment. In accordance with IAS 36 the recoverable amount of £3.3 million to cover the impairment charge of plant assets in Dubai. Due to further falls in market values for commercial real estate, we have taken a £16.4 million exceptional provision to cover writedowns on development projects in the UK and Ireland. Real estate values in the UK and Ireland continue to be subdued, although we believe our valuations are appropriate. A review of Explore Living’s land bank demonstrated that no impairments were required. Following a similar impairment review of our Explore real estate portfolio in Australia, we concluded that current book values of these assets remain fair and appropriate.

Pension schemes

The Group runs a number of defined contribution pension schemes in conjunction with Scottish Equitable, AXA and Norwich Union.

Outlook

2009-10 demonstrated the benefits of a diverse business and project portfolio, as we maintained headline profit levels at the previous year’s rate. We delivered a co-ordinated response across the Group to the global financial crisis, with prudent housekeeping ensuring we have a strong platform in place to respond when the current volatility subsides. We have had a good start to the 2010-11 trading period with revenue and profit targets in line with expectations. A number of important project wins in sectors like rail, mining, energy and social infrastructure demonstrate the tangible progress we are making to transform the intent of our 10-year strategy into bottom line value.

With a robust balance sheet, sufficient investment headroom and our much coveted private company approach, we will be selective but decisive in the opportunities we pursue. We have positioned ourselves conservatively in anticipation of a more favourable business cycle which will benefit our industry.

1 Gold Coast Convention Centre, Queensland, Australia
2 London Gateway Port, Thames Valley, UK
Laing O’Rourke has an active presence in the European and Middle Eastern construction markets, and has relationships with prestigious clients across the entire value chain.

Our aim is to leverage the economies of scale offered by DfMA and our integrated delivery approach to generate repeat revenues, partnering with like-minded clients. We will complement this approach by exporting our expertise into new geographies with the right strategic fit.

Reporting under the new organisational structure implemented during 2009, the total managed turnover for the European and Middle Eastern businesses, was £3.4 billion, down from £4.2 billion on a like-for-like basis over the corresponding period last year.

This reduction is, in part, attributable to the fall in revenues in our Middle East operations to £423 million, down from £903 million. Earnings before interest and tax for the combined hub were £89 million, a fall of 5% on the previous year. This performance testifies to the underlying strength of the business that we have maintained a level of profitability which, as a proportion of revenues, has increased by 11.5%. This success is attributable to our excellence in project delivery and organisational efficiency.

Our UK-based construction projects are performing in line with, or slightly ahead of, expectations generating excellent levels of cash. We have adequate funds for the investment costs required for the initial operational phase of Explore Industrial Park as it builds up capacity in the start-up phase. We fully expect Explore Manufacturing to make a profitable contribution in line with the three-year timeline we have set for this new venture.

We continue to commit substantial financial and human resources to work-winning. We have up-skilled our in-house capabilities significantly in this area during the year to meet the growing demands of clients in the tendering stage of projects, particularly in the public sector. At any given point in time we have up to £60 million committed to current bidding activity, primarily in bid production and required equity.

Given that current market conditions will continue, we have mandated a selective sales strategy across our delivery businesses. The strengthening of our “permit to bid” governance procedures in the key decision-making stages of tendering is proving highly effective in securing a profitable pipeline of future work.

To echo the words of our Chairman and Chief Executive, we simply will not countenance bidding contracts at uneconomic levels which sacrifice earnings quality. We will continue to present the economic benefits of an integrated offering which tailors a bespoke ‘single-source’ solution, leveraging our extensive network of in-house skills.

Operating and financial review
Europe, Middle East and Rest of World

Financial summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
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<tr>
<td>Managed revenue</td>
<td>£3.4bn</td>
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<tr>
<td>Earnings before interest and tax (pre exceptional items)</td>
<td>£89m</td>
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<tr>
<td>Gross margin (pre exceptional items)</td>
<td>9.4%</td>
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The new Coalition Government in the UK presents a quite different, and to a large degree, unknown proposition to the construction industry. There is of course uncertainty at this time regarding existing capital investment commitments in the light of the need to reduce the UK’s national deficit. Despite this, we are confident that our strategy has the necessary checks and balances to respond effectively to policy decisions in the short term, without deflecting us from our longer term growth ambitions.

This confidence is imbued in the investments we continually make in our people and innovation. We recruit and train our talent for the long term, and engage them in meaningful, skilful endeavours, to ensure they are presented with the right opportunities to be good corporate citizens. In line with our guiding principle to challenge and change outdated construction practices, we invest in a number of research and development activities to remove waste and improve value over the whole life of an asset.

One example of this approach in action has been the development of a reporting software tool ‘Insite’ to capture and express our project performance data more transparently. We are actively using this information to inform the decision making process, helping us and our clients to better understand and leverage the drivers of value.

Our greatest brand differentiator is the predictability with which we complete all our projects on time, on budget and to the exacting standards of our clients. Delivery excellence is our licence to operate, providing the means to drive repeat business and establish enduring client relationships.

In our Building businesses we have continued our success in the key sectors of health and education where we have established a leading presence. We are privileged to be involved in some of the UK’s most important social infrastructure projects, transforming the public service footprint of those communities. We are also reaping the benefits of our £150m plant development, One Hyde Park, in the heart of London’s West End, setting a new benchmark for quality at the top end of the capital’s residential market.

In our technology services business we are also in the final stages of testing and commissioning a major banking data centre for one of the world’s most prestigious financial services organisations. In the defence sector we continued to make strong progress delivering facilities for the Armed Forces Joint Services at Conshah, employing Design for Manufacture and Assembly (DFMA) to drive measurable improvements in time, cost, quality and safety. We also signed heads of terms with the Metro consortium to be its construction partner for the specialist defence training/Privately Financed Initiative with the Ministry of Defence.

Infrastructure highlights included the award of sewage treatment facilities at Beconton and Crossness for Thames Water, in joint venture with Intermec. We commenced work on the redevelopment of Terminal 2 at Heathrow for BAA in joint venture with Ferrovial Agroman. Works also restarted on the new London Gateway Port for DP World, working alongside our delivery partner, Dredging International. During the year we established a strategic partnership with Toshiba Westinghouse and Shaw to pursue opportunities in the UK’s nuclear ‘new build’ programme, and with Bouygues and Strabag to secure work on the massive Crossrail programme.

As part of the CLM consortium delivering the London 2012 Olympic and Paralympic Park, the project has enjoyed another very good year. The delivery of the venues and parks is progressing well, and is currently tracking on budget and on schedule, with an exemplary health and safety record.

These operational highlights present a snapshot of the increasing diversification we are achieving in our core activities, helping to shield us from an over-reliance on any one sector or market type, while presenting an attractive opportunity pipeline even during this low point in the economic cycle.

We remain committed to the Middle East for the long term, having worked hard to establish our brand and reputation through a constant presence in the region spanning 30 years. We intend to work with clients and the local supply chain to complete current projects. Going forward, we will only commence new projects to a scope and schedule that is suitable to a client’s funding position as they emerge from the region’s deep recession.

In Abu Dhabi work has continued on the Al Raha Beach development on behalf of ALDAR. The iconic ALDAR HQ building is complete, as is the residential complex at Al Bandar, which will be occupied by purchasers later this summer. We have now turned our attention to the successful completion of Al Zayina, another substantial residential project, which is proceeding to plan. The decision was taken during the period to operationally pause the commercial and leisure projects on the Al Raha Beach development until market conditions improve in the region. Additional work being undertaken in Abu Dhabi includes a programme management commission to work with the Emirate’s defence authorities on their property needs.

In Dubai, our trading businesses in specialist joinery, precast concrete, bathroom pod manufacture and Crown House Technologies have posted a resilient performance, continuing to generate revenues and win orders. The main Construction business has slowed as many of the projects have been significantly de-scoped or stopped completely. We expect all projects to be completed, albeit at a much slower pace than previously planned.

We have been proactively managing our cash position in the region, while keeping our cost base constantly under review to ensure we can respond quickly to any further market volatility.

Operating and financial review
Europe, Middle East and Rest of World
The Australia and South East Asia Hub continues to flourish with managed turnover rising by 8% in the period to £921 million. Earnings before interest and tax remained at £21 million despite additional investment in Hong Kong. This is a very creditable performance at both the aggregate and individual level, with all our operating businesses reporting profit generation in difficult times.

Operational highlights include the North-South Railway project in Saudi Arabia which is progressing to schedule, with handover of the first key section due in July 2010. We believe we can build on our existing presence in the Kingdom of Saudi Arabia, and will be looking to extend our operational footprint in the next 12 months. We expect to build on this momentum to secure further rail work in the Gulf Co-operation Council (GCC) countries, where a massive rail infrastructure programme is planned.

Another of our current rail projects is located at BHP Billiton’s Yandi iron ore mine in Western Australia. We are delivering the design, supply, installation and commissioning of two primary and secondary crushing plants, each with a 1km overland conveyor feeding a common stockpile. Our performance to date gives us confidence that we will be able to negotiate and secure further packages of work.

This optimism is tempered by the Australian Government’s decision to impose a super tax on mining companies, although we understand this is now under review. It is our view that, with the worldwide demand for natural resources still increasing, albeit at a slower rate at present, and Australia’s abundant reserves, levels of investment will continue despite this tax charge.

Laing O’Rourke has been active in Australia and the South East Asian region since 2004, strengthening our position with the acquisition of the Barclay Mowlem construction business in 2006.

Our aim in these markets is to consolidate a business that has now achieved critical mass and take a leading position in carefully targeted geographies and sectors, predominantly in power, rail, mining and materials handling.

Elysee, Queensland, Australia

Financial summary

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<th>Managed revenue</th>
<th>£921m</th>
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<td>Earnings before interest and tax</td>
<td>£21m</td>
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<td>Gross margin</td>
<td>12.6%</td>
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In Queensland, with our partners CH2M Hill and GE, we have successfully completed the Darling Downs power station for Origin Energy, Australia’s largest combined cycle gas turbine plant. Demand across the world for this type of greener power generation facility is increasing.

Our expertise in combined-cycle plant installation, and a string of recent successes in Australia and the UK, gives competitive advantage in the global energy sector which we are actively exploiting.

The north, west and east coasts of Australia have substantial gas reserves which are starting to be brought online. This has been made possible by advances in exploration and production delivering the means to drill, extract, process, store and transport natural gas in remote locations, making these offshore fields economically viable. With our civil, technical and process engineering capabilities, we have secured a major utilities contract on the A$50 billion Gorgon gas field project, at Barrow Island in Western Australia. The oil and gas sector is another area of our business in which we are actively exploiting.

Mining and minerals handling is another sector where we believe we can export our skill set globally. We have already established a business in Indonesia offering a ‘pit to port’ minerals handling solution for mining and overland “heavy-haul” transportation of raw materials to the cargo ship ports.

