ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Front cover: Modern methods of construction enabled sections of The Grange University Hospital in South Wales to open a year early, in time to meet the covid emergency head-on.

CHAIRMAN'S STATEMENT

In last year's statement, I made reference to the "clouds of Brexit uncertainty in the UK and the challenges still around our sector." At the time of writing I confess to hoping that these would lift during the course of 2019 and 2020, and the clear UK general election mandate in December 2019 gave confidence they likely would.

However, events took an unexpected twist and our mettle and resolve was tested like never before by the unique and disquieting challenges of the Covid-19 pandemic.

Despite this, I remain firm in my belief that our leadership team and employees remain focused on the right priorities. The performance documented in this report demonstrates the excellent progress the business continues to make.

We have delivered a solid result for FY20 and are in a strong position as we look forward to FY21 & FY22. We have the substantial part of our revenue for FY22 either secured, anticipated or with preferred bidder status. The industry probably has the best opportunities it has seen, for the last 50 years, given government commitments in Australia and the UK to transform infrastructure investment. Their targets are in sectors – healthcare, education, energy and transport infrastructure – where Laing O'Rourke has a sustained experience and record of success.

Refinancing our current bank facilities by the end of 2021 is receiving timely attention now, and this will continue into the new year. By the middle of 2021, we will have reduced our current funding by more than a third and, having traded successfully for more than four decades, we have high confidence we will secure replacement facilities that further support our future growth objectives.

Our positive financial position means we stand ready to play our active part in post-pandemic economic recovery. Our sector, as it has done in the past, will be at the heart of this collective effort. It will offer us exciting opportunities to demonstrate the benefits of our unique operating model and our digital and manufacturing-based Modern Methods of Construction. These innovations can deliver the world-class buildings and complex infrastructure we need – faster, more safely, more sustainably – taking up the charge of 'building back better'.

It is perhaps more true now than ever before, that our sector is one of strategic importance, and that it needs to embrace change and transform itself. We all stand to benefit from a more productive, diverse, modern, digitally enabled and offsite, manufacturing led construction sector delivering real value for society.

It is why we, the Board, remain enthusiastic supporters of the transformation agenda of Laing O'Rourke. It contains clear strategies to pursue constant improvements in key areas, including the wellbeing and safety of our people, our environmental journey, technical and digital innovation, supplier relationships, strategic client partnerships, diversity and engagement with policy makers. The progress being made in each of these areas will reinforce Laing O'Rourke's frontier position in a new and thriving construction sector.

During the year it has been a pleasure to meet, often via virtual technology, the leaders and teams of our various business units and specialist trading arms – in both the Europe and Australia Hubs. They continue to impress with their sense of purpose and enthusiasm to embrace change, and their determination to deliver value to customers, well beyond the bottom line.

This does not happen by accident, so on behalf of the Board, I want to express our gratitude for the sterling leadership of our Group Chief Executive, Ray O'Rourke – and the Executive Committee – in steering the Group through the challenging periods of the past year and for the responsive support from all our management and employees.

We have made further good progress in building out and refreshing our Group Board. We welcomed our new CFO, Rowan Baker in September 2020 who has made an impressive start with her Executive colleagues and a range of stakeholders. As part of our succession plans, Rowan succeeds Stewart McIntyre, who has diligently served in the Group Finance Director role these past six years. Stewart will remain with the Group for a time to handle special projects for the CEO, mainly in support of clients and securing new work.

Seamus French, Anglo American's CEO of Bulk Commodities and Other Minerals, was appointed to the Board in May 2020 as a Non-Executive Director. He brings extensive international leadership experience and a rich and varied engineering background.

Our experienced Non-Executives have rendered great service during this year of challenge. They have also been very supportive of a far-reaching Executive Development Programme for the Group and Hub leaders. We have used a leading international executive assessment firm to assist us to build two-year tailored programmes to give each leader the opportunity to develop themselves to the maximum of their potential.

In concluding, I wish to thank our stakeholders who share our vision and continue to support our efforts. It has been extremely heartening to see the resilience of the business as it navigated the unprecedented challenges of FY20.

This has instilled real confidence in our abilities to manage the remaining external clouds of uncertainty in relation to the potential future impacts of Covid-19 and Brexit. We therefore continue to be excited about the future and the value we, together with our key stakeholders and supply chain, can bring to our communities, clients and the economies where we operate.

Sir John Parker GBE FREng
CHAIRMAN

GROUP CHIEF EXECUTIVE'S REVIEW

Fuelled by the power of our experience, Laing O'Rourke continues to realise its vision and deliver on its commitments – overcoming the obstacles of this volatile and uncertain time.

The following pages attest to the exemplary commitment of all Laing O'Rourke's people, guided by an exceptional leadership team.

As we end FY20, our collective experience – coupled with a relentless focus on leading change in the sector – positions us to confidently face emerging post Covid-19 challenges.

At the start of the calendar year, no one was fully prepared for the scope and intensity of the pandemic. The challenges of Covid-19 were unique, but Laing O'Rourke has overcome unique challenges before. This experience gave us the ability, the agility and the certainty to deliver an operating model that our governments and communities can look to for solutions and support through this testing time.

Since the Global Financial Crisis and its decimation of public infrastructure spending in the UK, through to the long-running Brexit impasse and its uncertain impacts on cross-border trade, skills and investment – and now, the economic downturn associated with extended public health lockdowns – there are critics quick to bemoan the demise of construction.

In some cases, sceptical stakeholders have opted to desert the sector and the millions of jobs it sustains. Laing O'Rourke has always represented a much more optimistic scenario.

Through repeat shocks, we have prioritised new ways of working, continually invested in the development of our people, promoted education and innovation, and driven an 11-year commitment to offsite manufacturing, through our dedicated base in the UK Midlands.

We've prioritised early engagement with our clients to deliver projects smarter, faster, more responsibly and more safely. Now, as the world accepts – albeit too slowly – the realities of climate change and the urgent need to challenge our historical reliance on concrete and steel, we apply our skills to define new and more responsible ways to secure our society's essential need for health, education, transport and energy infrastructure.

Laing O'Rourke has faced the economic, political and viral headwinds with a model that puts the direct employment of committed people first, coupled with an enduring focus on technical excellence. The outcome - resilient and reliable enterprises across the UK, Australia and the UAE – is clearly evidenced in this report.

No matter the external environments, we have never backed away from our commitment to the development of our people and construction reforms needed to make our industry sustainable.

The Laing O'Rourke Centre of Excellence for Modern Construction, our Nottinghamshire construction components facility, ensured speed and quality of delivery to allow sections of a critical care hospital in South Wales to open a year early, in time to meet the Covid-19 emergency head-on. This work on the Grange University Hospital now sets a template for advanced hospital delivery in the post-pandemic world. Construction advancements pioneered at the Laing O'Rourke Centre mean that delivering new hospitals in just two years on site is a goal now within reach.

In Australia, it was a collaborative partnership in a crisis, and a commitment to delivering social value alongside the construction task, that allowed us to respond to the 2020 bushfire catastrophe.

Our project teams – even in the height of the pandemic – made safe 3,500 decimated properties across 5.5 million hectares in less than 200 days. While this gave certainty and relief to devastated home and business owners and farmers, we also delivered 70 per cent of the contract spend in bushfire-ravaged regions.

The team was recently honoured with the NSW Premier's Recovery and Resilience Award for our rapid, innovative – and caring – response.

As coronavirus surged across the globe, creating havoc with economies and indeed everyday life as we knew it, Laing O'Rourke delivered certainty for clients by bringing projects safely back on-line and responsibly restoring productivity. Our HSE professionals and experienced project leadership quickly adapted to evolving health guidance, also deploying mental health support and financial counselling services across the business.

While very grateful for the rapid and far-reaching support for our sector and broader supply chain that came from governments during the crisis, we were committed from the outset to find ways to stand on our own two feet.

Determined to regain momentum and secure our clients' requirements, our leadership team worked relentlessly to create a plan which brought every impacted employee out of furlough in the UK after just four months and returned all staff to full pay on 1 August 2020. Every one of our people played a role in restoring our momentum. This included personal sacrifice, which will never be forgotten by a grateful business.

For policy-makers at all levels, the Covid-19 crisis has brought to the fore the strategic national importance of our sector, creating a new wave of interest in the role and capabilities of innovation and Modern Methods of Construction. Our engagement with national and regional governments in our core markets, through detailed forums and collaborative debates, will improve our methodologies and secure a more responsible future for all involved.

In summary, a new way of constructing will be vital to delivering tomorrow's infrastructure and buildings, and it is the recognised path to economic recovery. We recommit all our resources to this task.

Although macroeconomic uncertainty remains, in particular surrounding the potential future impacts of Covid-19 and Brexit, the robust dedication of our people and the clear transformation plan we have set out so far underpinned delivery of resilient financial performances, keeping us in line with the guidance we've repeatedly shared with our stakeholders and clients.

The Group's reported earnings before interest and tax increased to £73m in FY20 (FY19: £47m), delivering a group profit before tax of £46m (FY19: £33m) and with an ongoing order book of £8.2bn as at 31 March 2020.

As we continue our progress, we remain grateful to Government, our clients, suppliers, the lender group and other stakeholders for their continued support and collaboration – a testimony to the shared confidence in Laing O'Rourke's power of experience.

Ray O'Rourke KBE
GROUP CHIEF EXECUTIVE

OPERATING REVIEW

OPERATING REVIEW – GROUP

Laing O'Rourke's strategy to focus on targeting specific projects where we have a competitive edge in priority sectors with resilient demand and committed funds has continued to pay dividends. We continue to see positive results arising from the actions and discipline introduced during prior years, with a stable platform from which to take advantage of the pipeline of new opportunities within our core markets.

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

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

The Group's Mission to become the recognised leader for innovation and excellence in the construction industry was supported during the year through the attainment of a Production Innovation Award from the UK Construction Awards, for Engineering Excellence showcased in a low carbon circular economy enabling solution (also known as D-Frame).

In Australia, the Toolbox Spotter which delivers significant advances in rail technology secured two awards; the first for Innovation and Technology at the Australasian Rail Industry Awards as well as the PWI Ken Erickson Innovation Award.

During the reporting period, Laing O'Rourke was recognised for further achievements in safety, diversity and for the social value its projects bring to surrounding communities.

In April 2019, 14 Laing O'Rourke projects were recognised by the Considerate Constructors' Scheme as being amongst the UK's most considerate sites for their contribution to community investment and efforts made towards improving the image of construction.

With safety at the heart of Laing O'Rourke's operations, the Group was proud that the team delivering the Manchester Airport Transformation Programme was awarded Team of the Year during the 2019 Royal Society for the Protection of Accidents awards.

The Group values differences and believes that a diverse team drives innovation. It is committed to the inclusion of all employees, where people feel respected and valued for being themselves. It was, therefore, particularly pleased to attain a Disability Confident, Employer Level 2 in summer 2019, which supports employers to make the most of the talents disabled people can bring to the workplace and proud that the Group's UK co-chair of its LGBTQ+ committee, Craig Donachy was awarded as a Stonewall Role Model.

The Group's ongoing commitment to creating a positive culture around mental health was further recognised in April 2019 when we achieved gold status in the UK's Mind Workplace Wellbeing Index.

In the UAE the Group won "The Better Together Award", the highest award of the ceremony at the Expo 2020 Dubai Better Together Award Ceremony.

OPERATING REVIEW – EUROPE HUB

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

The trading year in Europe was characterised by a strong performance in profit before interest and tax of UK contracts, despite the impact of Covid-19 in the final month of the financial year. Our approach to work-winning continues to yield results and there is evident stability having now traded through legacy projects.

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

During the reporting period, the Hub won a range of projects across a variety of sectors, many with existing clients, illustrating the strength of the business's focus on forming long-term partnerships.

The Hub managed to substantially mitigate the impacts of Covid-19 through self-help measures and UK government Covid-19 assistance measures. The outlook for the UK Construction sector is positive, however the uncertainty surrounding the potential future impacts of Covid-19, as well as Brexit, may have an adverse impact on replenishment of the Hub's order book.