The opportunities in infrastructure and rail in Hong Kong are substantial. We have invested during the year to increase our engineering expertise in commuter rail infrastructure. The Government of the Hong Kong Special Administrative Region plans to spend A$25 billion on infrastructure improvements over the next decade, and we are actively pursuing many of the high-quality opportunities. The expansion of the Mass Transit Railway (MTR) as they upgrade the high-speed network to connect Hong Kong to the major Chinese cities, is our initial priority. We have been awarded our first project with MTR, where we have been appointed in joint venture with Bachy Soletanche, to construct a ‘cut and cover’ tunnel as part of the extended rail network.

We also secured our first project in New Zealand this year, delivering improvements to Auckland’s rail network. In joint venture with local New Zealand contractor, Hawkins Infrastructure, we have been contracted to install a fully electrified rail system.

The Australian Government implemented a fiscal stimulus package to mitigate the effects of the global financial crisis. We have benefited directly from this with the appointment as managing contractor of a number of schools refurbishment programmes in New South Wales and Queensland, as part of the Federal Government’s ‘Building the Education Revolution’ scheme. We also expect healthcare to be a major beneficiary of government support, and have recently converted our first health project in Penrith, won under an ‘Early Contractor Involvement’ contract for the extension and refurbishment of the Nepean Hospital. We are transferring skills and resources from the UK to support these expanding ventures.

Our rail sleeper manufacturing business, Austrak and Redispan, our mineral conveyor systems business, have both had strong trading years, buoyed by the investments we are making to grow our global presence in rail transport and minerals handling.

Our committed investments in work-winning, plant and equipment, and in developing global sector capability will invariably limit profitability levels in the short term in the Australia and South East Asia Hub. However, we are confident that by taking advantage of this low point in the market cycle and investing today, we will maximise profit and grow organisational capability over the long term.

Explore Investments has live projects in Manly, one of Sydney’s most vibrant and desirable suburbs, Everett Street in Townsville, and Ann Street in Brisbane, which will commence this year. These projects will contribute development profits as well as construction margins in the 2010-11 fiscal period.

Our rail sleeper manufacturing business, Austrak and Redispan, our mineral conveyor systems business, have both had strong trading years, buoyed by the investments we are making to grow our global presence in rail transport and minerals handling.

The north, west and east coasts of Australia have substantial gas reserves which are starting to be brought online. This has been made possible by advances in exploration and production delivering the means to drill, extract, process, store and transport natural gas in remote locations, making these offshore fields economically viable. With our civil, technical and process engineering capabilities, we have secured a major utilities contract on the A$50 billion Gorgon gas field project, at Barrow Island in Western Australia. The oil and gas sector is another area of our business in which we are actively exploiting.

Mining and minerals handling is another sector where we believe we can export our skill set globally. We have already established a business in Indonesia offering a ‘pit to port’ minerals handling solution for mining and overland “heavy-haul” transportation of raw materials to the cargo ship ports.

The opportunities in infrastructure and rail in Hong Kong are substantial. We have invested during the year to increase our engineering expertise in commuter rail infrastructure. The Government of the Hong Kong Special Administrative Region plans to spend A$25 billion on infrastructure improvements over the next decade, and we are actively pursuing many of the high-quality opportunities. The expansion of the Mass Transit Railway (MTR) as they upgrade the high-speed network to connect Hong Kong to the major Chinese cities, is our initial priority. We have been awarded our first project with MTR, where we have been appointed in joint venture with Bachy Soletanche, to construct a ‘cut and cover’ tunnel as part of the extended rail network.

We also secured our first project in New Zealand this year, delivering improvements to Auckland’s rail network. In joint venture with local New Zealand contractor, Hawkins Infrastructure, we have been contracted to install a fully electrified rail system.

The Australian Government implemented a fiscal stimulus package to mitigate the effects of the global financial crisis. We have benefited directly from this with the appointment as managing contractor of a number of schools refurbishment programmes in New South Wales and Queensland, as part of the Federal Government’s ‘Building the Education Revolution’ scheme. We also expect healthcare to be a major beneficiary of government support, and have recently converted our first health project in Penrith, won under an ‘Early Contractor Involvement’ contract for the extension and refurbishment of the Nepean Hospital. We are transferring skills and resources from the UK to support these expanding ventures.

Our rail sleeper manufacturing business, Austrak and Redispan, our mineral conveyor systems business, have both had strong trading years, buoyed by the investments we are making to grow our global presence in rail transport and minerals handling.

Our committed investments in work-winning, plant and equipment, and in developing global sector capability will invariably limit profitability levels in the short term in the Australia and South East Asia Hub. However, we are confident that by taking advantage of this low point in the market cycle and investing today, we will maximise profit and grow organisational capability over the long term.

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Directors, Officers and Advisors

Directors
- R G O’Rourke
- C Kleidis
- V Papadopoulos
- S Anastasiades

Company secretary
- PricewaterhouseCoopers Associates Limited
  - Julia House
  - 3 Themistocles Denis Street, CY-1066 Nicosia, Cyprus

Company number
- 190393

Registered office
- Julia House
  - 3 Themistocles Denis Street, CY-1066 Nicosia, Cyprus

UK contact address
- Laing O’Rourke plc
  - Bridge Place
  - Anchor Boulevard
  - Admirals Park, Crossways
  - Dartford, Kent DA2 6SN, United Kingdom

Independant auditors
- PricewaterhouseCoopers Limited
  - Julia House
  - 3 Themistocles Denis Street, CY-1066 Nicosia, Cyprus

Bankers
- Lloyds Banking Group
  - 155 Bishopsgate, London EC2M 3YB, United Kingdom
- HSBC
  - 8 Canada Square, London E14 5HQ, United Kingdom
- ANZ
  - 40 Bank Street, Canary Wharf, London E14 5EL, United Kingdom

The Board of Directors present their annual report together with the audited financial statements of the Laing O’Rourke Corporation Limited consolidated group (the ‘Group’) for the year ended 31 March 2010.

Principal activities
The Group’s principal activities are:
- Capital
  - Property development
- Housebuilding
- Construction
  - Programme management
  - Construction and building
  - Civil engineering
  - Mechanical and electrical engineering
  - Core enabling and logistics management services
  - Infrastructure and support services
- Construction and maintenance of utilities
- Architectural and environmental services
- Plant hire and operations
- Building products
- Design services
- Building operations management
- Manufacturing construction products

A list of principal subsidiaries, jointly controlled entities, jointly controlled operations and associates can be found on pages 96 and 97 in note 34 to the financial statements.

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

A review of the Group’s activities and performance for the year is presented on pages 1 to 55.

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

Results and dividends
The results for the year are set out in the Consolidated Income Statement on page 60 and show a profit for the year after tax of £35.1m (2009: £68.2m).

The Company paid dividends of £4.7m during the year (2009: £19.6m). Dividends declared and paid during the year were in respect of the 2009 performance. The directors do not recommend the payment of a final dividend.

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.

Payment of creditors
Whilst the Group does not follow a formal code of practice, its policy for the period to 31 March 2011 for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment.

Key judgements and estimation uncertainty are detailed on page 69 in note 2.22 to the financial statements.

Charitable contributions
During the year the Group contributed £4.6m (2009: £3.5m) to its nominated charities.

Research and development
Details of the Group’s research and development activities are set out on page 40.

Risk management
Details of the Group’s policies and procedures for managing risk are set out on pages 16 and 17.
Independent Auditors’ Report

to the Members of Laing O’Rourke Corporation Limited

We have audited the consolidated financial statements of Laing O’Rourke Corporation Limited (the ‘Company’) and its subsidiaries (the ‘Group’) on pages 60 to 97 which comprise the consolidated statement of financial position as at 31 March 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements have been prepared under the accounting policies set out therein.

Auditors’ responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Laing O’Rourke Corporation Limited Group as at 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113. The information given in this report is consistent with the financial statements.

Report on other legal requirements
Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, we report the following:

• We have obtained all the information and explanations we considered necessary for the purposes of our audit.
• In our opinion, proper books of account have been kept by the Company.
• The Company’s financial statements are in agreement with the books of account.
• In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
• In our opinion, the information given in the report of the Board of Directors on pages 57 and 58 is consistent with the consolidated financial statements.
Consolidated Income Statement  
for the year ended 31 March 2010

<table>
<thead>
<tr>
<th>Pre-exceptional Items</th>
<th>Exceptional Items</th>
<th>Total</th>
<th>Pre-exceptional Items</th>
<th>Exceptional Items</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m 2010</td>
<td>£m (note 4)</td>
<td>£m</td>
<td>£m 2010</td>
<td>£m (note 4)</td>
<td>£m</td>
</tr>
<tr>
<td>Total revenue</td>
<td>3,526.1</td>
<td>–</td>
<td>3,526.1</td>
<td>–</td>
<td>3,526.1</td>
</tr>
<tr>
<td>Less: share of joint ventures’ revenue</td>
<td>(456.6)</td>
<td>–</td>
<td>(456.6)</td>
<td>–</td>
<td>(456.6)</td>
</tr>
<tr>
<td>Revenue</td>
<td>3,069.5</td>
<td>–</td>
<td>3,069.5</td>
<td>–</td>
<td>3,069.5</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,758.8)</td>
<td>(25.4)</td>
<td>(2,784.2)</td>
<td>(2,764.2)</td>
<td>(2,784.2)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>310.7</td>
<td>(237.2)</td>
<td>283.3</td>
<td>(244.9)</td>
<td>244.6</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(237.2)</td>
<td>(7.7)</td>
<td>(244.9)</td>
<td>(213.3)</td>
<td>(213.3)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>0.9</td>
<td>–</td>
<td>0.9</td>
<td>–</td>
<td>0.9</td>
</tr>
<tr>
<td>Operating profit</td>
<td>74.4</td>
<td>(32.1)</td>
<td>41.3</td>
<td>(33.3)</td>
<td>35.9</td>
</tr>
<tr>
<td>Share of post tax profit of joint ventures and associates</td>
<td>28.4</td>
<td>(9.5)</td>
<td>18.9</td>
<td>(6.0)</td>
<td>12.4</td>
</tr>
<tr>
<td>Proﬁt from operations</td>
<td>102.8</td>
<td>(42.6)</td>
<td>60.2</td>
<td>(17.3)</td>
<td>42.9</td>
</tr>
<tr>
<td>Net non-operating expense</td>
<td>(0.9)</td>
<td>–</td>
<td>(0.9)</td>
<td>(2.0)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Finance income</td>
<td>8.0</td>
<td>–</td>
<td>8.0</td>
<td>–</td>
<td>8.0</td>
</tr>
<tr>
<td>Finance expense</td>
<td>(17.3)</td>
<td>–</td>
<td>(17.3)</td>
<td>–</td>
<td>(17.3)</td>
</tr>
<tr>
<td>Net financing expense</td>
<td>(9.3)</td>
<td>–</td>
<td>(9.3)</td>
<td>–</td>
<td>(9.3)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>92.6</td>
<td>(42.6)</td>
<td>50.0</td>
<td>(17.3)</td>
<td>32.7</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(20.4)</td>
<td>5.5</td>
<td>(14.9)</td>
<td>(16.8)</td>
<td>(16.8)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>72.2</td>
<td>(37.1)</td>
<td>35.1</td>
<td>(17.3)</td>
<td>18.8</td>
</tr>
</tbody>
</table>

Attributable to:

- Equity holders of the Company | 71.8 | (37.1) | 34.7 | 84.1 | (17.3) | 67.0 |
- Minority interest           | 0.4  | –     | 0.4  | 1.2  | –     | 1.2  |

72.2 | (37.1) | 35.1 | 86.3 | (17.1) | 69.2 |

Consolidated Statement of Comprehensive Income  
for the year ended 31 March 2010

Profit for the year | 72.2 | (37.1) | 35.1 |
Other comprehensive income after tax:
- Exchange differences on translating foreign operations | 14.7 | –     | 14.7 |
- Available-for-sale financial assets | 0.1  | –     | 0.1  |
- Share of other comprehensive income of joint ventures and associates | (0.2) | –     | (0.2) |
Other comprehensive income for the year | 14.6 | –     | 14.6 |
Total comprehensive income for the year | 86.8 | (37.1) | 49.7 |
Equity holders of the Company | 86.5 | (37.1) | 49.4 |
Minority interest           | 0.3  | –     | 0.3  |
86.8 | (37.1) | 49.7 |

The notes on pages 64 to 97 form part of these financial statements.