The UAE companies have performed acceptably in difficult market conditions and continue to work on projects with increased scope growth, including the Khazna data centre and Expo 2020 Dubai. The UAE business continues to benefit from the support of its lender Emirates NBD with facilities of AED562m successfully renewed on an annual basis.

Our business model is centred around the establishment of long-term partnerships and early engagement. By working together from the earliest opportunity as part of integrated project delivery teams, we are better equipped to deploy the benefits of our value proposition and our internal supply chain, delivering increased certainty for all stakeholders.

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

OPERATING REVIEW – AUSTRALIA HUB

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

In the Australian market Laing O'Rourke has continued to focus on building a resilient business with a strong portfolio of projects aligned with our strategic growth markets. The focus on building resilience in the business has delivered improved performance and profitability for the second year in a row while closing out several legacy issues.

Laing O'Rourke was awarded a number of additional work packages as part of the South East Program Alliance on the Victorian Government's Level Crossing Removal Project, including the AUD$496m contract to remove two level crossings and build new stations in Mooroolbark and Lilydale in Melbourne's eastern suburbs and the AUD$190m Cranbourne Line Upgrade – Package B.

Key project milestones also included reaching contractual close and the delivery phase agreement on the Osborne Naval Shipbuilding Precinct (Future Submarine Program) Infrastructure Development in South Australia, as well as the extension of the Novo Rail Alliance program to redevelop Redfern Station in Sydney.

The Hub's Rail Operations specialist business was also awarded a number of key projects including the AUD$25m South Dynon Locomotive Depot Fitout project in Victoria and the AUD$45m Muswellbrook Bridges Replacement package for the Australian Rail Track Corporation in the NSW Hunter Valley.

The Australia Hub continued its strategic focus on demonstrating the value of partnerships with our Government clients with the Woolgoolga to Ballina Project on plan for completion at the end of FY20 and through the delivery of the successful NSW Bushfire Clean-up and Make Safe Project.

The business also reached completion of the ACT Law Courts project with no legacy financial risk remaining.

In FY20 the Australia Hub delivered AUD$1.3bn in revenue, increasing its cash position by AUD$92m on last year to AUD$311m. Our strategic approach to further de-risk the business has seen the Hub order book continue to grow by AUD$700m with a greater emphasis on collaborative forms of contract.

These results are a consequence of a long-term disciplined approach across our operations, and a commitment to build on our trusted relationships with our clients.

Despite the challenges posed by the Covid-19 pandemic, the impact of which has so far been minimal, the strategic approach adopted by the Australia Hub has ensured the business is well positioned to continue to drive the transformation agenda, helping to deliver our 2025 Mission to become the recognised leader for innovation and excellence.

OUR BUSINESS MODEL

HOW WE CREATE VALUE

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

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

Our Mission and Guiding Principles influence everything we do and provide an ambition which inspires our employees and assures our stakeholders.

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

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

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

OUR 2025 MISSION

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

OUR GUIDING PRINCIPLES

Absolute alignment

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

Complete thinking

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

Sophisticated simplicity

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

WHAT WE DELIVER

OUR CLIENT PLATFORM

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

OUR UNIQUE APPROACH

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

Design

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

Manufacture

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

Construct

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

HOW WE DELIVER

THE VALUE OF CERTAINTY

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

1. Excellence in engineering

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

2. Digital engineering

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

3. Design for Manufacture and Assembly, and offsite manufacturing

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

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

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

4. Direct delivery

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

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES

During the year ended 31 March 2020, the UK entities within the Laing O'Rourke Group of companies elected to apply the Wates Corporate Governance Principles for Large Companies, as published in December 2018 (the "Wates Principles"). This assists with an assessment of what has been done well and where the corporate governance framework could be improved. It is also recognised that governance requirements and needs will evolve, and the emphasis is upon application of best in class corporate governance across the Group.

GROUP CORPORATE GOVERNANCE FRAMEWORK

At Laing O'Rourke, pride is taken in what has already been achieved. A Group Governance Framework was established in 2012 and has been reviewed in the context of the Wates Principles. The revised framework was approved by the Board in July 2019. The Framework is applied across the business, spanning the entire Group, rather than on an individual entity basis.

In the review of the Group Governance Framework, the Terms of Reference of the Audit Committee and the Health, Safety and Environment Committee were refreshed and new committees for Nomination and Governance were established. The Board and Committee structure is set out on page 10.

Laing O'Rourke takes the view that good Corporate Governance is a cornerstone to the creation of a successful business and one that generates value for wider society. The decision has therefore been made to report on the Corporate Governance Framework at Group level, in order to promote transparency and accountability.

DIVERSITY

A long-standing commitment to equality, diversity and inclusion ensures that the highest standards of employment practice are maintained, the aim being to employ a workforce that reflects the society in which all concerned live and work. It is recognised that gender and ethnic diversity represents a clear competitive advantage.

The Board is committed to ensuring that the Group is free of discrimination and that all employees and other stakeholders are respected and treated fairly. This commitment was evidenced by the participation of the Group Executive Committee in Inclusive Leadership for Executives training during the year 2019-20.

The formation of a Diversity and Inclusion Steering Group led to the publication of a Diversity and Inclusion Statement in March 2019 marking International Women's Day and the global commitment to building a more diverse workforce. The launch saw the Group communicate a pledge to diversity and inclusion internally to colleagues as well as externally, through the "Where We Belong" video. The Statement is the yardstick by which progress to achieving greater inclusion in the workplace will be measured.

In October 2019, an inclusion survey of all UK staff was conducted, and the findings helped shape the commitment to inclusion across the Group.

Focusing on gender diversity, the Group celebrated the recognition of two female engineers named in the Financial Times' top 100 Most Influential Women Leaders in Engineering (UK). Hinkley Point C's Sarah Williamson was listed as the fifth most influential woman and Yewande Akinola was also named within the top 100. Yewande went on to receive an MBE in the December 2019 Honours list for her contribution to engineering and diversity in STEM design and innovation.

In March 2020 updated and global Gender Pay Gap reports were published.

CONDUCT AND ETHICS

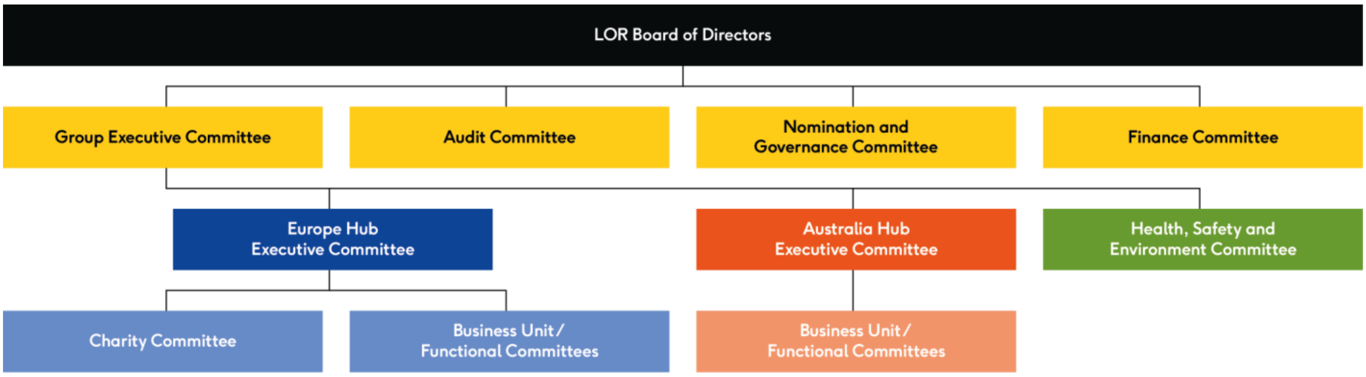
In June 2019 the Code of Conduct (originally published in 2011) was reviewed and relaunched. All employees were asked to pledge their understanding and commitment to ethical conduct. The Code of Conduct applies to all the Group's activities and articulates the ethical standards that every employee is expected to uphold in every activity, every day, wherever the Group operates. Furthermore, supply chain partners and other stakeholders are expected to behave ethically and to "do the right thing". A copy of the Code of Conduct is available on the Group's website.

Following a review of the existing compliance programme, a Group Compliance Committee was established with Board representation, supported by sub-committees in each Hub, to strengthen governance and oversight of the ethics and compliance programmes.

HIGHLIGHTS:

- Revised Group Corporate Governance Framework to ensure alignment with the Wates Principles.
- Relaunched Code of Conduct.
- Revised Audit Committee terms of reference.
- Revised Health, Safety and Environment Committee terms of reference.
- Established Nomination and Governance Committee.
- Established Group and Hub Compliance Committees.
- Established Diversity & Inclusion Steering Group.
- Updated Modern Slavery Statement.
- Reviewed and aligned appointments on the boards of operating subsidiary companies more closely with the executive management structure.

BOARD STRUCTURE



DIRECTORS

Sir John Parker GBE FRENG Chairman

Sir John Parker, Chairman at Laing O'Rourke, has built up an enviable reputation across a range of industrial sectors as a leader in the boardroom, including Chairman at six FTSE100 companies. A former President of the Royal Academy of Engineering and a visiting Fellow at Oxford University, he takes a keen interest in the development of engineering technology and talent, a core value of Laing O'Rourke's global business. Sir John Parker also chairs the Nomination and Governance Committee and the Finance Committee.

G. J. Branch (Greg)

Greg joined the Board as an Independent Non-Executive Director in September 2018. Previously, Greg was a Senior Partner at Deloitte LLP and built Deloitte Offshore over 27 years into a highly successful business. Key skills include succession planning, strategic planning, finance, audit and corporate governance. With significant experience in working closely with Audit Committees of listed companies and large private companies, Greg chairs the Laing O'Rourke Audit Committee and is a member of the Finance Committee.

K. C. Valeur (Charlotte)

Charlotte was appointed to the Board as an Independent Non-Executive Director in March 2018. Charlotte has more than 30 years' experience in the Financial Industry and has worked within governance since 2007, holding a range of directorships, including in public companies. In addition to her role on the Board, Charlotte is a member of the Laing O'Rourke Audit Committee, the Nomination and Governance Committee and the Finance Committee.

R. G. O'Rourke KBE (Ray) Chief Executive Officer

Shareholder and co-founding director of the Laing O'Rourke Group, Ray chairs the Group Executive Committee and is responsible for leading the strategic direction and operational management of the Group's business activities. Ray founded R O'Rourke & Son in 1977 and commenced trading the following year. The business acquired the construction arm of John Laing PLC in 2001, and with the acquisition of Barclay Mowlem in 2006, created today's extended international engineering construction group.

Ray has a passion for developing and promoting engineering and project delivery talent to meet global construction challenges and has a keen focus on safety performance.

H. D. O'Rourke (Des) Deputy Chairman

Shareholder and co-founding director of the Laing O'Rourke Group, Des provides Board level support to the Chairman and the Chief Executive Officer in the operational management of the Group's business activities. Des has a proven track record in project delivery, mobilising large teams of people onto complex projects around the world.

R. C. Baker (Rowan) Chief Financial Officer
Rowan joined Laing O'Rourke in September 2020 as the Group's Chief Financial Officer (CFO). Rowan also sits on the Group Executive Committee and Corporation Board.

An experienced finance executive, Rowan joined Laing O'Rourke from McCarthy & Stone plc, where she held the role of Chief Financial Officer and played a key role in the company's successful IPO in 2015. Prior to joining McCarthy & Stone in 2012, she worked in finance for Barclays Bank plc and professional services for PwC.

Rowan has a master's degree in Law from Cambridge University and is a qualified accountant (FCA) and chartered tax adviser

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

S. G. French (Seamus)
Seamus French, CEO of Anglo America's bulk commodities business joined the Board in a non-executive director role in May 2020. Seamus is a member of the Finance Committee.

Seamus joined Anglo American in 2007 and in his current role is responsible for a portfolio which accounted for half of Anglo's $10bn EBITDA in 2019. He also sits on their Group Management Committee.

Before joining Anglo American, he worked in a range of chemical and resources business, including as Global Vice President and a member of the Executive Committee at BHP Billiton.

Following the continuation of Laing O'Rourke Corporation Limited to Jersey, on 9 December 2019, Mr Christakis Klerides and Mr Victor Papadopoulos resigned as directors of the company. Mr Stewart McIntyre resigned on 22 September 2020.