Consolidated Statement of Financial Position  
as at 31 March 2010

<table>
<thead>
<tr>
<th>Assets</th>
<th>Note</th>
<th>2010</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>12</td>
<td>325.1</td>
<td>312.5</td>
</tr>
<tr>
<td>Investments in joint ventures and associates</td>
<td>13</td>
<td>43.7</td>
<td>60.8</td>
</tr>
<tr>
<td>Loans to joint ventures</td>
<td>13</td>
<td>15.0</td>
<td>16.1</td>
</tr>
<tr>
<td>Other Investments</td>
<td>14</td>
<td>4.2</td>
<td>–</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>15</td>
<td>291.2</td>
<td>304.7</td>
</tr>
<tr>
<td>Investment property</td>
<td>16</td>
<td>21.9</td>
<td>18.0</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>21</td>
<td>15.4</td>
<td>20.4</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>21</td>
<td>32.5</td>
<td>21.9</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>18</td>
<td>1.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Restricted financial assets</td>
<td>19</td>
<td>0.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>754.6</td>
<td></td>
<td>761.8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Note</th>
<th>2010</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>20</td>
<td>245.2</td>
<td>250.6</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>21</td>
<td>645.2</td>
<td>664.0</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>22</td>
<td>9.1</td>
<td>9.0</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>18</td>
<td>2.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>1.7</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>716.0</td>
<td>614.3</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,819.5</td>
<td></td>
<td>1,741.0</td>
<td></td>
</tr>
</tbody>
</table>

Total assets | | | |
| 2,574.1 | | 2,302.8 |

The financial statements were approved by the Board of Directors on 2 July 2010 and were signed on its behalf by: R G O’Rourke
Director

C Kleerides
Director

The notes on pages 64 to 97 form part of these financial statements.
Consolidated Statement of Cash Flows
for the year ended 31 March 2010

Consolidated Statement of Changes in Equity
for the year ended 31 March 2010

Leadership and strategy
2010 highlights
Corporate responsibility
Operating and financial review
Financial statements

At a glance

Additional disclosure and details are provided in note 26. The notes on pages 64 to 97 form part of these financial statements.

Note

2010 £m
2009 £m

Profit before tax
50.0
85.0

Adjustments for:

Non-cash exceptional items
25.9
17.1

Depreciation and amortisation
58.4
63.6

Profit on disposal of property, plant and equipment
(4.3)
(3.8)

Loss on disposal of intangibles
–
0.4

Net financing costs
9.3
5.3

Share of post tax profit of joint ventures and associates pre-exceptional items
(28.4)
(62.4)

Decrease/(increase) in trade and other receivables
42.7
(103.2)

Decrease/(increase) in inventories
1.0
(18.9)

(Decrease)/increase in trade and other payables and provisions
(19.9)
157.1

Other
3.1
7.0

Cash generated from operations
127.8
127.4

Interest paid
(17.3)
(18.6)

Tax paid
(8.4)
(15.7)

Net cash generated from operating activities
112.1
113.1

Cash flows from investing activities

Purchase of property, plant and equipment
(37.2)
(65.2)

Purchase of intangible assets
(2.8)
(1.8)

Purchase of available-for-sale financial assets
(17)
(1.3)

Purchase of investments
(2.0)
–

Acquisition of subsidiaries, net of cash acquired
(0.5)
(2.7)

Payments to acquire joint ventures
(2.5)
(4.9)

Disposal of property, plant and equipment
18.4
21.1

Disposal of joint ventures
5.7
–

Loans to joint ventures and associated companies
(3.8)
(7.6)

Loans repaid by joint ventures
13.1
1.6

Interest received
7.7
13.6

Dividends received from joint ventures and associated companies
33.4
42.1

Net cash generated from/(used in) investing activities
16.3
(14.7)

Cash flows from financing activities

Proceeds from new bank loans
41.1
141.4

Repayments of bank loans
(30.7)
(39.5)

Finance lease principal repayments
(49.2)
(54.5)

Share capital issued to minority interest of subsidiary
–
0.3

Dividends paid
(11)
(4.7)
(19.6)

Net cash/(used in) generated from financing activities
(43.5)
28.1

Net increase in cash and cash equivalents
84.9
126.5

Cash and cash equivalents at beginning of year
614.3
476.5

Effect of exchange rate fluctuations on cash held
16.8
11.3

Cash and cash equivalents at end of year
716.0
643.3

Non-cash transactions principally relate to new hire purchase and finance lease agreements taken out during the year amounting to £23.8m (2009: £41.1m).

Cash and cash equivalents comprise:

Cash at bank and on hand
715.1
613.4

Short-term bank deposits
0.9
0.9

716.0
643.3

The notes on pages 64 to 97 form part of these financial statements.
Notes to financial statements
for the year ended 31 March 2010

1 General Information

Laing O’Rourke Corporation Limited (the ‘Company’) is a company incorporated and domiciled in
Cyprus. The Company prepares parent company financial statements in accordance with International
Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113.
The address of the registered office is given on page 56. The nature of the Group’s operations and its principal
activities are set out in note 34 and in the Operating and Financial Review on pages 44 to 55. The
consolidated financial statements of the Company for the year ended 31 March 2010 comprise the
Company and its subsidiaries (together referred to as the ‘Group’) and the Group’s interest in
associates and jointly controlled entities.

2 Significant accounting policies

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

2.2 Basis of preparation
The Group consolidated financial statements are presented in pounds sterling, rounded to the nearest
hundred thousand and include the results of the holding company and its subsidiary undertakings for the
year ended 31 March 2010. The consolidated financial statements have been prepared on a going
concern basis under the historical cost convention, as modified by the revaluation of land and buildings
(prior to the adoption of IFRS), available-for-sale financial assets, and financial assets and financial
liabilities (including derivative instruments) at fair value through profit or loss. The principal
accounting policies which have been consistently applied for all consolidated entities including
subsidiaries, joint ventures and associates are set out below.

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 2010. Each standard
has been reviewed, and the effect on the Group financial statements of adopting these new standards, amendments and interpretations
has been determined to be minimal.

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

a) IFRS 2 (Amendment), Share-based Payment, Group cash-settled share-based payment transaction, (effective for accounting periods beginning on or after 1 January 2010)
b) IFRS 3 (Revised), Business Combinations, (effective for accounting periods beginning on or after 1 January 2013)
c) IFRS 9 Financial Instruments, (effective for accounting periods beginning on or after 1 January 2013)
d) IAS 24 (Revised), Related Party Disclosures, (effective for accounting periods beginning on or after 1 January 2011)
e) IAS 37 (Amendment), Consolidated and Separate Financial Statements, (effective for accounting periods beginning on or after 1 July 2009)
f) Amendment to IAS 32, Financial Instruments: Presentation, Classification of Rights Issues, (effective for accounting periods beginning on or after 1 February 2010)
g) Amendment to IAS 39, Financial Instruments: Recognition and Measurement, Eligible Hedged Items, (effective for accounting periods beginning on or after 1 January 2009)

ii) Standards, amendments and interpretations effective in the current financial year but are not relevant or have no material
impact:

a) IFRS 2 (Amendment), Share-based Payment Vesting Conditions and Cancellations, (effective for accounting periods beginning on or after 1 January 2013)
b) IFRS 7 (Amendment), Financial Instruments: Disclosure, (effective for accounting periods beginning on or after 1 January 2009)
c) IAS 1 (Revised), Presentation of Financial Statements, (effective for accounting periods beginning on or after 1 January 2009)
d) IAS 23 (Revised), Borrowing Costs, (effective for accounting periods beginning on or after 1 January 2009)
e) Amendment to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements, Puttable Financial Instruments and Obligations Arising on Liquidation, (effective for accounting periods beginning on or after 1 January 2009)
f) Amendment to IFRIC 14, Pre-payments of a minimum funding requirement, (effective for accounting periods beginning on or after 1 January 2011)

iii) Interpretations to existing standards that are not yet effective and have not been early-adopted by the Group:

a) IFRIC 17, Distributions of Non-cash Assets to Owners, (effective for accounting periods beginning on or after 1 January 2009)
b) IFRIC 18, Transfers of Assets from Customers, (effective for transfers of assets from customers received on or after 1 July 2009)
c) IFRIC 19, E. Financial Liabilities with Equity Instruments, (effective for accounting periods beginning on or after 1 January 2009)
d) IFRIC 20, Reversal of Impairment Losses, (effective for accounting periods beginning on or after 1 January 2010)
e) IFRIC 21, Reversal of a Loss Recognised in Other Comprehensive Income, (effective for accounting periods beginning on or after 1 January 2011)

iv) Amendments to existing standards that are not yet effective:

a) Amendment to IFRIC 14, Pre-payments of a minimum funding requirement, (effective for accounting periods beginning on or after 1 January 2011)

b) IAS 34 (Amendment), Consolidated and Separate Financial Statements, (effective for accounting periods beginning on or after 1 January 2011)
c) IAS 27 (Amendment), Consolidated and Separate Financial Statements, (effective for accounting periods beginning on or after 1 July 2009)
d) Amendment to IAS 32, Financial Instruments: Presentation, Classification of Rights Issues, (effective for accounting periods beginning on or after 1 July 2009)
e) Amendment to IAS 39, Financial Instruments: Recognition and Measurement, and IFRIC 8, Re-assessment of Embedded Derivatives, Embedded Derivatives, (effective for accounting periods ending on or after 30 June 2009)
f) IFRIC 13, Customer loyalty programmes, (effective for accounting periods beginning on or after 1 July 2008)
g) IFRIC 15, Agreements for the Construction of Real Estate, (effective for accounting periods beginning on or after 1 January 2009)
h) IFRIC 16, Hedges of a Net Investment in a Foreign Operation, (effective for accounting periods beginning on or after 1 October 2008)
i) IFRIC 18, Transfers of Assets from Customers, (effective for transfers of assets from customers received on or after 1 July 2009)
j) IFRIC 19, E. Financial Liabilities with Equity Instruments, (effective for accounting periods beginning on or after 1 January 2009)
k) IFRIC 20, Reversal of Impairment Losses, (effective for accounting periods beginning on or after 1 January 2011)
l) IFRIC 21, Reversal of a Loss Recognised in Other Comprehensive Income, (effective for accounting periods beginning on or after 1 January 2011)
m) IFRIC 22, Purchase Consideration in a Business Combination, (effective for accounting periods beginning on or after 1 January 2011)

2.3 Basis of consolidation

The Group financial statements include the accounts of the Company and subsidiaries controlled by the
Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating
policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that
presently are exercisable are taken into account. 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 cost of an acquisition is measured at the fair value of the assets, equity instruments issued and
liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and
liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any
minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the
identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value
of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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 reserves is recognised in reserves. If the Group’s share of losses in an
associate equals its investment, the Group does not recognise further losses, unless it has
incurred obligations or made payments on behalf of the associate.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by
contractual agreement. In a number of these, the Group’s share of the underlying assets and liabilities may be greater than 50% but the terms of the
relevant agreements make it clear that control is not exercised. Jointly controlled entities are accounted for using the equity method from the date
on which effective control commenced until the date that joint control of the entity ceases. If the
Group’s share of the losses in the jointly controlled entity equals or exceeds its interest in the undertaking, the Group
does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.
2.4 Foreign currency translation

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

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 by writing down the cost to their residual values over their estimated useful lives as follows:

- Group owner occupied property: 5 years
- Other buildings: 2% per annum
- Plant, equipment and vehicles: 6% - 50% per annum

Certain land and buildings were revalued under UK GAAP. On transition to IFRS, the Group elected to use the revalued amount as deemed cost. Assets held under finance leases are depreciated over the term of the lease or the estimated useful life of the asset as appropriate. Gains and losses on disposal, which are not exceptional items, are recognised within administrative expenses or non-operating income or expense in the income statement.

2.6 Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions prior to 1 April 2006 (the date of transition to IFRS) is carried at its book value (original cost less cumulative amortisation) on that date. Less any subsequent impairment. This is in accordance with the transitional provisions of IFRS 1. Goodwill arising before 1 January 1998 was eliminated against reserves and has not been revalued 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 in the income statement immediately. Separately recognised goodwill is tested annually for impairment and carried at cost less impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Other intangible assets

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

- Brands: 8 years
- Computer software and licences: 2-4 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 when circumstances or events indicate there may be uncertainty over the carrying value. For impairment testing, goodwill is allocated to cash-generating units by geographical reporting unit and business segment. Assets are grouped at the lowest level for which there are separately identifiable cash flows.

2.7 Investment property

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

2.8 Financial instruments

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

2.9 Derivative financial instruments

The Group enters into forward contracts or carries deposits in foreign currencies in order to hedge against transactional foreign currency exposures. 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 hedging risk. The 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.

2.10 Cash and cash equivalents

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

2.11 Track and other receivables

Trade receivables are initially recorded at fair value and subsequently measured at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

2.12 Track and other payables

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

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of sales tax, for goods and services supplied to external customers. It includes the Group’s share of revenue from work carried out under jointly controlled operations. Revenue from services and construction contracts is recognised by reference to the stage of completion of the contract, as set out in the accounting policy for construction and service contracts. Revenue from the sale of goods is recognised when the Group has transferred significant economic benefits to the buyer. The amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenues in private housebuilding and commercial property are recognised on legal completion of the sale.
2 Significant accounting policies (continued) 

2.14 Construction and service contracts 

When the outcome of a contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract.

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

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

Private Finance Initiative (PFI)/Public Private Partnership (PPP) bid costs are expensed as incurred until the Group is appointed preferred bidder. Provided the contract is successful and the costs are sufficient to enable recovery, the balance is recognised as advance payments on construction contracts within trade and other payables.

2.15 Inventories 

Inventories, including land and related development activity, 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.

2.16 Leases and hire purchase commitments 

Assets obtained under hire purchase contracts and leases, where a significant proportion of the risks and rewards of ownership is transferred to the Group, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the liability and finance charge to produce a constant rate of interest on the finance lease balance outstanding. Assets held for use in such leases are included in "Property, plant and equipment" (note 15) and are depreciated to their estimated useful lives or the lease term as appropriate and are adjusted for impairment losses. Obligations under such agreements are included in "Borrowings" (note 22).

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

2.17 Pension costs 

The Group operates a defined contribution pension scheme for staff and directors. The contributions paid by the Group and the employees are invested within the pension fund in the month following the month of 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.

2.18 Tax 

Tax expense represents the sum of the tax currently payable and the 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 balance sheet date.

2.19 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, including premium payable on settlement and direct issue costs, are charged to the income statement in an accruals basis over the term of the instrument, using the effective interest method.

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

2.20 Exceptional items 

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

2.21 Trading analysis 

Trading analysis information is based on the Group’s internal reporting structure of two operational hubs. Further information on the business trading activities is set out in the Operating and Financial Review on pages 44 to 55. Trading analysis results represent the contribution directly attributable for the different hubs to profit of the Group. Transactions between hubs are conducted at arm’s length market prices.

2.22 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 impact on the carrying value of assets and liabilities of the Group within the next financial year are detailed as follows:

a) Revenue and margin recognition 

The Group’s revenue recognition and margin recognition policies, which are set out in notes 2.13 and 2.14, are central to the way the Group values the work it has carried out in each financial year and have been consistently applied. These policies require forecasts to be made of the outcomes of long-term construction and service contracts, which require assessments and judgements to be made on recovery of pre-contract costs, changes in work scopes, contract programmes and maintenance liabilities.

Notes to financial statements for the year ended 31 March 2010

b) Disputes 

Management’s best judgement has been taken in account in reporting disputed amounts, but the actual future outcome may diverge from this judgement.

c) Impairment of goodwill 

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires an estimation to be made of the timing and amount of future cash flows expected to arise from the cash generating unit, and a suitable discount rate in order to calculate the present value. The discount rate used, carrying value of goodwill and further details of the impairment loss calculation are included in note 12.

d) Taxation 

The Group is subject to tax in a number of jurisdictions and judgement is required in determining the appropriate provision for income taxes. The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based upon management’s assessment of exposures.

e) Land developments 

Determining whether land developments are impaired requires an estimation of the fair values of expected selling prices and costs to complete. A detailed review was completed at 31 March 2010 which resulted in an exceptional impairment of £16.4m being recognised. Further details are included in note 4.

f) Investment property 

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

g) Financial risk management 

In the course of its business, the Group is exposed to foreign currency risk, liquidity risk and credit risk. The overall aim of the Group’s financial risk management policies is to use judgements to minimise potential adverse effects on financial performance and net assets. Further details are provided in note 28 to these financial statements.
3 Trading analysis

### Profit from operations

<table>
<thead>
<tr>
<th>Country</th>
<th>2010 £m</th>
<th>2009 £m</th>
<th>Total Group 2010 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Europe, Middle East and South Asia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed revenue</td>
<td>3,352.1</td>
<td>2,696.6</td>
<td>5,048.7</td>
</tr>
<tr>
<td>Less: Inter-segment revenue</td>
<td>-446.5</td>
<td>-260.0</td>
<td>(706.5)</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>2,905.6</td>
<td>2,436.6</td>
<td>5,342.1</td>
</tr>
<tr>
<td><strong>Profit from operations post-exceptional items</strong></td>
<td>39.0</td>
<td>33.3</td>
<td>72.3</td>
</tr>
</tbody>
</table>

### EBIT and EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Pre exceptional items 2010 £m</th>
<th>Exceptional items (Note 4) 2010 £m</th>
<th>Total 2010 £m</th>
<th>Pre exceptional items 2009 £m</th>
<th>Exceptional items (Note 4) 2009 £m</th>
<th>Total 2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit from operations</strong></td>
<td>102.3</td>
<td>(42.6)</td>
<td>60.2</td>
<td>109.4</td>
<td>(17.1)</td>
<td>92.3</td>
</tr>
<tr>
<td>Less: Net non-operating expense</td>
<td>7 (0.9)</td>
<td>--</td>
<td>(0.9)</td>
<td>2 (0.2)</td>
<td>--</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Add back: JV net finance expense</td>
<td>13 3.0</td>
<td>--</td>
<td>3.0</td>
<td>13 1.9</td>
<td>--</td>
<td>1.9</td>
</tr>
<tr>
<td>JV tax expense</td>
<td>13 5.0</td>
<td>--</td>
<td>5.0</td>
<td>13 5.7</td>
<td>--</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>109.9</td>
<td>(42.6)</td>
<td>67.3</td>
<td>115.0</td>
<td>(17.1)</td>
<td>97.9</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5 55.9</td>
<td>--</td>
<td>55.9</td>
<td>61.0</td>
<td>(17.1)</td>
<td>97.9</td>
</tr>
<tr>
<td>Amortisation</td>
<td>5 2.5</td>
<td>--</td>
<td>2.5</td>
<td>2.6</td>
<td>--</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>168.3</td>
<td>(42.6)</td>
<td>125.7</td>
<td>178.6</td>
<td>(17.1)</td>
<td>161.5</td>
</tr>
</tbody>
</table>

**Notes to financial statements for the year ended 31 March 2010**

There is no material difference between revenue by origin and revenue by destination. Revenue includes £2,583.9m on construction contracts (2009: £2,814.8m) calculated on the definition included in IAS11, Construction Contracts. Revenue arising from the sale of goods and services amounted to £485.6m (2009: £710.8m).

Contracts in progress at the balance sheet date comprise contract costs incurred plus recognised profits less losses of £3,849.1m (2009: £3,247.6m).
Leadership and strategy

2010 highlights

Corporate responsibility

Operating and financial review

Financial statements

At a glance

At 31 March 2010 £3.2m (2009: £4.2m) was outstanding on defined contribution schemes.

Transactions with key management personnel

The Group’s key management personnel include the four Directors and the six other members who served on the Group Executive Committee during the year.

The compensation of key management personnel is as follows:

6 Staff costs and employee numbers

Number of employees

The average monthly number of employees (including the directors) during the period were:

Europe, Middle East and South Asia 16,788 20,777

Australasia 2,880 2,428

Total number of employees 19,668 23,205

Aggregate remuneration and related costs, including directors:

Wages and salaries 720.1 768.8

Social security costs 61.7 68.0

Other pension costs 15.0 15.8

596.8 852.6

At 31 March 2010 £3.2m (2009: £4.2m) was outstanding on defined contribution schemes.