CORPORATE GOVERNANCE STATEMENT

The decision has been made to report voluntarily on the Laing O'Rourke Group's Corporate Governance Framework. The structure of the Corporate Governance Statement follows that of the Wates Principles. Each of the Wates Principles has been considered individually and in the context of Laing O'Rourke's operations.

PRINCIPLE ONE PURPOSE AND LEADERSHIP

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

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

The Group's Deliver 2025 mission is driven by innovation, with technical excellence in design, manufacturing and construction at its core. Engineering excellence, coupled with adoption of new technologies and a progressive people agenda develops talent, attracts the very best external people to the business and improves the safety and overall wellbeing of all concerned. With the current momentum in the business, this focus allows the Group to create a clear and sustainable competitive advantage in the demanding markets in which the business operates.

The Laing O'Rourke Mission is underpinned by three guiding principles and supported by five conditions.

OUR GUIDING PRINCIPLES

Absolute alignment
Work as one team by knowing and understanding the people and their talents to deliver for customers.

Complete thinking
Look at projects in their entirety to ensure that all parts are brought together at the right time and in the right way for the customer and the business.

Sophisticated simplicity
Making the complex world of construction feel simple, useable and inspiring.

The Board appreciates the importance of engagement and dialogue with its employees and wider stakeholders. If the transformation of the industry is to be achieved the strategy, decision making process and culture embraced by Laing O'Rourke must be communicated to employees, and this is achieved through the annual leadership conference, supported by regular leadership briefings, the Group's internal social network Yammer and the Intranet. Members of the Group Executive Committee have visited projects throughout the UK and Australia in order to explain the transformation agenda to all concerned.

The Board sets and leads behaviours and culture to support the delivery of the strategy. In June 2019, the Board approved the revised Code of Conduct, which sets out behaviours acceptable to Laing O'Rourke. The Code of Conduct defines Laing O'Rourke's commitment to operating globally in accordance with ethical standards and the behaviours that are expected of employees, supply chain partners and other stakeholders. The aim is to go beyond minimal compliance. The Code of Conduct, "Doing the Right Thing", can be found on the Group's website.

FIVE CONDITIONS THAT DRIVE US TOWARDS OUR END GOAL

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

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

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

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

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

PRINCIPLE TWO
BOARD COMPOSITION

Laing O'Rourke has appointed a number of Independent Non-Executive Directors to the Board. They bring experience from different perspectives and challenge from outside the sectors in which the business operates.

The Board is led by Sir John Parker, Independent Non-Executive Director, as Chairman of the Group. The Board further comprises the Chief Executive Officer, Deputy Chairman, Chief Finance Officer, three further Independent Non-Executive Directors and the Group Company Secretary.

The size and composition of the Board is considered to be appropriate for a business of this size and complexity, as well as bringing the necessary skills and experience to fulfil the Board's responsibilities.

The Board operates through a number of executive committees the structure of which can be found on page 10. The Audit Committee and the Nomination and Governance Committee are chaired by Non-Executive Directors in order to ensure independent challenge and influence across the broad range of issues for which these Committees are responsible. A new Non-Executive Chair of the Health, Safety and Environment Committee is in the course of being appointed.

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

The Group is confident that the Board has the right skills and experience to discharge its duties effectively. The Board calendar includes regular visits to major projects and directors are free to request such information as they may wish on any aspect of the Group's operations. Formal training for directors has been introduced and the Group has a clear commitment to professional development. The Chairman undertakes a programme of discussion and evaluation with each member of the Board outside the forum of formal meetings.

This evaluation includes a focus upon succession, which is under regular review both at Board and operational level and is of particular relevance to the drive for transformation over the next three years. The Group has implemented an Executive Development Programme across both the Europe and Australia Hubs, with specialist coaching designed to identify and address development goals.

The Board acknowledges a relative lack of diversity in its membership which is a common challenge across the engineering and construction sectors. In the course of 2019, the Board approved a new Diversity & Inclusion statement for the Group. Laing O'Rourke continues its aspiration to increase diversity across the business.

PRINCIPLE THREE
DIRECTOR RESPONSIBILITIES

In the summer of 2019 the Board reviewed, revised and approved a Group Governance Framework. This sets out the responsibilities, accountability and obligations of Board members, the collective Board and its Executive Committees. The aim is to provide a clear understanding of roles and responsibilities, linking to policies and procedures and delegations of authority, supporting effective decision-making and independent challenge, in turn delivering long-term value to the Group and to stakeholders.

The Board delegates day-to-day management of the Group to the Group Executive Committee and the Europe Hub Executive Committee and the Australia Hub Executive Committee report directly into the Group Executive Committee. The Board further delegates detailed and specific matters to the other Committees mentioned whose role it is to consider specific issues of relevance to Group governance and to recommend a course of action to the Board.

The Non-Executive Directors are wholly independent and have no material business or other relationships with the Group which might influence their independence, judgement or decisions.

Directors are aware of their statutory and ethical duties in relation to potential conflicts of interest which may compromise objective decision-making. If a perceived conflict of interest arises, the Board (or one of its Executive Committees if appropriate) will manage the matter as appropriate.

At a subsidiary level, appointments to the boards of operating subsidiary companies are reviewed and aligned with membership of the Group's Executive Committees and our business unit and functional leadership structure. Business Unit Leaders are at the heart of operations, enabling direct engagement with the relevant business unit employees and other stakeholders such as clients. The review of subsidiary board membership was completed in December 2019.

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

PRINCIPLE FOUR
OPPORTUNITY AND RISK

The Board undertakes a continuous assessment of risks affecting the Group and has in place the necessary oversight for the identification and mitigation of risk. Further details of the management of key financial and operational risks, such as those relating to credit and liquidity are set out on pages 26 to 30 under 'Risk Management'.

Following review of the Group's compliance programme, regular reporting to the Board across a range of compliance requirements and risks has been formalised through a refreshed Group and Hub Compliance Committee structure. The aim is to build on that momentum over the next year to review and identify where there may be further opportunities to strengthen the dialogue between the Board and the Group's Executive teams responsible for management of risk.

IGMS:

Launched in September 2017, the iGMS (integrated Group Management System, see page 25) contains Laing O'Rourke's enterprise-wide management system, knowledge and information. This is the repository for all processes, procedures, technical information, general information, guidance, templates, checklists and learning, which enables people to be organised for success and provides guidance on how they should go to work.

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

This year saw the commencement of a Group-wide effort to align processes and procedures to harness best practice, achieve consistency in the way all in the business go to work and to drive continuous improvement. This will ensure that all content within the iGMS is up to date and an accurate reflection of the support for people on all projects, regardless of location.

PROJECT DELEGATION OF AUTHORITY:

Strong project governance is fundamental to the objectives of resilience and certainty. The Project Delegation of Authority details the authorisation required for key project-related decisions, including all project Gateways, project-related contracts and key supply chain approvals.

During 2019, the Project Delegation of Authority was refreshed in order to ensure an entirely risk based approach for decision-making. This not only streamlines authorisations by clarifying accountabilities, but also gives stakeholders greater visibility and empowers greater delegation to business units and projects. The aim is to maintain absolute alignment, whilst reserving the riskiest decisions to the level of Group and Europe Hub Executive Committees.

The Australia Hub is undertaking a review of the risk-based Project Delegation of Authority to determine how a similar approach could be used.

PROJECT GATEWAYS:

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

The Governance Committees are working on improvements to the Gateways, ensuring that they are streamlined, standardised and integrated in day-to-day activities so that governance becomes an integral part of how each person goes to work.

BID SETTLEMENT MEETINGS:

Bid settlement meetings ensure that the right people are together at the right time to discuss and reach alignment on all bids, ensuring that the offers made to clients are risk balanced and robust.

DIGITAL

'Digital', through the development of new tools and data, allows unprecedented access to information and insight across the entire portfolio of projects at all stages of development. This can provide clear transparency on opportunities to bring the Group's considerable resources to bear where they are most needed and to identify potential problems in their infancy, thereby minimising risk. The Digital Briefcase technology, for example, draws daily data on design progress plus labour, plant and materials cost and utilisation from each project to facilitate transparency, and to assist with management against programmes, budgets and targets. Similarly, digital technology is employed within a clear and consistent data strategy to drive and enable full commitment to modern methods of construction.

PRINCIPLE FIVE REMUNERATION

During the year the Nomination and Governance Committee held its first meeting, chaired by an Independent Non-Executive Director. The Committee has clearly defined terms of reference and its main function is to make recommendations to the Board considering the Group's remuneration structure and to align remuneration to the long-term sustainable success of the Group. The director's remuneration is disclosed in note 7 to the financial statements.

SUBSIDIARY COMPANIES

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

GENDER PAY REPORTING

The ability to attract and retain people to the business is of critical importance and is therefore included in the strategic objectives led by the Group Inclusion Steering Committee.

The Group has reported on its gender pay annually since 2017 and in March 2019 the Group published the Gender Pay Report for the financial year. This Report can be found on the Group's website. It is clear that the Gender Pay Gap is largely driven by a lack of female representation in senior management positions. The Group works hard through the talent programmes to increase the number of women entering and developing their careers within the construction industry.

The Group is confident that the recruitment schemes, pay governance and salary review processes that are in place ensure equal pay for the same role.

The engineering and construction sector provides an exciting and rewarding profession and Laing O'Rourke leads the way with investment in DfMA 70:60:30 (Design for Manufacture and Assembly), where 70% of construction is taken offsite, driving a 60% improvement in onsite productivity and a 30% improvement in schedule together with other modern methods of delivery. Innovation such as DfMA will help build an industry that is attractive, welcoming and fair for the next generation of women and men.

The Group seeks to set fair and reasonable policies for remuneration both at senior level and in the broader operating context. One responsibility of the Nomination and Governance Committee is the task of attracting, retaining and motivating executive management of the quality required to run the Group successfully. In practice, commercial headwinds facing the Group (and the industry generally) over the last three years have constrained the ability to review remuneration levels. In the financial year 2019/20, no general pay award has been made in the UK.

PRINCIPLE SIX STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

The Board collectively - and its directors individually - are clear that relationships with stakeholders are an essential part of the foundation of the business. Effective and meaningful engagement with stakeholders requires regular dialogue. An understanding of stakeholder groups and their interests enables the business to take account of their needs and concerns, allowing for the creation of value for all.

CLIENTS

From 2020 a dedicated director-led Clients and Markets function has been created, taking the lead in defining the addressable market, as well as shaping a long-term, sustainable pipeline of work across priority sectors, supported by the technical excellence and R&D initiatives. The function operates across both the Europe and Australian Hubs in order to ensure consistency of approach.

Client engagement is central to Laing O'Rourke's operating model – beginning with the development of partnering strategies and continuing throughout the delivery of projects. Early engagement with clients in particular is critical to gaining insight and understanding of their priorities, expectations and ambitions for their business.

Client engagement takes place prior to any formal decision-making processes and will assess whether or not to pursue opportunities within the market, competitive or otherwise. The aim is to work with clients who share Laing O'Rourke's values around innovation and excellence and whose businesses will benefit from the Group's in-house capabilities. Building relationships helps to provide potential clients with the best value for money - including cost and programme certainty, process efficiency, and guaranteed quality.

Laing O'Rourke's engagement portfolio includes project and factory tours, thought leadership activities and industry memberships, all of which support interaction with clients, and the broader market. This diverse approach provides opportunities for collaboration, learning, as well as a platform to demonstrate capability and offering.

Underpinning this approach is the Group's commitment to continuous improvement through consistent project level feedback across the project portfolio. Routine, formal engagement with clients facilitates listening and learning across all functions from award through to completion of a project.

Client satisfaction data is collected from clients for all key projects. Interviewers dealing with this process have no operational accountability and clients are requested to rank the Group's performance against each key business area.

Laing O'Rourke has a long-established commitment to innovation, recognising that this is key both to future proofing the business and to optimising how the business currently goes to work. The industry is rapidly changing, with the increasing impact of technology and demand for skilled workers, plus new market entrants and productivity demands.