Transactions with key management personnel

The Group’s key management personnel include the four Directors and the six other members who served on the Group Executive Committee during the year.

The compensation of key management personnel is as follows:

Salaries and other short-term employee benefits 4.9 5.9

Post retirement benefits 0.1 0.1

Termination benefits 0.4 0.6

5.4 6.0

Directors’ remuneration

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

Salaries and other short-term benefits 0.5 0.6

None of the Directors are accruing benefits under a defined contribution scheme (2009: nil). No post retirement benefits were paid on behalf of Directors (2009: £nil).

Auditors’ remuneration

Fees payable to the Company’s auditor for the audit of:

The Company’s annual accounts and consolidated financial statements 0.4 0.4

The Company’s subsidiaries pursuant to legislation 0.5 0.5

Total audit fees 0.9 0.9

Fees payable to the Company’s auditor and its associates for other services:

Services relating to taxation 0.1 0.5

All other services 0.1 0.2

Total non-audit fees 0.2 0.7

Total fees 1.1 1.6

6 Exceptional items

Impairments of land and developments

During the year the Directors reviewed the carrying value of the Group’s residential and mixed-use development assets in accordance with current accounting standards. The valuations incorporated forecast selling prices based on recent external market conditions and in certain instances the Directors assumed appropriate planning consents will be granted. Costs to complete (including financing costs) were assessed at the balance sheet date. As a result of the review, the Group recognised exceptional land and work in progress impairments of £16.4m (2009: £17.1m).

Operating costs

During the year the Directors restructured the Europe, Middle East and South Asia hub to appropriately re-position the Group to achieve agreed long term objectives. The restructuring included incurring £16.7m of redundancy costs, and the impairment of a number of assets which primarily related to plant and equipment which were no longer required. A further £1.2m cost was incurred to vacate buildings during the year which were no longer required following the restructure.

5 Operating profit

Operating profit is stated after charging/(crediting):

Staff costs:

Exceptional Items 6

Other 4

Depreciation of property, plant and equipment:

Owned assets 15

Under finance leases 10

Exceptional impairment of plant and equipment 4

Operating lease rentals and short-term hires:

Property, plant and equipment 70.4

Amortisation of other intangible assets 12

Profit on disposal of plant and equipment (4.2)

Foreign exchange losses/(gains) 1.3

Investment property income 16

Cost of inventories recognised as an expense:

Exceptional Items 4

Other 12

Exceptional cost of vacating buildings 4

Auditors’ remuneration (see below) 1.1

Fees payable to the Company’s auditor for the audit of:

The Company’s annual accounts and consolidated financial statements 0.4

The Company’s subsidiaries pursuant to legislation 0.5

Total audit fees 0.9

Fees payable to the Company’s auditor and its associates for other services:

Services relating to taxation 0.1

All other services 0.1

Total non-audit fees 0.2

Total fees 1.1
Leadership and strategy
2010 highlights
Corporate responsibility
Operating and financial review
Financial statements

At a glance

10 Income tax expense

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus corporation tax</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Current tax on income for the year</td>
<td>14.1</td>
<td>19.7</td>
</tr>
<tr>
<td>Foreign tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax on income for the year</td>
<td>(6.1)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Adjustment in respect of prior years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current tax</td>
<td>9.4</td>
<td>18.0</td>
</tr>
<tr>
<td>Net origination of temporary differences</td>
<td>5.5</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Total deferred taxation</td>
<td>5.5</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Tax expense for the year</td>
<td>14.9</td>
<td>16.8</td>
</tr>
</tbody>
</table>

The tax expense for the year is higher (2009: lower) than the standard rate of corporation tax in the UK (28%) (2009: 28%) which is the primary economic environment in which the Group operates.

The differences are explained below:

Total tax reconciliation
Profit before tax
Tax at the UK corporation tax rate of 28% (2009: UK 28%)
Effects of
– lower overseas tax rates
– other expenditure that is not tax deductible
– adjustments to prior years
– unutilised losses
– tax effect of joint ventures
– other adjustments
Total tax charge

The total tax charge for the year of £14.9m includes an exceptional tax credit of £5.5m in relation to allowable exceptional expenditure for impairments of land and developments, restucturing costs and costs of vacating buildings (see note 4).

Tax effects relating to each component of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>Before-tax amount</th>
<th>2010</th>
<th>Tax</th>
<th>Net-of-tax amount</th>
<th>2009</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td></td>
<td>£m</td>
<td>£m</td>
<td></td>
<td>£m</td>
</tr>
<tr>
<td>Exchange differences on translating foreign operations</td>
<td>14.7</td>
<td>–</td>
<td>14.7</td>
<td>14.0</td>
<td>–</td>
<td>14.0</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>0.1</td>
<td>–</td>
<td>0.1</td>
<td>(2.8)</td>
<td>0.8</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Share of other comprehensive income of joint ventures and associates</td>
<td>(0.3)</td>
<td>–</td>
<td>(0.3)</td>
<td>7.9</td>
<td>0.8</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>14.6</td>
<td>–</td>
<td>14.6</td>
<td>19.1</td>
<td>0.8</td>
<td>19.9</td>
</tr>
</tbody>
</table>

11 Dividends

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends paid of £522 per ordinary share (2009: £2,778)</td>
<td>4.7</td>
<td>19.6</td>
</tr>
</tbody>
</table>

Dividends declared and paid during the year were in respect of the 2009 performance. The Directors do not recommend the payment of a final dividend.
Intangible assets (continued)

Impairment tests for cash-generating units containing goodwill

The following units have significant amounts of goodwill:

<table>
<thead>
<tr>
<th>Region</th>
<th>2010 £m</th>
<th>2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australasia</td>
<td>52.7</td>
<td>42.3</td>
</tr>
<tr>
<td>Europe, Middle East and South Asia</td>
<td>269.1</td>
<td>265.8</td>
</tr>
<tr>
<td>Total</td>
<td>321.8</td>
<td>308.1</td>
</tr>
</tbody>
</table>

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 calculation uses cash flow projections based on four-year financial budgets approved by management and a perpetual growth rate of 3% thereafter, discounted at the Group’s estimated pre tax weighted average cost of capital of 12.5%. Budgeted gross margins are based on past performance and management’s market expectations. The estimated perpetual growth rate of 3% does not exceed the long-term average growth rate for the business in which the cash-generating unit operates and is consistent with industry forecast reports. The weighted average cost of capital is a prudent estimate from listed industry competitors, adjusted for changes in capital structures.

As at 31 March 2010, based on the internal value in use calculations, management concluded that the recoverable value of the cash generating units exceeded their carrying amount.

Amortisation charge

The amortisation charge in respect of software, licences and brands is recognised in the following line items in the income statement:

<table>
<thead>
<tr>
<th>Item</th>
<th>2010 £m</th>
<th>2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>2.5</td>
<td>2.6</td>
</tr>
</tbody>
</table>

On 27 November 2009 the Group acquired 54% of Eigen Technical Services Private Limited, a company registered in India, taking the Group’s shareholding in the company to 100%. The total consideration of £1.8m included net assets of £0.2m and goodwill of £1.6m.

On 30 December 2009 the Group acquired Privica Limited, a company registered in the UK. The total consideration of £1.5m included net liabilities of £0.3m and goodwill of £1.6m.
13 Investments in joint ventures and associates

The analysis of revenue, income, assets and liabilities of the Group’s interest in joint ventures and associates is set out below:

<table>
<thead>
<tr>
<th>Joint ventures equity investments £m</th>
<th>Associates equity investments £m</th>
<th>Loans to joint ventures £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2009</td>
<td>13.9</td>
<td>9.8</td>
<td>16.1</td>
</tr>
<tr>
<td>Equity investment purchases</td>
<td>2.5</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Equity investment disposals</td>
<td>(2.4)--</td>
<td>--</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Loans advanced</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Loans repaid</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Impairment</td>
<td>--</td>
<td>--</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>2.3</td>
<td>2.4</td>
<td>0.1</td>
</tr>
<tr>
<td>At 31 March 2010</td>
<td>16.3</td>
<td>12.2</td>
<td>16.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share of post-acquisition results</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2009</td>
<td>37.1</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Share of results for the year after tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>(5.0)</td>
<td></td>
<td>--</td>
</tr>
<tr>
<td>Distributions received</td>
<td>(33.4</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(2.4)--</td>
<td>--</td>
<td>(2.4)</td>
</tr>
<tr>
<td>At 31 March 2010</td>
<td>15.2</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Net book value at 31 March 2010

<table>
<thead>
<tr>
<th>Net book value at 31 March 2009</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net book value at 31 March 2010</td>
<td>31.5</td>
<td>12.2</td>
<td>16.9</td>
</tr>
<tr>
<td>Net book value at 31 March 2009</td>
<td>51.0</td>
<td>9.8</td>
<td>16.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2008</td>
<td>4.6</td>
<td>9.3</td>
<td>13.8</td>
</tr>
<tr>
<td>Equity investment purchases</td>
<td>4.0</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Equity investment disposals</td>
<td>--</td>
<td>--</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Loans advanced</td>
<td>--</td>
<td>--</td>
<td>7.6</td>
</tr>
<tr>
<td>Loans repaid</td>
<td>--</td>
<td>--</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Transfers</td>
<td>5.3</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>--</td>
<td>0.5</td>
<td>2.2</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>14.8</td>
<td>9.8</td>
<td>16.1</td>
</tr>
</tbody>
</table>

Share of post-acquisition results

<table>
<thead>
<tr>
<th>Share of results for the year after tax</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2008</td>
<td>13.0</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Share of results for the year after tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>56.4</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Distributions received</td>
<td>(9.2)--</td>
<td>--</td>
<td>(9.2)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>9.3</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>At 31 March 2009</td>
<td>37.1</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Net book value at 31 March 2009

<table>
<thead>
<tr>
<th>Net book value at 31 March 2008</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net book value at 31 March 2009</td>
<td>51.0</td>
<td>9.8</td>
<td>16.1</td>
</tr>
<tr>
<td>Net book value at 31 March 2008</td>
<td>17.6</td>
<td>9.3</td>
<td>13.8</td>
</tr>
</tbody>
</table>

No impairment losses to equity investments were brought forward at 31 March 2010 or charged in the year (2009: £nil). An exceptional impairment of £9.5m (2009: £6.0m) to land and work in progress was recognised in share of results for the year after tax, see note 4 for further details.

Equity investment disposals principally relate to the Group’s disposal of DLF Laing O’Rourke (India) Limited on 27 November 2009. No gain or loss was recognised on this disposal.