To reflect this, Laing O'Rourke has a structured innovation framework founded on targeted research and development designed to generate new knowledge, coupled with a rigorous process to deliver the commercial value of this knowledge. The Group's R&D and Innovation programme has been supported through academic partnerships with Cambridge University and Imperial College of Science & Technology, London in the UK, and with the University of Sydney in Australia.

WORKFORCE

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

Policies and practices are aligned with the Group's purpose and values, in particular the Code of Conduct. The Code is designed to empower employees, clients, suppliers and other stakeholders to voice any concerns, either directly or through an anonymous whistleblowing hotline.

The employee is diverse and spread across different time zones. The exchange of views with leadership and across intercontinental Hubs is enabled through employee surveys, leadership briefings, the intranet, Yammer, team away days, and the Project Leaders Conference. Directors also visit project sites on a regular basis.

This engagement has assisted in the creation of value for the workforce in a variety of ways, including a flexible menu of benefit options, availability of Mental Health Champions, initiatives driven by the Diversity & Inclusion Committee, the Energy Project (which focuses on workforce welfare) and CPD training. The Group is proud to be represented, and to have improved its position, on the Stonewall Index.

SUPPLIERS

October 2019 saw Laing O'Rourke bring together more than 130 UK suppliers at a conference to share the 'Deliver 2025' Mission. This was reinforced by an article published in issue 2 of 2019's Infoworks which highlighted the importance of strategic partnerships.

On 21 November 2019, a press release was issued announcing the reinstatement of the business to the Prompt Payment Code. This statement was further strengthened by transparent communication of our Prompt Payment Action Plan which inspired Philip King, CEO of the Prompt Payment Code, to post a blog highlighting how the Group's processes have been transformed to improve payment practices.

Strategic partnerships with key suppliers are further supported through carefully planned and co-owned communications. These highlight how partnerships bring benefits to the delivery of projects and drive innovation throughout the industry.

COMMUNITY & SUSTAINABILITY

Laing O'Rourke has completed the first full year in which social sustainability work across the UK has been guided by the Group's Social Sustainability Delivery Framework (SSDF). Divided into five themes, the SSDF provides a template for the delivery of work in this important area, with different facets emphasised according to project, client and other stakeholder imperatives. By using the SSDF and the toolkit that it contains the teams can provide a consistency of approach, whilst having access to examples of industry-leading best practice.

In the year, by way of example, our innovative social sustainability programmes have:

- Placed 449 local people into new jobs on our projects;
- Organised 595 school and college activities, engaging with 15,000 students;
- Sourced and facilitated 1,241 Work Experience placements;
- Supported the delivery of almost 500 Apprenticeships;
- Undertaken 56 Community Investment Activities;
- Made Community Investments totalling £150,046;
- Supported Laing O'Rourke teams with fundraising of £57,500;
- Facilitated 1,601 volunteering days.

ENVIRONMENT

The Board has access to reports on environmental performance, including current challenges and opportunities. The Board has supported the development and external certification to ISO50001 of the Energy Management System, underpinned by a target to reduce energy consumption by 27% by 2023 from the 2016-17 energy baseline. This will help accelerate the reduction of direct energy consumption and carbon emissions. The year 2018-19 saw a 50% reduction in carbon emissions by reference to the Group's original 2010 baseline. The UK Company's annual carbon footprint continues to be certified to the CEMARS standard.

There is continued focus upon embedding low carbon and environmental capability into the solutions offered to clients. By way of example, in Autumn 2019, the D-Frame pre-cast structural solution won the UK Construction Week 'Product Innovation Award' and the London Construction Awards 'Product Innovation of the Year' because of its practicability, carbon reduction and potential for deconstruction and re-use.

The Group is involved as partner in a study into how Net Zero Carbon might have been achieved on a completed project in Manchester, the aim being to provide joint learning for the Net Zero Carbon agenda. In addition, the Group continues to pursue a range of innovations to reduce the carbon emissions of concrete solutions, including collaboration on concrete mix innovations. The Group's pre-cast products have been re-certified to BES6001 standard for responsible sourcing.

Laing O'Rourke remain an active member of the Supply Chain Sustainability School, the UK Green Building Council, and the Considerate Constructors Scheme, working with industry partners to improve the environmental sustainability of the industry. There is continued management of environmental risks through implementation of the ISO14001-certified Environmental Management System.

For the upcoming financial year, the Board has set an internal challenge to develop further the approach to environmental sustainability, looking beyond compliance and focusing on delivering wider sustainability benefits that have resilience and depth. The ambition is to develop and implement a bold strategy that will take into consideration wider environmental impacts; focusing on not only the Group's operations but also addressing wider supply chain impacts and those engineered through the full building lifecycle.

To that effect better measurement tools are being developed that will permit measurement of embodied carbon footprint on projects and, eventually, will set stretching targets in order to advance the decarbonisation of the industry. Efforts to drive efficiency in the use of natural resources and minimise the amount of waste generated are a continuous focus.

Offsite manufacturing is assisting with the delivery of these benefits. By way of example, the delivery of Liverpool Street Crossrail station as an offsite manufacturing solution generated savings of 30% in embodied carbon emissions and seven tonnes of wood waste compared to a similar in-situ project.

LOCAL AND CENTRAL GOVERNMENT

Laing O'Rourke co-ordinates political engagement activities with relevant Government and Local Authority departments in order to support work-winning efforts, to establish the Group as a trusted advisor and where necessary to provoke meaningful dialogue on issues impacting the sector.

During the year, these activities have included:

- Submitting evidence to the Infrastructure and Projects Authority and HM Treasury consultation on proposals to *A New Approach to Building*.
- Welcoming Lord Agnew to the Group's Centre of Excellence for Modern Construction, (formerly EIP) to discuss the potential of offsite construction in the delivery of schools.
- Welcoming Construction Minister, Andrew Stephenson to the Centre of Excellence for Modern Construction to discuss the sector and the drive for innovation.
- Submitting evidence to BEIS' consultation on Regulated Asset Base Model for Nuclear.
- Participating in Esther McVey MP's visit to the Advanced Manufacturing Research Centre at the University of Sheffield. The visit allowed Laing O'Rourke to explain how the Group's research work might feed into delivering innovative, modular housing.
- Welcoming Nick Chism, Chief Business Adviser at BEIS to the Centre of Excellence for Modern Construction to highlight offsite capability.
- Ongoing input to the Construction Leadership Council with active participation in the Platform - DfMA discussions.
- Input to the Institution of Civil Engineering's Public Affairs group.
- Participation in the High-Speed Rail Group.
- Engagement with Innovate UK regarding Research & Development and the Construction Sector Deal.
- Ongoing engagement with the administrator of the Prompt Payment Code.
- Hosting visits at a local level from regional figures and local authorities.

FINANCIAL STAKEHOLDERS

The Group finances its three main operating territories - the Australia, the UAE and the UK - independently of each other.

In February 2019 the UK business completed a refinancing of its primary UK credit facilities, securing - in challenging market conditions - the continued commitment of its key financial stakeholder group until December 2021. In July 2019 the Australian business completed a similar refinancing process, resulting in the continued commitment from its key financial stakeholder group also until December 2021. The UAE business is supported by local credit facilities that are annually renewable in line with local business practice.

The Group operates strict controls over working capital and cash management, engaging proactively on these controls with financial stakeholders. A regular and transparent reporting dialogue is maintained with financial stakeholders, including monthly lender syndicate calls and touch points, general business updates and reporting against agreed financial performance metrics.

All financial stakeholders have direct access at all times to the Chief Financial Officer appointed to the Board who attends meetings of the Executive Committees, ensuring that the directors are kept regularly informed of developments in financial stakeholder relationships.

Please refer to pages 36 and 37 of the consolidated management report relating to going concern.

FINANCIAL REVIEW

I am pleased to present my first financial review at Laing O'Rourke, having been appointed as Group Chief Financial Officer on 22 September 2020. During the year ended 31 March 2020 (FY20), the Group made continued progress towards delivery of its strategic targets having achieved a profit before tax of £45.5m (an increase of 39% on the prior year of £32.8m).

The solid performance has been delivered against a difficult backdrop of continuing sector challenges and unprecedented uncertainty due to Covid-19.

GROUP FINANCIAL SUMMARY FY17 – FY20

	FY20 (£m)	FY19 (£m)	FY18 (£m)	FY17 (£m)
Group revenue	**2,448.5**	2,753.4	2,758.1	2,934.6
Profit/(loss) before tax	**45.5**	32.8	(43.6)	(66.9)
Net cash (note 35)	**155.2**	132.9	89.1	65.5

The key achievements can be summarised as follows:

- The Group delivered a solid performance, making a profit before tax of £45.5m in its fourth consecutive year of improvement.
- The Group generated a net cash improvement of £22.3m and finished the year with net cash of £155.2m.
- The European Hub statutory earnings before interest and tax (EBIT) was broadly in line with prior year despite lower volume and accounting for Covid-19 impacts.
- The Australian Hub statutory earnings before interest and tax (EBIT) improved by £29.7m to a profit of £31.6m (FY19: £1.9m).
- At the year end, the Group had an order book of £8.2bn (2019: £7.6bn). (Order book is defined as the value of work outstanding on secured, anticipated and preferred bidder contracts). The level remains strong at circa. 3 years' revenue. The key target for the Group is to convert the strong UK pipeline and delivery of this represents the Board's main priority for the remainder of FY21.

GROUP SUMMARY INCOME STATEMENT

	FY20 (£m)	FY19 (£m)
Revenue	**2,448.5**	2,753.4
Gross profit*	**262.2**	212.1
Gross profit %*	**10.7%**	7.7%
Administrative expenses %*	**7.1%**	6.5%
Pre-exceptional EBIT	**83.6**	46.6
Statutory EBIT	**72.9**	47.2
Profit before tax	**45.5**	32.8
Profit after tax	**34.9**	33.7
Net cash (note 35)	**155.2**	132.9

* Pre-exceptional

The Group's statutory EBIT improved by £25.7m to £72.9m from £47.2m in FY19.

The Group's reported performance is stated after incurring certain exceptional items; these are summarised on page 55. Underlying performance was impacted by an increase in costs relating to Covid-19. Only one site has been significantly impacted by potentially irrecoverable Covid-19 costs and this was largely due to a regionally mandated extended shut down period. The additional costs recognised in relation to Covid-19 were £16.1m.

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

EUROPE HUB FINANCIAL SUMMARY PERFORMANCE

	FY20 (£m)	FY19 (£m)
Revenue	**1,807.8**	2,122.3
Gross profit*	**166.7**	167.6
Gross profit %*	**9.2%**	7.9%
Administrative expenses %*	**4.8%**	4.5%
Pre-exceptional EBIT	**77.4**	84.1
Statutory EBIT	**75.1**	76.1
Profit before tax	**55.5**	61.7
Net cash	**106.2**	81.3

* Pre-exceptional

The Europe Hub statutory EBIT has decreased by only £1.0m despite the impact of Covid-19 and lower volume driven by economic and political uncertainties.

UK underlying gross margin percentage has increased, despite the impact of Covid-19, due to the improved operational performance of its main contracting businesses (building and infrastructure) as well as its specialist trading businesses. In FY20 the UK successfully delivered 36 construction projects, 2 specialist contracts and achieved its utilisation targets across its plant business.

The cumulative losses in Canada deteriorated marginally by £5.4m to £209m. The project is nearing completion and the Group is not expecting any further material losses.

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

AUSTRALIA HUB FINANCIAL SUMMARY PERFORMANCE

	FY20 (£m)	FY19 (£m)
Revenue	**640.5**	630.7
Gross profit*	**81.7**	42.1
Gross profit %*	**12.8%**	6.7%
Administrative expenses %*	**7.9%**	7.9%
Pre-exceptional EBIT	**39.9**	(6.7)
Statutory EBIT	**31.6**	1.9
Profit before tax	**26.6**	1.2
Net cash	**81.2**	79.2

* Pre-exceptional

The Australia Hub statutory EBIT has increased by £29.7m due to improvements in the margins of the key trading businesses and an arbitration decision resulting in an additional settlement that had been written off in FY19.

Administrative expenses have remained stable year on year.

The loss to date on the EPC Cryogenic Tanks contracts, which terminated in FY17, amounts to £40.3m and represents costs in respect of delays and other matters in which the recovery of our contractual entitlement is being sought in addition to other substantial claims that have not been recognised in contract revenue at 31 March 2020. No contract losses were incurred in FY20 on this project, although legal expenses continue to be incurred.

EXCEPTIONAL ITEMS

The Europe Hub incurred £2.4m of costs in relation to restructuring (FY19: nil) and no costs in relation to refinancing and other financial stakeholder adviser fees (FY19: £8.0m).

During the year the Australia Hub incurred exceptional legal costs of £3.2m (FY19: £3.2m) relating to an ongoing dispute. These costs are in respect of material contract legal issues (INPEX tanks). The Australia Hub also recognised an exceptional impairment of £5.1m in relation to multiple assets. The Australia Hub incurred no costs in respect of restructuring costs (FY19: £2.9m) and made no exceptional profit from disposals in the year (FY19: £14.7m).

FUNDING

The Group's net cash position (cash less debt but excluding bank arrangement fees and the impact of adopting IFRS 16) improved from £132.9m at 31 March 2019 to £155.2m at 31 March 2020. This improvement was driven by increasing cash from both contracting and investing activities (see note 35).

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

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

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

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

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

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

Over the last five years the Group has sought to reduce its use of these instruments.

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

GROUP BONDS AND GUARANTEES

	FY20 (£m)	FY19 (£m)	FY18 (£m)	FY17 (£m)
Surety Exposure	**197**	203	238	342
Bank Exposure	**157**	189	236	333

UK funding

UK CORE DEBT:

	£'m	**Term**
RCF/Term Debt	**173**	3 years
Other loans	**39**	3 years

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

The loans from R G O'Rourke and H D O'Rourke include £24m advanced to the Group in April 2016 and a £15m unsecured loan issued in FY19. The repayment dates of these facilities are co-terminus with the external borrowing repayment date.

The Group collateralised £15.0m on 31 December 2019 and repaid £4.5m of RCF/Term debt.

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

In the UK, bonding and similar instruments were £138m in March 2019 and had been reduced to £104m by March 2020. The UK business has reduced its exposure by over £300m since 2016.

UK BONDS AND GUARANTEES

	FY20 (£m)	FY19 (£m)	FY18 (£m)	FY17 (£m)
Surety Exposure	**55**	84	108	212
Bank Exposure	**49**	54	64	157

The Board has been working with its advisers to progress the required refinancing activity at a pace that has allowed time for an increased level of certainty to return to the construction industry since the initial outbreak of Covid-19, whilst still allowing sufficient time for this activity to be completed. The Board is confident that this will be achieved well ahead of the expiry of existing facilities on 31 December 2021.

Australia funding

The Australian business is financed by a AUS$37.5m subordinated debt facility which is due for repayment on 31 January 2022.

During FY20, the Australian business completed the refinancing of its bank guarantees extending the expiry of the facilities to 31 December 2021.

AUD$58m of the bank guarantees facility was drawn at 31 March 2020 (March 2019: AUD$90m). There are also surety bonding facilities, from which AUD$287m was drawn at 31 March 2020 (March 2019: AUD$218m).

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

United Arab Emirates funding

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

At 31 March 2020, the business had nil drawn on its overdraft and utilised AED363m of bonding (March 2019 AED392m). The overdraft facility is annually renewable (in line with business practice in the territory).

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

ASSET DISPOSALS

During FY20, no further disposals of non-core assets were made. However, on 28 May 2020 Laing O'Rourke Plc sold 5,000 shares out of a total holding of 7,000 shares in its joint venture Yorkshire Learning Partnership Limited for £7.0m, with a group profit on disposal of £0.8m. On 6 October 2020 Laing O'Rourke Plc sold the remaining 2,000 shares for £2.8m, with a group profit on disposal of £0.1m.

ORDER BOOK

The Group order book stood at £8.2bn (FY19: £7.6bn) on 31 March 2020. Whilst overall this is considered a strong performance, in our UK business particularly, despite the market uncertainties, the Group needs to convert its strong pipeline to achieve its business plan and this will remain a key focus throughout FY21.

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

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

The Australian order book has remained in line with prior year at the balance sheet date at £1.3bn. The replenishment of the order book has been driven by successful bids for new projects and scope increases in existing projects.

TAXATION

The Group recorded a corporation tax charge of £10.6m in the year (FY19: £0.9m credit).

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

PENSIONS

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

INSURANCE

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

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

Our insurance profile closely tracks and correlates with our safety performance – High Potential (PC1) events increased by 17 per cent in FY20, against the numbers reported in FY19. Despite this, we remain comfortable with the level of insurance risk we are carrying internally.

GOODWILL AND INTANGIBLE ASSETS

The Group carries £319.2m (FY19: £323.2m) of goodwill in the consolidated statement of financial position. The movement year-on-year is due to foreign exchange fluctuations. Goodwill is not amortised under International Financial Reporting Standards but is tested annually for impairment. In accordance with IAS 36, the recoverable amount has been tested by reference to four-year forecasts, discounted at the Group's estimated weighted average cost of capital.

As at 31 March 2020, based on the internal value-in-use calculations, the Board concluded that the recoverable value of the cash-generating units exceeded the carrying amount. Details of this test can be found in note 14 to the financial statements.

FINANCE AND TREASURY POLICY

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

UK CONSTRUCTION WORKING CAPITAL AND SUPPLY CHAIN PAYMENTS

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

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

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

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

In terms of payment data, the UK businesses reported their fifth set of payments practice data on 31 October 2020, for the six months to 30 September 2020. The average age of payments for the Group entities submitted was 37 days with 20 per cent paid beyond terms. This compares with average payments of 36 days and 28 per cent paid beyond terms for the previous six months, and average payments of 53 days and 47 per cent paid beyond terms for the six month period ended 30 September 2018 (first reporting period).

The Group's main UK trading entity; Laing O'Rourke Construction Limited reported average days of 32 with 20 per cent paid over terms, for the six-months to 30 September 2020.

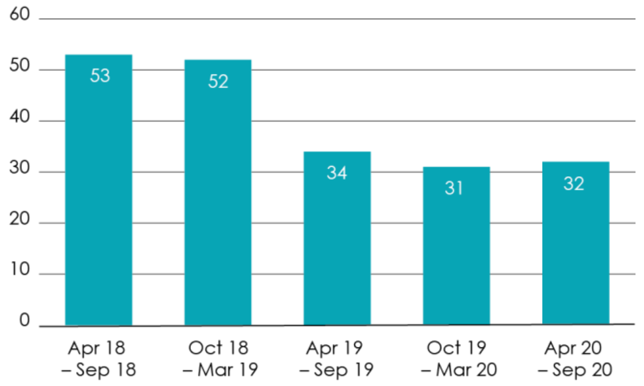
Laing O'Rourke became a signatory of the Prompt Payment Code (PPC) in 2013. It was reported in the media in April 2019 that Laing O'Rourke together with a number of other tier one contractors was temporarily suspended from the PPC for failing to pay 95 per cent of invoices within 60 days. Laing O'Rourke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

Laing O'Rourke remains committed to improving its payments performance and, following delivery of the actions submitted to the PPC in May 2019, Laing O'Rourke was re-instated to the Prompt Payment Code in November 2019.

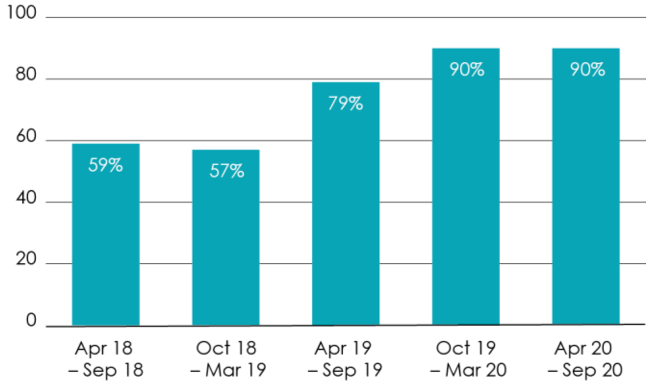
The graphs below show Laing O'Rourke Construction Limited's payment performance for the 30 months to 30 September 2020.

The first graph shows the trend of improving average payment days. The second graph shows the improving percentage of invoices paid within 60 days. The third graph shows improving performance of payments made within terms

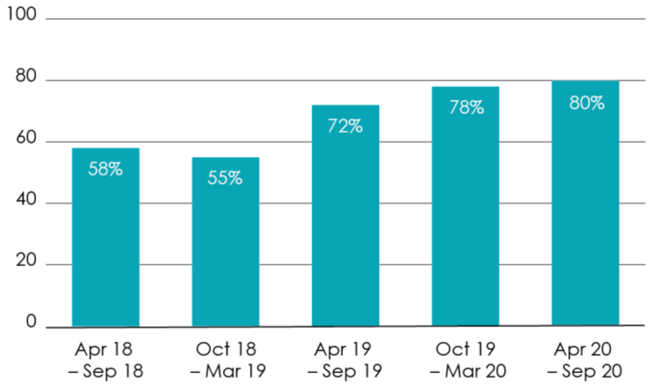
Graph One: Average days



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



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



RISK AND ACCOUNTING POLICIES

The Group's risk management framework and processes are largely unchanged from FY19. Greater focus is being placed upon the risk-management framework and the work of the risk and assurance team, particularly in seeking to identify issues across all operational phases of delivery.

The Board continuously assesses and monitors risks affecting the Group. Further details of how the Group has managed key financial and operational risks, such as credit and liquidity risks are set out on pages 26 to 30 under 'risk management'.

Laing O'Rourke reports its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Companies (Jersey) Law 1991. The Group's significant accounting policies and measures are explained in the notes to the financial statements on pages 46 to 52.

The Group implemented IFRS 16 as disclosed in note 31.

IMPACT OF BREXIT

Clarity over the UK's decision to leave the European Union and its timing has considerably reduced Brexit uncertainty. Laing O'Rourke has continued its planning for potential outcomes (in terms of deal or no deal) to ensure we have robust contingency plans in place that will mitigate any impacts on our core activities, and will enable us to deliver our current and future contract commitments with certainty for clients. Our focus has been on current live projects and those which underpin the future viability of the business.

Based on knowledge of our current pipeline, significant Government commitments (both already in play and under negotiation), and the infrastructure needs of the country - we believe that construction activity in infrastructure (particularly rail, education, power generation and utilities) will continue to grow over the medium term. The scale and visibility of the investment pipeline for schools and hospitals, along with the efficiency of the Government procurement route and the commitment to offsite, Modern Methods of Construction, strengthens our position.

Laing O'Rourke has analysed its current order book and pipeline and this review supports an assessment that a "no-deal Brexit" would present minimal risk to current projects and liquidity forecasts. We further consider that, should a Brexit deal be struck, our minimal risk should lessen.

For all current projects in the delivery phase we continue to monitor any Brexit impact and discuss with our clients how best to mitigate to ensure a successful outcome for all stakeholders. Our internal opportunity selection and contracting processes had already been fine tuned to consider Brexit risk on client investment and commitment and, as a private business, we have only embarked on work where that trading relationship is clear and future funding routes have been detailed in a collaborative manner, allowing us to commit delivery resources and manage the large costs of mobilisation with certainty.

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

The UK business conducted a detailed analysis on potential tariffs based on our history of direct imports from the EU. No tariffs apply under WTO rules to the import of tower cranes and it is assumed that additional customs procedures will create delays of no more than seven days. Apart from construction capital assets, the level of direct EU imports is low and the estimated additional costs arising from a "no deal Brexit" are deemed to be immaterial. We also consider potential risks arising from steel quotas to be low.

SUMMARY

There has been no change to the Group's work-winning discipline, nor material negative impact on current live projects, staff recruitment and attrition nor unexpected input price inflation due to Brexit.

The Board will continue to monitor developments in the UK business and political environment, and remains vigilant to the need to respond to any work-winning challenges, changes in market conditions such as freedom of movement, employment conditions, finance and tariff implications, disruption to supply of plant and equipment and key construction components, logistics, exchange rates and primary commodity prices as we approach 31 December 2020, and for the period immediately after the withdrawal date.