14 Other Investments

<table>
<thead>
<tr>
<th>Fair Value £m</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2009</td>
<td>4.2</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
</tr>
<tr>
<td>At 31 March 2010</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Other investments purchased in the year relate to mezzanine debt in a property development company which benefits from a share of the equity return, At 31 March 2010 the book value equated to fair value.
Leadership and strategy

2010 highlights

Corporate responsibility

Operating and financial review

Financial statements

At a glance

15 Property, plant and equipment (continued)

Finance leases

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

<table>
<thead>
<tr>
<th></th>
<th>2010 £m</th>
<th>2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost at 1 April</td>
<td>247.3</td>
<td>233.7</td>
</tr>
<tr>
<td>Accumulated depreciation at 1 April</td>
<td>(81.9)</td>
<td>(73.1)</td>
</tr>
<tr>
<td>Net book value at 1 April</td>
<td>165.3</td>
<td>157.6</td>
</tr>
<tr>
<td>Additions/acquisitions</td>
<td>23.8</td>
<td>41.1</td>
</tr>
<tr>
<td>Cost of disposals/transfers out</td>
<td>(22.1)</td>
<td>(25.6)</td>
</tr>
<tr>
<td>Depreciation on disposals/transfers out</td>
<td>17.2</td>
<td>25.4</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>(30.2)</td>
<td>(33.7)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>2.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Net book value at 31 March</td>
<td>156.4</td>
<td>165.3</td>
</tr>
</tbody>
</table>

16 Investment property

<table>
<thead>
<tr>
<th></th>
<th>Freehold 2010 £m</th>
<th>Freehold 2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost at 1 April</td>
<td>15.0</td>
<td>9.5</td>
</tr>
<tr>
<td>Additions/transfer in</td>
<td>5.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(0.3)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Net book value at 1 April</td>
<td>21.9</td>
<td>18.6</td>
</tr>
</tbody>
</table>

The investment property income earned by the Group, all of which was received under operating leases, amounted to £1.0m (2009: £0.6m) and is shown as revenue in the income statement. Direct operating expenses arising on the investment properties in the year amounted to £0.2m (2009: £0.1m).

15 Property, plant and equipment

Exceptional impairment charges were made during the year of £8.3m (2009: £nil) (see note 4).

Acquisitions in the year to 31 March 2010 relate to the purchase of shares in Eigen Technical Services Private Limited and Privica Limited (see note 12).
Notes to financial statements
for the year ended 31 March 2010

17 Available-for-sale financial assets

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>At 1 April</td>
<td>9.0</td>
</tr>
<tr>
<td>Additions</td>
<td>1.3</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>5.2</td>
</tr>
<tr>
<td>Net gains/(losses) transferred to equity</td>
<td>0.4</td>
</tr>
<tr>
<td>At 31 March</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Available-for-sale financial assets include the following:
Listed securities | 8.5 | 8.3 |
Unlisted securities | 0.6 | 0.7 |

Available-for-sale financial assets are recognised at quoted prices in active markets.

18 Derivative financial instruments

Current portion:
Foreign exchange fair value hedges | 1.0 | 1.9 |
Forward foreign exchange contracts | 1.3 | – |
Total derivative financial instruments | 2.3 | 1.9 |

Non-current portion:
Foreign exchange fair value hedges | 1.1 | 3.0 |
Total derivative financial instruments | 3.4 | 4.9 |

The Group borrows funds in foreign currencies to hedge the foreign-currency exposure of future income. The highly probable forecast income is expected to be received at various dates over the next 15 months. No gains or losses were recognised in the period to 31 March 2010 (2009: £nil).

There were no ineffective portions to be recognised in the profit or loss account arising from fair value hedges (2009: £nil). 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.

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

19 Restricted financial assets

Restricted cash deposits | 0.6 | 4.4 |

At 31 March 2010 £0.6m (2009: £0.4m) relates to bank deposits held as collateral in relation to specific construction projects. It is a contractual requirement that permission from third parties is obtained to withdraw these monies. The directors consider the carrying amount of the restricted cash deposits to be at fair value. At 31 March 2009 the additional £0.4m related to a cash deposit held in relation to rectification works at a former site, this was released back to the Group in the year ended 31 March 2010.

20 Inventories

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Development land and work in progress</td>
<td>234.1</td>
</tr>
<tr>
<td>Raw materials and consumables</td>
<td>5.9</td>
</tr>
<tr>
<td>Finished goods and goods for resale</td>
<td>5.2</td>
</tr>
<tr>
<td>Total inventories</td>
<td>245.2</td>
</tr>
</tbody>
</table>

Development land and work in progress at 31 March 2010 includes assets to a value of £212.2m (2009: £170.4m) expected to be consumed after more than one year.

Development land and work in progress at 31 March 2010 includes capitalised specific borrowing costs attributable to qualifying assets of £5.6m (2009: £5.8m).

Inventories carried at fair value less costs to sell at 31 March 2010 had a carrying value of £10.5m (2009: £17.5m).

21 Trade and other receivables

Amounts expected to be recovered within one year:
Gross amounts due from customers on construction contracts | 490.7 | 486.8 |
Trade receivables | 117.1 | 112.4 |
Prepayments and accrued income | 13.7 | 19.5 |
Other receivables | 29.1 | 45.3 |
Total trade and other receivables | 645.2 | 664.0 |

Amounts expected to be recovered after more than one year:
Gross amounts due from customers on construction contracts | 6.3 | 2.1 |
Trade receivables | 6.6 | 5.2 |
Other receivables | 19.6 | 14.6 |
Total trade and other receivables | 32.5 | 21.9 |

At 31 March 2010, trade and other receivables include retentions of £103.2m (2009: £101.4m) relating to construction contracts of which £6.3m (2009: £2.1m) are non-current assets.

For construction contracts in progress at 31 March 2010, £372.4m (2009: £308.0m) was received as an advance and is included within advance payments on construction contracts in trade and other payables (see note 23).

The net losses recognised via write off or impairment of trade and other receivables in the year to 31 March 2010 amounted to £6.7m (2009: £10.7m). At 31 March 2010 the bad debt provision for trade receivables amounted to £5.8m (2009: £nil).
### deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<table>
<thead>
<tr>
<th>Assets 2010 £m</th>
<th>Assets 2009 £m</th>
<th>Liabilities 2010 £m</th>
<th>Liabilities 2009 £m</th>
<th>Net 2010 £m</th>
<th>Net 2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>5.0</td>
<td>5.0</td>
<td>(13.6)</td>
<td>(14.3)</td>
<td>(8.6)</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>–</td>
<td>–</td>
<td>(0.4)</td>
<td>(0.3)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Other items</td>
<td>10.3</td>
<td>10.6</td>
<td>(4.7)</td>
<td>(5.2)</td>
<td>5.6</td>
</tr>
<tr>
<td>Tax losses carried forward</td>
<td>0.1</td>
<td>4.8</td>
<td>–</td>
<td>–</td>
<td>0.1</td>
</tr>
<tr>
<td>Deferred tax assets/(liabilities)</td>
<td>15.4</td>
<td>20.4</td>
<td>(18.7)</td>
<td>(19.8)</td>
<td>(3.3)</td>
</tr>
</tbody>
</table>

Movements in deferred tax assets and liabilities during the year

As at 1 April 2009 £m  Exchange and other movements £m  Recognised in income £m  Recognised in equity £m  As at 31 March 2010 £m
| Property, plant and equipment | (9.3) | 0.2 | 0.5 | – | (8.5) |
| Intangible assets | (0.3) | – | (0.1) | – | (0.4) |
| Other items | 5.4 | 0.8 | (0.6) | – | 5.6 |
| Tax losses carried forward | 4.8 | 0.6 | (5.3) | – | 0.1 |
| Deferred tax assets/(liabilities) | 0.6 | 1.6 | (5.5) | – | (3.3) |

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

<table>
<thead>
<tr>
<th>2010 £m</th>
<th>2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax losses</td>
<td>10.0</td>
</tr>
</tbody>
</table>

The Group has unrecognised deferred tax assets of £10.0m relating to unused tax losses. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future taxable profits.
Leadership and strategy
2010 highlights
Corporate responsibility
Operating and financial review
Financial statements

At a glance

Guarantees and contingent liabilities
Contingent liabilities, which are not expected to give rise to any material loss, include:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees of subsidiaries and other support</td>
<td>673.8</td>
<td>617.2</td>
</tr>
</tbody>
</table>

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

A subsidiary undertaking of the Group has provided a principal guarantee for a bank facility agreement to assist a joint venture partner refinance existing debt secured over a commercial property. The value of the guarantee is £5.0m and is secured by a second mortgage over the property. The bank facility agreement end date is 8 October 2010.

At 31 March 2010, Group companies are parties to disputes from which legal actions have arisen or may arise in the ordinary course of business. While the outcome of these disputes is uncertain, the directors believe that, except where provided in these financial statements, no material loss to the Group will occur (2009: £nil). In forming their opinion the directors have taken relevant legal advice. Undertakings have been given by certain Group companies that they will not seek repayment of amounts due by other Group companies, except to the extent of their ability to pay.

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, 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.

Notes to financial statements
for the year ended 31 March 2010

25 Share capital and premium

The authorised share capital of Laing O’Rourke Corporation Limited at 31 March 2010 was 18,000 ordinary shares of £1 each (2009: 18,000 shares).

26 Reconciliation of movements in shareholders’ equity

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital and premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of £1 shares</td>
<td>9,000</td>
<td>339.5</td>
</tr>
</tbody>
</table>

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

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

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

27 Guarantees and contingent liabilities

Contingent liabilities, which are not expected to give rise to any material loss, include:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees of subsidiaries and other support</td>
<td>673.8</td>
<td>617.2</td>
</tr>
</tbody>
</table>

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

A subsidiary undertaking of the Group has provided a principal guarantee for a bank facility agreement to assist a joint venture partner refinance existing debt secured over a commercial property. The value of the guarantee is £5.0m and is secured by a second mortgage over the property. The bank facility agreement end date is 8 October 2010.

At 31 March 2010, Group companies are parties to disputes from which legal actions have arisen or may arise in the ordinary course of business. While the outcome of these disputes is uncertain, the directors believe that, except where provided in these financial statements, no material loss to the Group will occur (2009: £nil). In forming their opinion the directors have taken relevant legal advice. Undertakings have been given by certain Group companies that they will not seek repayment of amounts due by other Group companies, except to the extent of their ability to pay.

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, 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 pounds sterling equivalent of the currency of the Group’s financial assets and liabilities, were as follows:

<table>
<thead>
<tr>
<th>2010 Total £m</th>
<th>2010 Loans to joint ventures</th>
<th>2010 Other</th>
<th>2010 Borrowings</th>
<th>2009 Loans to joint ventures</th>
<th>2009 Other</th>
<th>2009 Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>GBP</td>
<td>GBP</td>
<td>EUR</td>
<td>AUD</td>
<td>SAR</td>
<td>GBP</td>
<td>EUR</td>
</tr>
<tr>
<td>Loans to joint ventures</td>
<td>0.8</td>
<td>17.6</td>
<td>–</td>
<td>–</td>
<td>0.3</td>
<td>18.9</td>
</tr>
<tr>
<td>Other investments</td>
<td>4.2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4.2</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>352.1</td>
<td>24.4</td>
<td>107.2</td>
<td>97.7</td>
<td>1.5</td>
<td>670.7</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>–</td>
<td>9.0</td>
<td>0.1</td>
<td>–</td>
<td>–</td>
<td>9.1</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>2.2</td>
<td>1.2</td>
<td>–</td>
<td>–</td>
<td>2.2</td>
<td>–</td>
</tr>
<tr>
<td>Restricted financial assets</td>
<td>–</td>
<td>0.6</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.6</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>491.2</td>
<td>64.7</td>
<td>124.4</td>
<td>32.8</td>
<td>–</td>
<td>716.0</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>850.5</td>
<td>116.5</td>
<td>232.9</td>
<td>130.5</td>
<td>4.7</td>
<td>1,422.9</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(233.0)</td>
<td>(4.7)</td>
<td>(106.8)</td>
<td>(18.3)</td>
<td>(18.8)</td>
<td>(446.1)</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(908.8)</td>
<td>(29.2)</td>
<td>(100.8)</td>
<td>(110.9)</td>
<td>(42.2)</td>
<td>(1,287.6)</td>
</tr>
<tr>
<td>Net financial liabilities/assets</td>
<td>(931.5)</td>
<td>(305.0)</td>
<td>(225.6)</td>
<td>(128.2)</td>
<td>(64.5)</td>
<td>(1,734.4)</td>
</tr>
</tbody>
</table>

Other borrowings in 2010 and 2009 relate entirely to USD loans.

Pounds sterling value of equivalent currency (£m)

<table>
<thead>
<tr>
<th>2010 Total</th>
<th>2010 Loans to joint ventures</th>
<th>2010 Other</th>
<th>2010 Borrowings</th>
<th>2009 Loans to joint ventures</th>
<th>2009 Other</th>
<th>2009 Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>GBP</td>
<td>GBP</td>
<td>EUR</td>
<td>AUD</td>
<td>SAR</td>
<td>GBP</td>
<td>EUR</td>
</tr>
<tr>
<td>Loans to joint ventures</td>
<td>–</td>
<td>16.7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>16.7</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>369.6</td>
<td>33.6</td>
<td>130.0</td>
<td>141.9</td>
<td>2.0</td>
<td>677.1</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>–</td>
<td>8.9</td>
<td>0.1</td>
<td>–</td>
<td>–</td>
<td>9.0</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>4.9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4.9</td>
</tr>
<tr>
<td>Restricted financial assets</td>
<td>4.0</td>
<td>0.4</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4.4</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>406.4</td>
<td>77.6</td>
<td>88.6</td>
<td>38.9</td>
<td>2.8</td>
<td>614.3</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>784.9</td>
<td>135.6</td>
<td>219.4</td>
<td>180.8</td>
<td>5.1</td>
<td>1,325.8</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(264.4)</td>
<td>(8.6)</td>
<td>(85.5)</td>
<td>(34.9)</td>
<td>(34.0)</td>
<td>(440.8)</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(874.4)</td>
<td>(52.8)</td>
<td>(156.8)</td>
<td>(180.2)</td>
<td>(4.7)</td>
<td>(1,287.6)</td>
</tr>
<tr>
<td>Net financial liabilities/assets</td>
<td>(1,138.8)</td>
<td>(64.2)</td>
<td>(242.3)</td>
<td>(214.1)</td>
<td>(38.7)</td>
<td>(1,734.4)</td>
</tr>
</tbody>
</table>

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 dates are earlier, and effective interest rate of borrowings are as follows:

<table>
<thead>
<tr>
<th>2010 Total</th>
<th>2010 Loans to joint ventures</th>
<th>2010 Other</th>
<th>2010 Borrowings</th>
<th>2009 Loans to joint ventures</th>
<th>2009 Other</th>
<th>2009 Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>GBP</td>
<td>GBP</td>
<td>EUR</td>
<td>AUD</td>
<td>SAR</td>
<td>GBP</td>
<td>EUR</td>
</tr>
<tr>
<td>Bank loans</td>
<td>356.9</td>
<td>102.6</td>
<td>92.0</td>
<td>162.3</td>
<td>3.9%</td>
<td>2.95%</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>89.2</td>
<td>42.2</td>
<td>26.1</td>
<td>20.9</td>
<td>3.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Other borrowings</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>446.1</td>
<td>144.8</td>
<td>118.1</td>
<td>183.2</td>
<td>3.16%</td>
<td>3.16%</td>
</tr>
</tbody>
</table>

If interest rates had been 1% higher during the period, profit and equity would have reduced by £3.2m (2009: £3.2m). 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.

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

<table>
<thead>
<tr>
<th>At 31 March 2010</th>
<th>Trade &amp; other payables £m</th>
<th>Bank loans £m</th>
<th>Finance leases £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>£22.6</td>
<td>£99.6</td>
<td>£312.0</td>
<td>£544.2</td>
</tr>
<tr>
<td>Within one year</td>
<td>£3.6</td>
<td>£11.1</td>
<td>£115.1</td>
<td>£139.8</td>
</tr>
<tr>
<td>After two years</td>
<td>£19.0</td>
<td>£88.5</td>
<td>£196.9</td>
<td>£304.4</td>
</tr>
<tr>
<td>Five or more years</td>
<td>£0.0</td>
<td>£0.0</td>
<td>£5.0</td>
<td>£5.0</td>
</tr>
</tbody>
</table>

If at 31 March 2010

<table>
<thead>
<tr>
<th>At 31 March 2009</th>
<th>Trade &amp; other payables £m</th>
<th>Bank loans £m</th>
<th>Finance leases £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>£21.4</td>
<td>£48.8</td>
<td>£155.9</td>
<td>£225.1</td>
</tr>
<tr>
<td>Within one year</td>
<td>£3.6</td>
<td>£11.1</td>
<td>£115.1</td>
<td>£139.8</td>
</tr>
<tr>
<td>After two years</td>
<td>£17.8</td>
<td>£37.7</td>
<td>£40.8</td>
<td>£56.3</td>
</tr>
<tr>
<td>Five or more years</td>
<td>£0.0</td>
<td>£0.0</td>
<td>£5.0</td>
<td>£5.0</td>
</tr>
</tbody>
</table>
28 Financial Instruments (continued)

28.3 Liquidity risk (continued)

Borrowing facilities

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

<table>
<thead>
<tr>
<th></th>
<th>2010 £m</th>
<th>2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expiring within one year</td>
<td>183.0</td>
<td>158.6</td>
</tr>
<tr>
<td>Expiring between one and two years</td>
<td>1.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Expiring in more than two years</td>
<td>5.0</td>
<td>14.4</td>
</tr>
<tr>
<td>Total</td>
<td>190.1</td>
<td>178.8</td>
</tr>
</tbody>
</table>

28.4 Credit risk

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

The ageing of trade receivables at the year end was:

<table>
<thead>
<tr>
<th></th>
<th>Gross receivables 2010 £m</th>
<th>Impairment 2010 £m</th>
<th>Gross receivables 2009 £m</th>
<th>Impairment 2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due</td>
<td>79.9</td>
<td></td>
<td>58.7</td>
<td></td>
</tr>
<tr>
<td>Past due 0-30 days</td>
<td>15.8</td>
<td></td>
<td>33.5</td>
<td></td>
</tr>
<tr>
<td>Past due 31-120 days</td>
<td>5.3</td>
<td></td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Past due 121-365 days</td>
<td>11.2</td>
<td></td>
<td>15.3</td>
<td>(7.0)</td>
</tr>
<tr>
<td>More than one year</td>
<td>6.6</td>
<td>(0.5)</td>
<td>8.8</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Total</td>
<td>118.8</td>
<td>(0.5)</td>
<td>126.3</td>
<td>(6.7)</td>
</tr>
</tbody>
</table>

Receivables at 31 March 2010 that are more than one year past due date but not impaired amount to £6.1m (2009: £7.1m). The Group believes that there is no material exposure in respect of these balances.

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

28 Financial Instruments (continued)

28.5 Fair values

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

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities. The Group holds available-for-sale investments which are traded in active markets and valued based on the closing per unit market price at 31 March 2010.

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.

Financial instruments measured at fair value:

<table>
<thead>
<tr>
<th></th>
<th>Fair value measurement 2010</th>
<th>Fair value measurement 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1 £m</td>
<td>Level 2 £m</td>
</tr>
<tr>
<td>Other investments</td>
<td>–</td>
<td>4.2</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>9.1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9.1</td>
<td>4.2</td>
</tr>
</tbody>
</table>

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

The carrying and fair values of the Group’s financial instruments at 31 March 2010 and 31 March 2009 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair value 2010 £m</th>
<th>Carrying amount 2010 £m</th>
<th>Fair value 2009 £m</th>
<th>Carrying amount 2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other investments</td>
<td>4.2</td>
<td>–</td>
<td>4.9</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>9.1</td>
<td>9.1</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>699.6</td>
<td>699.6</td>
<td>693.2</td>
<td>693.2</td>
</tr>
<tr>
<td>Financial liabilities measured at amortised cost</td>
<td>(1,718.3)</td>
<td>(1,718.3)</td>
<td>(1,693.8)</td>
<td>(1,693.8)</td>
</tr>
</tbody>
</table>

The carrying and fair values of the Group’s financial instruments were not materially different at 31 March 2010.

Loans, receivables and financial liabilities are valued at their amortised cost which is deemed to reflect fair value due to their short-term nature.
Leadership and strategy
2010 highlights
Corporate responsibility
Operating and financial review
Financial statements
At a glance
30 Financial and capital commitments
Capital expenditure for property, plant and equipment, authorised and contracted for which has not been provided for in the financial statements amounted to £28.6m (2009: £32.8m) in the Group.
The Group leases land and buildings, equipment and other various assets under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The lease expenditure charge to the income statement is disclosed in note 5. The Group’s future operating lease expense commitments comprise:

<table>
<thead>
<tr>
<th>Expiry date:</th>
<th>Land and buildings 2010 £m</th>
<th>Other 2010 £m</th>
<th>Land and buildings 2009 £m</th>
<th>Other 2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>27.6</td>
<td>5.8</td>
<td>26.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Due between one and five years</td>
<td>76.1</td>
<td>1.6</td>
<td>73.6</td>
<td>8.7</td>
</tr>
<tr>
<td>Due after more than five years</td>
<td>137.7</td>
<td>–</td>
<td>136.0</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>241.4</td>
<td>7.4</td>
<td>238.4</td>
<td>19.9</td>
</tr>
</tbody>
</table>

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

31 Related party transactions and balances
Identity of related parties
The Group has a related party relationship with its major shareholders, subsidiaries, jointly controlled entities, jointly controlled operations, 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. Details of loans to related parties are given in note 13.