OUTLOOK

The Group has made considerable progress in addressing the challenges encountered in recent years and has delivered a solid result in FY20 despite the impact of Covid-19. Extensive management focus has been given to strengthening the foundation of the business through continuing to embed new processes and controls on project selection, operational delivery, and risk and assurance.

Our 2021 forecast and the longer-term delivery of our Deliver 2025 strategy is predicated on continuing to win sufficient opportunities within our pipeline, the continued implementation of our successful business model and strategic workstreams and no significant delays or disruptions to projects and our supply chain. Whilst the Board remains confident that its forecast and strategic plan can be delivered, it is possible that they could be impacted by the ongoing macroeconomic uncertainty, in particular surrounding potential future impacts of Covid-19 and Brexit, as explained within our going concern note on page 36 to 37.

The Board remains confident in the resilience of the business and its leadership due to its proven track record against a challenging market backdrop. The Government's recently announced infrastructure investment program and intention to 'level up' the country has strengthened the outlook for the construction sector over the next decade and Laing O'Rourke is well-positioned to respond to this. The Group's investment in developing a sector-leading Modern Methods of Construction capability, its integrated delivery model, strong client engagement and robust internal control environment ensure that it is well positioned to continue to win work and the Group continues to work closely with Government as a strategic supplier in order to deliver much needed hospitals, schools and infrastructure in support of their investment agenda. The Group has continued to convert its strong pipeline throughout the Covid-19 pandemic and continued conversion of this pipeline is the Board's main priority for the remainder of the current financial year. The Group now has 98% of its expected FY21 revenue either secured or anticipated and 75% of its expected FY22 revenue is at the secured, anticipated or preferred bidder stage. The Board also has a high level of confidence that its refinancing activity will be concluded well ahead of the expiry of its existing facilities on 31 December 2021.

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

R C BAKER
CHIEF FINANCIAL OFFICER

14 DECEMBER 2020

RISK MANAGEMENT

PROACTIVELY AND EFFECTIVELY MANAGING RISK

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

GROUP RISK MANAGEMENT

HOW LAING O'ROURKE MANAGES RISK

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

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

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

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

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

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

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

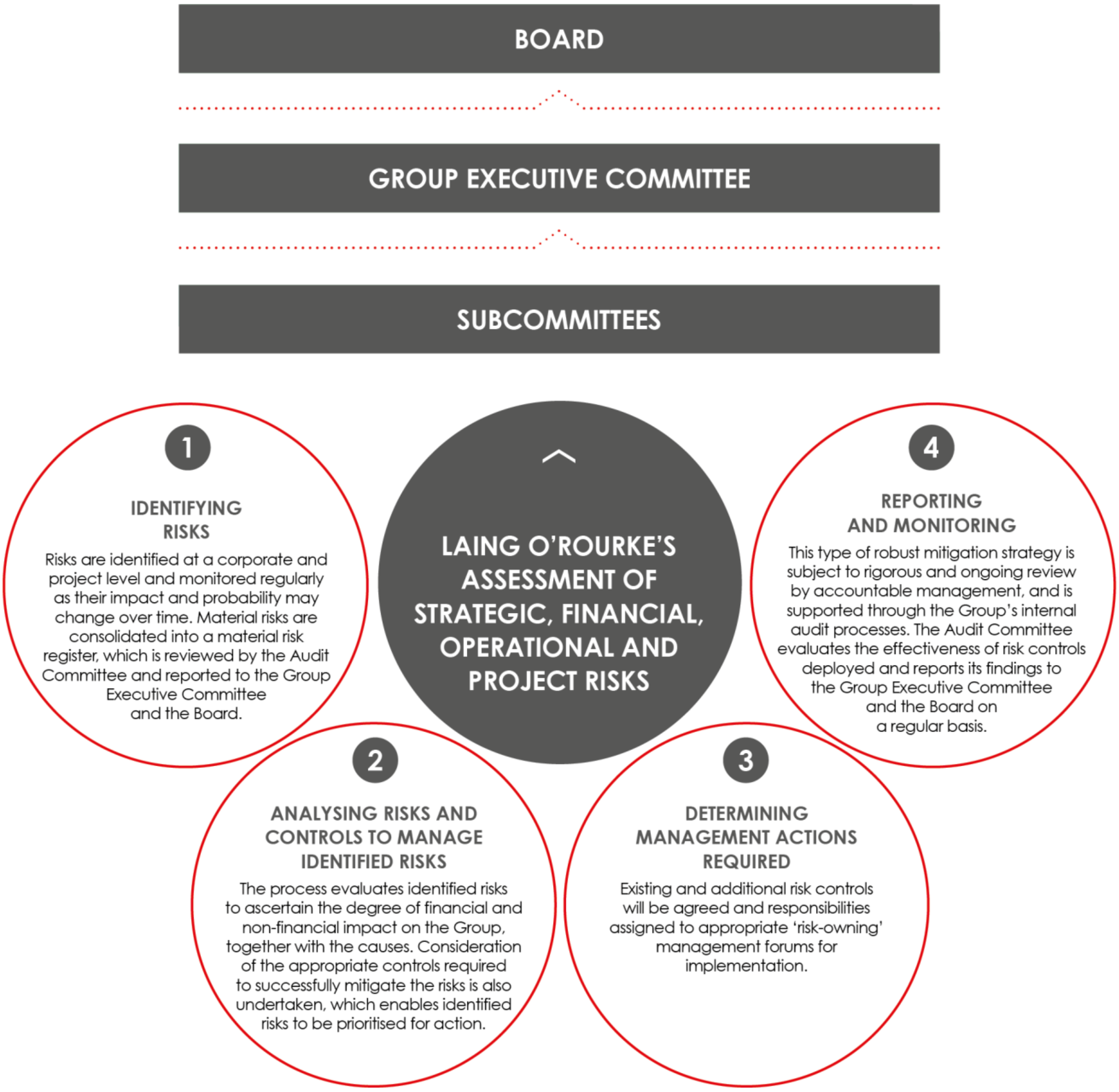
Project risks are monitored and reported by our project leadership teams, which are reviewed by business unit operational management at monthly contract reviews. This process covers the financial and schedule performance of projects and is overseen by the commercial function. The Business Plan Review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

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

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

INTERNAL CONTROLS

The system of internal risk controls is described within our management system, the iGMS (integrated Group Management System). This is described through policies issued by the Board, the governance framework, the delegation of authority, gateway authorisations and through the project lifecycle controls in the form of procedures.



OPERATIONAL GOVERNANCE

GLOBAL CODE OF CONDUCT

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

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

GROUP POLICIES

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

PROJECT QUALITY MANAGEMENT SYSTEM

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

The iGMS is divided into four sections:

ENTERPRISE: Corporate policies, processes and procedures.

EMPLOYEE: Individual employee processes and procedures.

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

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

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

The iGMS was migrated to the Australia Hub during FY19.

INTEGRATED GROUP MANAGEMENT SYSTEM

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

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

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

BUSINESS UNIT/FUNCTION GUIDELINES AND PROCEDURES

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

SUMMARY OF PRINCIPAL RISKS

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

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

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

HEALTH, SAFETY AND SUSTAINABILITY

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

WORK-WINNING

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

Key:

- Increase in risk during FY20
- No change in risk during FY20
- Decrease in risk during FY20

PROJECT DELIVERY

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

JOINT VENTURE PARTNERS

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

SUPPLY CHAIN

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

OUR PEOPLE

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

FINANCIAL

Risk/Impact:	Mitigation:
Inability to secure funding – in the form of refinancing facilities – could impact the Group's ability to bid work, make investments or meet its ongoing liquidity needs, which could adversely impact profitability, cash flow and future growth. Failure to meet predetermined financial covenants could lead to an event of default if any breach is not remedied within the relevant grace period.	Our experienced in-house cash management, treasury and finance teams take a prudent approach to liquidity, constantly monitoring and maintaining sufficient cash reserves, as well as available bank facilities to meet liabilities and financing needs as they fall due. The team also takes a proactive stance monitoring and ensuring compliance with covenants and reporting requirements. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that we have adequate availability of cash when required. The Group has ensured that our lender groups are fully informed of all developments in relation to liquidity management on a regular basis and has received full support from the financial stakeholders throughout the year. This has been particularly important during the Covid-19 pandemic and the Group has remained fully compliant with all financial covenants throughout. During the calendar year 2019, the Group refinanced its UK and Australian operations with coterminous renewal dates and has commenced the process of refinancing these facilities which are due to expire on 31 December 2021. The growing order book, demand from the infrastructure plans in the countries where we deliver our services and liquidity initiatives indicate that we will remain compliant with our covenants. Although the potential consequences of Covid-19 and Brexit may result in uncertainty related to conversion of the Group's order book and completion of a refinancing, the Board remains confident this will be delivered during FY21.

EXTERNAL

POLITICAL, ECONOMIC AND REGULATORY

Risk/Impact:	Mitigation:
The Group operates in a cyclical industry and changes in the economic environment, government policy and regulatory developments (including building and fire regulations) can have a significant impact on both the number of new projects and an impact on legacy projects, thus affecting the Group's profitability.	The Group seeks to maintain a diverse portfolio of projects for both private and public clients and a broad exposure to several resilient sectors and geographic markets. Laing O'Rourke also maintains a focus on sustainable relationships with key clients, government departments and related regulatory authorities. This includes members of the senior leadership team actively participating in many political, economic and regulatory forums to share knowledge and, where appropriate, support the development of policy and legislation. Due to the recent developments in the UK political and economic environment in relation to Covid-19 and Brexit, the Group considers this risk has increased in the short term although its impact is lessened due to the recent affirmation of Government commitment to critical infrastructure spend.

BREXIT

Risk/Impact:	Mitigation:
Following the UK leaving the European Union, the impact of any trade agreements and possible extension of the transition period continues to create uncertainty particularly on the potential delays for importing materials which may put pressure on our financial performance.	The Group has mapped, analysed and continues to monitor the potential challenges that result from the UK's withdrawal from the European Union and, to date, has not identified any material negative impact on live projects currently in delivery within the UK construction market in either the traditional built environment or infrastructure sectors. The Group does not deliver services to any country in the EU. To date, there has been no change to the Group's work-winning methodologies, or negative impacts on current live projects or staff recruitment. The Board will continue to monitor the potential impact of the continuing uncertainty in the UK business environment and remains vigilant to the need to respond to changes in market conditions such as freedom of movement, finance and tariff implications, disruption to supply of plant and equipment and key construction components, exchange rates and primary commodity prices as the UK navigates the route to the end of the transition period.

PANDEMICS

Risk/Impact:	Mitigation:
Covid-19 could have a significant financial and operational impact on our business.	The Covid-19 crisis is continually evolving, and the Group will continue to develop its approach in all the areas in which it operates. The health, safety and wellbeing of all our people and stakeholders is and will always be our priority. We continued to support the Government decisions in each of the territories in which we operate and have continued to operate where it is safe to do so and agreed with the relevant clients. The Group immediately invoked a crisis management process to consider and mitigate the impact of this pandemic and the agility of decision making had a major effect on our ability to largely mitigate the financial impact of all of the consequences of compliance with Government guidelines in the UK, Australia and UAE. We continue to monitor developments in relation to this pandemic and the potential impact on our business activities.

CONDUCT, COMPLIANCE AND REPUTATION

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

IT, DATA GOVERNANCE AND CYBER SECURITY

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

SECURITY

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

CLIMATE CHANGE

Risk/Impact:	Mitigation:
With the climate change and zero carbon agenda gathering social, moral and regulatory focus, our inability to adapt to these pressures and client expectations could lead to pressures on our work-winning ability.	The Laing O'Rourke direct delivery operating model has been a key driver to support the initiatives to reduce our carbon footprint. The Group has adopted modern methods of construction and is an industry leader in the use and application of its own offsite manufacturing capabilities. Laing O'Rourke have demonstrated the benefits of its operating model and remains confident that it can comply with any operational regulations and client expectations. A Group Sustainability Strategy will be finalised in the upcoming financial year, developing a bold approach that focuses on delivering wider sustainability benefits that have resilience and depth not only through Laing O'Rourke's operations but also addresses wider supply chain and full building lifecycle impacts.

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

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

FINANCIAL PERFORMANCE

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

MANAGED REVENUE

£3.0bn

(FY19: £3.3bn)

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

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

Performance: Managed revenue decreased to £3.0bn (FY19: £3.3bn) during the year. This was attributable to a reduction in strategically aligned work-winning opportunities in the European Hub.

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

EBIT

Profit of £72.9m

(FY19: Profit of £47.2m)

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

Performance: Earnings before interest and tax improved by £25.7m year-on-year principally reflecting the improvements in underlying trading particularly in the Australian Hub.

OPERATIONAL PERFORMANCE

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

WORK-WINNING AND DELIVERY

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

ORDER BOOK

£8.2bn

(FY19: £7.6bn)

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

Performance: The Group order book is £8.2bn (FY19: £7.6bn). This represents three times annual revenue. The key target is to convert the strong UK pipeline and delivery of this represents the Board's main priority for the remainder of the current financial year.

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

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

SUPPORT FUNCTIONS

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

ACCIDENT FREQUENCY RATE

0.11

(FY19: 0.14)

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

Performance: AFR decreased to 0.11 (FY19: 0.14).

VALUE PROPOSITION

Laing O'Rourke always seeks to work in close partnership with its clients to deeply understand their needs, co-design and engineer solutions and to deliver certainty. It does so via its unique operating model, which harnesses digital engineering, design for manufacture and assembly (DfMA) and offsite manufacturing at its own facilities to deliver projects more quickly and with less risk. The full potential of this approach based on purposeful technology is unlocked by combining it with the power of experience. This comes from the group's greatest asset, its people, the men and women who have delivered some of the world's most complex and innovative infrastructure and building projects.

CUSTOMER SATISFACTION (EUROPE HUB)

81.4%

(FY19: 78.8%)

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

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

Performance: Our average performance score for Europe in FY20 was 81.4%, representing consolidated feedback across 16 projects. Australia scored 73.6% across 19 projects and the Middle East scored 74.2%, across 2 projects.

Health and safety, technical ability, effectiveness of process, quality of team and communication resulted in the highest scores. Value engineering, commercial, environmental and change management require additional focus.

DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS	Sir J Parker (Chairman) R G O'Rourke KBE (CEO) H D O'Rourke R C Baker (CFO) (appointed 22 September 2020) G J Branch J F Edmondson S G French (appointed 16 March 2020) C Klerides (resigned 9 December 2019) V Papadopoulos (resigned 9 December 2019) A S McIntyre (Finance Director) (resigned 22 September 2020) K C Valeur
COMPANY SECRETARY	J F Edmondson
COMPANY NUMBER	130524
REGISTERED OFFICE	Level 4, International Finance Centre 1 St Helier Jersey JE2 3BX
UK CONTACT ADDRESS	Laing O'Rourke plc Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN United Kingdom
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom

BANKERS

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

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

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

HSBC UK Bank Plc
7th Floor Thames Tower
Reading RG1 1LX
United Kingdom

National Australia Bank
800 Bourke Street
Docklands VIC 3008
Australia

INSURANCE ADVISERS

Marsh Limited
Tower Place
London EC3R 5BU
United Kingdom

INSURERS

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

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors present their annual management report together with the audited financial statements of the Laing O'Rourke Corporation Limited consolidated group (the 'Group') for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Group's principal activities are:

CONSTRUCTION

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

MANUFACTURING

- Building products
- Manufacturing construction products

PLANT HIRE

- Plant hire and operations

SERVICES

- Design services
- Building operations management
- Property development

A list of principal subsidiaries, joint arrangements and associates can be found on pages 78 and 79 in note 36 to the financial statements.

A review of the Group's activities and performance for the year is presented on pages 5 to 22.

CHANGES IN GROUP STRUCTURE

During the year there were no significant changes in the Group structure. During the year, the Group only completed those disposals as described on page 60 in note 15 to the financial statements. On 9 December 2019 Laing O'Rourke Corporation Limited (the Company) redomiciled from Cyprus to Jersey, refer to note 1.

GENERAL INFORMATION

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

BRANCHES OUTSIDE JERSEY

The Company did not operate through any branches during the year.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE

Details of future developments are presented on pages 5 to 22.

RESEARCH AND DEVELOPMENT

The Group expenditure in research and development of £30.0m (2019: £30.6m) supports the development of construction techniques to deliver quality, certainty and value for our customers.

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement on page 41 and show a profit for the year after tax of £34.9m (2019: £33.7m).

The Company paid no dividends during the year (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

CHARITABLE CONTRIBUTIONS

During the year the Group contributed £0.1m (2019: £0.3m) to its nominated charities.

POST BALANCE SHEET EVENTS

On 28 May 2020 Laing O'Rourke Plc sold 5,000 shares out of a total holding of 7,000 shares in its joint venture Yorkshire Learning Partnership Limited with a group profit on disposal of £0.8m. On 6 October 2020 Laing O'Rourke Plc sold the remaining 2,000 shares with a group profit on disposal of £0.1m.

On 4th December 2020, the Group concluded a corporate restructure of the Australian Hub. The restructure included establishing a new holding entity, Laing O'Rourke Australia Group Pty Limited, as the immediate parent company of Laing O'Rourke Australia Pty Limited. The restructure included the formation of additional entities as subsidiaries to Laing O'Rourke Australia Group Pty Limited. The restructure did not result in any disposals, acquisitions or discontinuing of operations.

DIRECTORS AND THEIR INTERESTS

The current membership of the Board is as set out on page 34. All the Directors were members of the Board throughout the year ended 31 March 2020, except Seamus French who was appointed as a Director on 16 March 2020 and Rowan Baker who was appointed as a Director on 22 September 2020. Christakis Klerides and Victor Papadopoulos resigned on 9 December 2019 and Stewart McIntyre resigned on 22 September 2020.

R G O'Rourke KBE and H D O'Rourke are ultimate beneficiaries of the trust which owns all of the shareholding of the Company. No other Directors have an interest in the shares of the Company. Details of related party transactions can be found on pages 75 and 76 in note 32 to the financial statements.

HEALTH, SAFETY AND WELFARE

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

EMPLOYMENT POLICY

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the Group's policies and procedures for managing risk are set out on pages 23 to 30.

Key judgements and estimation uncertainty are detailed on pages 51 to 52 in note 2.25 to the financial statements.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

Details of the Group's financial instruments are set out on pages 71 to 74 in note 29 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out on page 70 in note 26 to the financial statements.

GOING CONCERN

The Group delivered a solid performance in FY20 and exceeded its budgeted profit before tax by circa £14m despite the impact of Covid-19 in the final month of its financial year. Encouraging progress has been made with the Group's transformation plan and the Group remains on track to achieve its 'Deliver 2025' strategic targets.

The Group has maintained a strong liquidity position throughout the ongoing Covid-19 pandemic as a result of decisive management actions and support from initiatives, including tax deferrals and the job retention scheme. After a period of temporary site closure at certain projects immediately after the first national lockdown was announced, all sites were made Covid-safe and recommenced operations. Only one project has been significantly impacted by potentially irrecoverable Covid-19 costs and this was largely due to a regionally mandated extended shut down period.

The overall impact of Covid-19 was substantially mitigated by the following:

- Temporary voluntary salary reductions (ranging from 20% to 30%);
- circa1,000 staff placed on furlough from 1 April to 31 July 2020;
- Headcount reduction of circa150 FTE;
- Closure of certain sites in line with Government guidelines and at the request of clients;
- Acceleration and/or enhanced scope delivered at key, nationally important sites including Royal Liverpool University Hospital, The Grange Hospital, Clatterbridge Hospital, Hinkley Point Power Station and HS2;
- Discretionary spend reduced and removal of non-essential capital expenditure; and
- Agreement with HMRC for deferrals of certain PAYE and VAT payments in line with the government Covid-19 assistance measures (PAYE fully repaid by 31 July 2020 and VAT fully repayable by March 2022).

As a result of its ongoing profitability and the financial flexibility achieved via these mitigations, the Group has not required any waivers or relaxation of its banking covenants during the Covid-19 period to date and its 'base case' business plan does not anticipate needing any such relaxation in advance of its main UK facilities expiring in December 2021. The base case assumes that refinancing of these facilities will be achieved.

In forming their conclusion as to the appropriateness of continuing to apply the going concern assumption in preparing these accounts, the Directors have reviewed the Group's 'base case' forecast, representing management's best estimate of the future performance of the Group, including cash flow forecasts to 31 March 2022. The Directors have also considered the way in which the Group constantly monitors its cash reserves and exercises tight control over its working capital as illustrated by its strong liquidity performance during the ongoing Covid-19 pandemic. This assessment has been performed for each of the Group's main operations in isolation, as well as for the Group as a whole; separate substantive funding and associated covenants exist for the UK, Australia and the Middle East.

A similar approach was adopted in assessing going concern across each of the businesses in the UK, Australia and the Middle East in preparing a base case and considering severe but plausible downsides. However, as liquidity and financial covenant headroom for the UK business is tightest, this was a particular area of focus, and the comments that follow relate to the UK business unless specified otherwise as this business is most relevant to the assessment of going concern for the Group as a whole.

The key assumptions reflected in the UK 'base case' business plan include:

- Construction activity assumed to continue in line with current Government guidance at similar productivity levels to those experienced throughout the ongoing Covid-19 pandemic, with no additional material deterioration in project gross margins or working capital position as a result of Covid-19 or Brexit;
- Work-winning continues in line with expectations;
- Continued access to finance and financial instruments after their currently scheduled expiry on 31 December 2021;
- Continued access to existing Government Covid-19 tax deferral initiatives to the extent still available (no new schemes or extension of existing schemes are assumed unless already explicitly announced and confirmed by the Government);
- Continued support of our supply chain in terms of product material, labour supply and flexibility in payment terms;
- The underlying structural drivers for UK construction work in infrastructure, power generation, education, healthcare and residential housebuilding remain in place; and
- No significant financial impact from Covid-19 as a result of a significant deterioration in the health and well-being of our people.

The Board's 'base case' forecast does not anticipate any breaches of existing banking covenants that would result in an Event of Default under the facilities across the next 12 months and delivers a comfortable level of operating cash liquidity headroom until the existing facilities expire on 31 December 2021. The 'base case' also assumes that a successful refinancing of existing facilities is achieved and a proportion of the Group's current debt is paid down prior to refinancing, in line with the scheduled repayment profile, which also further reduces its refinancing execution risk. The Board has been working with its advisers to progress the required refinancing activity at a pace that has allowed time for an increased level of certainty to return to the construction industry since the initial outbreak of Covid-19, whilst still allowing sufficient time for this activity to be completed well ahead of the expiry of existing financing facilities.

In addition to consideration of its 'base case' most likely outcome, the Directors have also considered a number of stress-tested severe but plausible downside scenarios in light of the potential material uncertainties created by Covid-19 and

GOING CONCERN (CONTINUED)

Brexit. These scenarios have been prepared using certain key assumptions, with particular focus on compliance with financial covenants and liquidity requirements for the UK business where the headroom is tightest.

Key downside scenario assumptions in the UK assessment include:

- Lower revenue and trading volumes as a result of Covid-19, with a range of sensitivities applied to work-winning (£110m cash inflow removed to 31 March 2022, 44% of base forecast);
- Delays to certain cash receipts (£15m cash inflow removed to 31 March 2022, 53% of base forecast);
- Specific project risks (£8m cash inflow removed to 31 March 2022, 12% of base forecast); and
- Potential margin erosion and a potential negative impact on the Group's ability to deliver its transformation activities (including cost reductions, £6m cash inflow removed to 31 March 2022).

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

- Furlough (assuming it is required before 31 March 2021) and redundancy programmes;
- Disposal of certain specific fixed assets;
- Reduction in discretionary spend and non-essential capital expenditure; and
- The availability for the UK business of additional liquidity from the Australia Hub via payment of intra-group management charges and dividends (subject to lender consent in Australia which the Directors believe would not be unreasonably withheld).

The Board has reviewed a range of scenarios and has noted the following results for the UK business:

- Delivery of 'base case' business plan: no breach of banking covenants that would result in an Event of Default under the facilities, prior to the date of refinancing at 31 December 2021;
- Mitigated downside scenario: no breach of UK banking covenants that would result in an Event of Default under the facilities, prior to the date of refinancing at 31 December 2021; although the Board notes that not all mitigating actions are entirely within the control of the Group; and
- Mitigated downside scenario, whereby only mitigating actions fully in the control of the Group are assumed: the Group's UK liquidity headroom and covenants that would result in the Event of Default under the facilities would be breached midway through 2021.