Sale of goods and services provided to related parties

<table>
<thead>
<tr>
<th></th>
<th>2010 Income earned in year £m</th>
<th>Receivable at year end £m</th>
<th>2009 Income earned in year £m</th>
<th>Receivable at year end £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jointly controlled entities</td>
<td>66.7</td>
<td>11.6</td>
<td>65.3</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Purchase of goods and services provided by related parties

<table>
<thead>
<tr>
<th></th>
<th>2010 Expenses paid in year £m</th>
<th>Payables at year end £m</th>
<th>2009 Expenses paid in year £m</th>
<th>Payables at year end £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jointly controlled entities</td>
<td>32.7</td>
<td>17.4</td>
<td>41.4</td>
<td>13.6</td>
</tr>
</tbody>
</table>

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.

28 Financial instruments (continued)

28.6 Capital risk management
The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 long-term basis. Performance against forecasts are also reviewed and analysed to ensure the Group efficiently manages its net funds/debt position.

Net funds is calculated as cash and cash equivalents less total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated statement of financial position).
At 31 March 2010 the Group had net funds of £269.9m (2009: £173.5m), see note 33.

The Group complied with all externally imposed capital requirements which it is subject to during the two years to 31 March 2010.

29 Assets charged as security for liabilities and collateral accepted as security for assets
Financial assets pledged to secure liabilities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010 £m</th>
<th>2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted financial assets</td>
<td>0.6</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Financial assets pledged as short-term collateral and included within cash equivalents were £0.9m (2009: £0.9m).

No financial assets have been provided to the Group as collateral (2009: £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 financial statements amounted to £28.6m (2009: £32.8m) in the Group.
The Group leases land and buildings, equipment and other various assets under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The lease expenditure charge to the income statement is disclosed in note 5. The Group’s future operating lease expense commitments comprise:

<table>
<thead>
<tr>
<th>Expiry date:</th>
<th>Land and buildings 2010 £m</th>
<th>Other 2010 £m</th>
<th>Land and buildings 2009 £m</th>
<th>Other 2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>27.6</td>
<td>5.8</td>
<td>26.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Due between one and five years</td>
<td>76.1</td>
<td>1.6</td>
<td>73.6</td>
<td>8.7</td>
</tr>
<tr>
<td>Due after more than five years</td>
<td>137.7</td>
<td>–</td>
<td>136.0</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>241.4</td>
<td>7.4</td>
<td>238.4</td>
<td>19.9</td>
</tr>
</tbody>
</table>

Future commitments have been computed on current rental payments which are subject to periodic review.
Leadership and strategy
2010 highlights
Corporate responsibility
Operating and financial review
Financial statements

31 Related party transactions and balances (continued)

Companies held in trust by directors
During the year, the Group incurred expenditure of £3.5m (2009: £3.0m) from Sycamore Properties Limited and £2.0m (2009: £1.7m) from Mark Holding & Finance Limited in respect of amounts due under lease agreements for premises occupied by the Group. The interests in Sycamore Properties Limited and Mark Holding & Finance Limited are held in trust, the beneficiaries of which are R G O’Rourke, H D O’Rourke and B A Dempsey, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. At the year end the balance outstanding was £nil (2009: £nil). No amounts were written off in the period by either party in respect of amounts payable under the agreements entered into.

During the year, the Group incurred expenditure of £4.6m (2009: £6.3m) from Laing O’Rourke Insurance Limited in respect of insurance premiums. The interests in Laing O’Rourke Insurance Limited are held in trust, the beneficiaries of which are R G O’Rourke, H D O’Rourke and B A Dempsey, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. At the year end the balance outstanding was £nil (2009: £nil). No amounts were written off in the period by either party in respect of amounts payable under the agreements entered into.

During the year, the Group incurred expenditure of £18.7m (2009: £32.0m) from Steetley Investments Limited in respect of construction work carried out by the Group. The ultimate interests in Steetley Investments Limited are held in trust, the beneficiaries of which are R G O’Rourke, H D O’Rourke and B A Dempsey, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. At the year end the balance outstanding was £16.1m (2009: £14.6m). No amounts were written off in the period by either party in respect of amounts payable under the construction agreement.

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

Loans to parent company
During the year, the Group loaned £10.0m (2009: £5.7m) to its ultimate parent company Suffolk Partners Corporation. The loan is subject to interest at commercial rates. At the year end the balance outstanding was £16.2m (2009: £5.7m).

Loans to and from joint ventures and associated companies
At 31 March 2010 loans to joint ventures amounted to £18.9m (2009: £16.1m) and loans from joint ventures amounted to £7.5m (2009: £nil). During the normal course of business the Group provided services to, and received management fees from certain joint ventures and associates amounting to £0.6m (2009: £0.2m). Amounts due to and from joint ventures and associates at 31 March 2010 are disclosed within trade and other receivables and trade and other payables in notes 21 and 33 respectively.

32 Ultimate parent company

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

The interests in the share capital of Suffolk Partners Corporation are held in trusts, the beneficiaries of which are R G O’Rourke, H D O’Rourke and B A Dempsey.

33 Reconciliation of net cash flow to movement in net funds

<table>
<thead>
<tr>
<th></th>
<th>2010 £m</th>
<th>2009 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in cash and cash equivalents for the year</td>
<td>84.9</td>
<td>126.5</td>
</tr>
<tr>
<td>Cash inflow/(outflow) from debt and lease financing</td>
<td>38.8</td>
<td>(47.4)</td>
</tr>
<tr>
<td>Change in net funds resulting from cash flows</td>
<td>123.7</td>
<td>79.7</td>
</tr>
<tr>
<td>New finance leases</td>
<td>(23.8)</td>
<td>(41.1)</td>
</tr>
<tr>
<td>Foreign exchange translation differences</td>
<td>(3.5)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Movement in net funds in the year</td>
<td>96.4</td>
<td>37.2</td>
</tr>
<tr>
<td>Net funds at 1 April</td>
<td>173.5</td>
<td>136.3</td>
</tr>
<tr>
<td>Net funds at 31 March</td>
<td>269.9</td>
<td>173.5</td>
</tr>
</tbody>
</table>
### 34 Principal subsidiaries, jointly controlled entities and associates

<table>
<thead>
<tr>
<th>Principal subsidiaries</th>
<th>Principal activity</th>
<th>Group interest in ordinary voting shares</th>
<th>Country of incorporation or registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al Naboodah Laing O'Rourke LLC</td>
<td>Building and civil engineering</td>
<td>49%</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Crown House Technologies Limited</td>
<td>Mechanical and electrical contracting</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Expanded Limited</td>
<td>Civil and structural engineering, piling and demolition</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Explore Capital Limited</td>
<td>Holding company</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Explore Investments Limited</td>
<td>Commercial property development</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Explore Living plc</td>
<td>Residential development</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Explore Manufacturing Limited</td>
<td>Manufacturing construction products</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>John Laing International Limited</td>
<td>Overseas contracting</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Laing O'Rourke Austinia Holdings Limited</td>
<td>Holding company</td>
<td>100%</td>
<td>Cyprus</td>
</tr>
<tr>
<td>Laing O'Rourke Australia Pty Limited</td>
<td>Construction, infrastructure, rail and property development</td>
<td>100%</td>
<td>Australia</td>
</tr>
<tr>
<td>Laing O'Rourke Construction Limited</td>
<td>Building contracting</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Laing O'Rourke India Holdings Limited</td>
<td>Holding company</td>
<td>100%</td>
<td>Cyprus</td>
</tr>
<tr>
<td>Laing O'Rourke Infrastructure Limited</td>
<td>Civil engineering and infrastructure</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Laing O'Rourke Ireland Holdings Limited</td>
<td>Holding company</td>
<td>100%</td>
<td>Cyprus</td>
</tr>
<tr>
<td>Laing O'Rourke Ireland Limited</td>
<td>Building contracting</td>
<td>100%</td>
<td>Ireland</td>
</tr>
<tr>
<td>Laing O'Rourke Middle East Holdings Limited</td>
<td>Holding company</td>
<td>100%</td>
<td>Cyprus</td>
</tr>
<tr>
<td>Laing O'Rourke plc</td>
<td>Holding company</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Laing O'Rourke Services Limited</td>
<td>Service company</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Laing O'Rourke Utilities Limited</td>
<td>Utilities contracting</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Naturstein Vetter GmbH</td>
<td>Finished stone products</td>
<td>100%</td>
<td>Germany</td>
</tr>
<tr>
<td>O'Rourke Investments Holdings (UK) Limited</td>
<td>Holding company</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Select Plant Hire Company Limited</td>
<td>Plant hire and operations</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Vetter UK Limited</td>
<td>Finished stone products</td>
<td>100%</td>
<td>England and Wales</td>
</tr>
</tbody>
</table>

Al Naboodah Laing O'Rourke LLC is a subsidiary as the company is controlled by the Laing O'Rourke Corporation Limited Group. The majority shareholder granted the Laing O'Rourke Corporation Limited Group the power to govern the financial and operating policies of Al Naboodah Laing O'Rourke LLC under a shareholder agreement.

### 34 Principal subsidiaries, jointly controlled entities and associates (continued)

<table>
<thead>
<tr>
<th>Jointly controlled entities</th>
<th>Principal activity</th>
<th>Group ownership interest</th>
<th>Country of incorporation or registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aldar Laing O'Rourke Construction LLC</td>
<td>Construction &amp; project management</td>
<td>49%</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Australia Transport Express</td>
<td>Rail track construction</td>
<td>70%</td>
<td>Australia</td>
</tr>
<tr>
<td>Bison Manufacturing Limited</td>
<td>Manufacture of precast concrete</td>
<td>19.9%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>CLM Delivery Partners Limited</td>
<td>Delivery partner for 2012 Olympics</td>
<td>37.5%</td>
<td>England and Wales</td>
</tr>
<tr>
<td>Darling Downs Construction</td>
<td>Power station construction</td>
<td>50%</td>
<td>Australia</td>
</tr>
<tr>
<td>Emirates Precast Construction LLC</td>
<td>Building and civil engineering</td>
<td>40%</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>LORCRPT JV</td>
<td>Mining infrastructure</td>
<td>70%</td>
<td>Australia</td>
</tr>
<tr>
<td>Luggage Point Alliance</td>
<td>Water treatment plant construction</td>
<td>50%</td>
<td>Australia</td>
</tr>
<tr>
<td>Petrosea/Barclay Mowlem (Indonesia) JV</td>
<td>Coal terminal construction</td>
<td>50%</td>
<td>Indonesia</td>
</tr>
</tbody>
</table>

Joinly controlled operations

- Costain Laing O'Rourke Farringdon | Civil engineering | 60% | England and Wales |
- Heathrow East Terminal Project | Civil engineering | 45% | England and Wales |
- M-Pact Ireland | Civil engineering | 60% | Ireland |
- M-Pact Manchester | Civil engineering | 60% | England and Wales |
- Thames Water Laing O'Rourke Omega JV | Civil engineering | 60% | England and Wales |

Associates

- North East Business Park Pty Limited | Property development | 25% | Australia |
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