In all scenarios, a refinancing of the Group's facilities is required by 31 December 2021. The Board considers that there are no substantive risks attached to the going concern assessments for the Australian and UAE businesses.

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

- Against the background of Covid-19 and Brexit uncertainties, the outlook for the UK Construction sector is positive, strengthened by the Government's substantial infrastructure investment programme. The Group continues to work closely with Government as a strategic supplier in order to deliver much needed hospitals, schools and infrastructure in support of their investment agenda;
- Laing O'Rourke's investment in developing a sector-leading modern methods of construction (MMC) capability, its proven track record against a challenging market backdrop, integrated delivery model, strong client engagement and robust internal control environment ensure that it is well-positioned to continue to win work;
- The current order book for the Group and UK remains strong at £8.2bn and £6.4bn respectively as a result of continued work-winning success during the recent Covid-19 period. The Group now has 98% (UK 98%) of its expected FY21 revenue either secured or anticipated and 75% (UK 82%) of its expected FY22 revenue is at the secured, anticipated or preferred bidder stage;
- Current cash performance is above the base case; and
- Good progress is being made with refinancing activity and the Board has a high level of confidence that it will conclude its refinancing activity well ahead of the expiry of the existing facilities on 31 December 2021.

Based on this assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these financial statements. Accordingly, the Group has continued to adopt the going concern basis of accounting in preparing the Group's financial statements for the year ended 31 March 2020.

However, in light of the range of outcomes of the above scenarios and the unprecedented level of uncertainty resulting from the economic consequences of the current Covid-19 pandemic and Brexit, the Directors have concluded that attention should be drawn to the following as a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern:

- The completion of the renewal or refinancing of current debt facilities, which mostly have an expiry date of 31 December 2021; and
- The conversion of the Group's order book and replenishment of the future pipeline of work over the next 15 months to 31 March 2022, which are subject to market and macroeconomic factors, including the uncertainty surrounding the potential future impacts of Covid-19 and Brexit.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements in accordance with applicable law and Internal Financial Reporting Standards ("IFRS").

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue the business; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

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

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

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

Following the redomiciliation of the Company from Cyprus to Jersey during the financial year, the Board appointed PricewaterhouseCoopers LLP in the UK to supercede the previous audits, PricewaterhouseCoopers Limited in Cyprus.

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

APPROVAL

This report was approved by the Board on 14 December 2020 and signed on its behalf by:

R G O'ROURKE KBE
DIRECTOR

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

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

- give a true and fair view of the state of the group's affairs as at 31 March 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 March 2020; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

INDEPENDENCE

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the group's ability to continue as a going concern. The group is dependent on the completion of the renewal or refinancing of current debt facilities, which mostly have an expiry date of 31 December 2021. In addition, the group is dependent on the cash generated from the conversion of the group's order book and replenishment of the future pipeline of work over the next 15 months to 31 March 2022, which are subject to market and macroeconomic factors, including the potential future impacts of Covid-19 and Brexit. These conditions, along with the other matters explained in note 2.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The group financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

EMPHASIS OF MATTER – RECOVERABILITY OF EPC CRYOGENIC TANKS CONTRACT ASSETS

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.25 (b), note 19 and note 28 to the financial statements concerning the recoverability of £93m (AUD$187m) of non-current contract assets recognised in relation to the EPC Cryogenic Tanks contract in Australia. The recoverability of this amount remains subject to dispute resolution and/or private arbitration, the outcome of which is uncertain.

REPORTING ON OTHER INFORMATION

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

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES (JERSEY) LAW 1991 EXCEPTION REPORTING

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

– we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

SIMON MORLEY
FOR AND ON BEHALF OF

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS

LONDON, 14 DECEMBER 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2020

	Note	Pre-exceptional items 2020 £m	Exceptional items (note 5) 2020 £m	Total 2020 £m	Pre-exceptional items 2019 £m	Exceptional items (note 5) 2019 £m	Total 2019 £m
Continuing operations							
Revenue	3	**2,448.5**	**–**	**2,448.5**	2,753.4	–	2,753.4
Cost of sales		**(2,186.3)**	**(6.5)**	**(2,192.8)**	(2,541.3)	–	(2,541.3)
Gross profit /(loss)		**262.2**	**(6.5)**	**255.7**	212.1	–	212.1
Administrative expenses		**(174.9)**	**(4.2)**	**(179.1)**	(179.9)	(14.1)	(194.0)
Other operating income	8	**0.9**	**–**	**0.9**	5.2	–	5.2
Profit/(loss) from operations before joint ventures		**88.2**	**(10.7)**	**77.5**	37.4	(14.1)	23.3
Profit on disposal of joint ventures	15	**–**	**–**	**–**	3.9	–	3.9
Share of post-tax (loss)/profit of joint ventures and associates	16	**(4.9)**	**–**	**(4.9)**	5.3	–	5.3
Profit/(loss) from operations	5	**83.3**	**(10.7)**	**72.6**	46.6	(14.1)	32.5
Net non-operating income	9	**0.3**	**–**	**0.3**	–	14.7	14.7
Profit/(loss) before interest and tax		**83.6**	**(10.7)**	**72.9**	46.6	0.6	47.2
Finance income	10	**1.9**	**–**	**1.9**	3.9	–	3.9
Finance expense	11	**(29.3)**	**–**	**(29.3)**	(18.3)	–	(18.3)
Net financing expense		**(27.4)**	**–**	**(27.4)**	(14.4)	–	(14.4)
Profit/(loss) before tax		**56.2**	**(10.7)**	**45.5**	32.2	0.6	32.8
Taxation	12	**(12.0)**	**1.4**	**(10.6)**	(0.6)	1.5	0.9
Profit/(loss) for the year		**44.2**	**(9.3)**	**34.9**	31.6	2.1	33.7
Attributable to:							
Owners of the Parent		**44.0**	**(9.3)**	**34.7**	31.3	2.1	33.4
Non-controlling interests		**0.2**	**–**	**0.2**	0.3	–	0.3
		44.2	**(9.3)**	**34.9**	31.6	2.1	33.7

The notes on pages 46 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as at 31 March 2020

	Note	Pre-exceptional items 2020 £m	Exceptional items (note 5) 2020 £m	Total 2020 £m	Pre-exceptional items 2019 £m	Exceptional items (note 5) 2019 £m	Total 2019 £m
Profit/(loss) for the year		**44.2**	**(9.3)**	**34.9**	31.6	2.1	33.7
Other comprehensive income/ (expense):							
Items that may be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations		**(14.1)**	**–**	**(14.1)**	(2.8)	–	(2.8)
Fair value of financial assets	16	**(1.0)**	**–**	**(1.0)**	2.5	–	2.5
Cash flow hedges	16	**0.5**	**–**	**0.5**	(2.3)	–	(2.3)
Share of other comprehensive expense of investments accounted for using the equity method	16	**(1.2)**	**–**	**(1.2)**	(0.6)	–	(0.6)
Other comprehensive expense for the year, net of tax	12	**(15.8)**	**–**	**(15.8)**	(3.2)	–	(3.2)
Total comprehensive income for the year		**28.4**	**(9.3)**	**19.1**	28.4	2.1	30.5
Attributable to:							
Owners of the Parent	27	**28.3**	**(9.3)**	**19.0**	28.3	2.1	30.4
Non-controlling interests	27	**0.1**	**–**	**0.1**	0.1	–	0.1
		28.4	**(9.3)**	**19.1**	28.4	2.1	30.5

Items disclosed in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 12.

The notes on pages 46 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	14	**335.6**	334.6
Investments in joint ventures	16	**15.4**	16.6
Loans to joint ventures	16	**15.3**	14.1
Property, plant and equipment	17	**300.0**	198.9
Investment property	18	**–**	–
Deferred tax assets	25	**54.0**	56.2
Trade and other receivables	19	**143.7**	148.2
Total non-current assets		**864.0**	768.6
Current assets			
Inventories	20	**19.1**	21.5
Trade and other receivables	19	**395.0**	456.9
Current tax assets		**5.0**	8.2
Cash and cash equivalents		**460.8**	460.4
Total current assets		**879.9**	947.0
Total assets		**1,743.9**	1,715.6
Liabilities			
Current liabilities			
Borrowings	21	**(88.1)**	(45.0)
Trade and other payables	23	**(920.2)**	(989.7)
Provisions for other liabilities and charges	24	**(3.5)**	(5.5)
Current tax liabilities		**(2.3)**	(0.7)
Total current liabilities		**(1,014.1)**	(1,040.9)
Non-current liabilities			
Borrowings	21	**(363.6)**	(303.4)
Trade and other payables	23	**(34.0)**	(61.9)
Provisions for other liabilities and charges	24	**(44.2)**	(47.5)
Deferred tax liabilities	25	**(9.3)**	(2.3)
Total non-current liabilities		**(451.1)**	(415.1)
Total liabilities		**(1,465.2)**	(1,456.0)
Net assets		**278.7**	259.6
Equity			
Share capital	26	**–**	–
Share premium	26	**286.4**	286.4
Fair value reserve	27	**1.5**	2.5
Hedging reserve	27	**(4.9)**	(5.4)
Foreign currency translation reserve	27	**(22.2)**	(7.0)
Retained earnings/(deficit)	27	**17.7**	(14.1)
Total equity attributable to owners of the Parent		**278.5**	262.4
Non-controlling interests	27	**0.2**	(2.8)
Total equity		**278.7**	259.6

The financial statements were approved and authorised for issue by the Board of Directors on 14 December 2020 and were signed on its behalf by:

R C Baker
Director

The notes on pages 46 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Profit before tax		**45.5**	32.8
Adjustments for:			
Non-cash exceptional items	5	**5.1**	–
Depreciation and amortisation	6	**48.7**	30.4
Profit on disposal of property, plant and equipment	6	**(7.3)**	(0.6)
Profit on disposal of joint ventures	15	**–**	(3.9)
Net financing costs		**27.4**	14.4
Share of post tax loss/(profit) of joint ventures and associates	16	**4.9**	(5.3)
Decrease in trade and other receivables		**55.3**	56.4
Decrease in inventories		**1.5**	5.2
Decrease in trade and other payables and provisions		**(85.2)**	(56.3)
Other		**0.9**	(3.0)
Cash generated from operations		**96.8**	70.1
Interest paid		**(16.3)**	(15.3)
Net tax received		**1.9**	3.0
Net cash generated from operating activities		**82.4**	57.8
Cash flows (used in)/generated from investing activities			
Purchase of property, plant and equipment		**(23.9)**	(16.2)
Purchase of intangible assets	14	**(8.8)**	(3.7)
Capital injections in equity investments	16	**(6.0)**	(21.0)
Proceeds from sale of property, plant and equipment		**26.4**	7.6
Disposal of assets held for sale		**–**	1.7
Proceeds from disposal of joint ventures and associates	15	**–**	3.9
Proceeds from disposal of subsidiaries	15	**–**	22.0
Loans to joint ventures and associates	16	**(1.4)**	(3.2)
Loans repaid by joint ventures and associates	16	**0.2**	12.2
Interest received		**1.9**	3.9
Distributions received from joint ventures and associates	16	**1.1**	1.9
Net cash (used in)/generated from investing activities		**(10.5)**	9.1
Cash flows (used in)/generated from financing activities			
Proceeds from new bank loans		**9.8**	62.1
Repayments of bank loans		**(28.1)**	(1.8)
Lease principal repayments		**(41.9)**	(25.8)
Net cash (used in)/generated from financing activities		**(60.2)**	34.5
Net increase in cash and cash equivalents		**11.7**	101.4
Cash and cash equivalents at beginning of year		**460.4**	357.0
Effect of exchange rate fluctuations on cash held		**(11.3)**	2.0
Cash and cash equivalents at end of year		**460.8**	460.4
Non-cash transactions principally relate to new lease agreements taken out during the year amounting to £21.5m (2019: £26.4m).			
Cash and cash equivalents comprise:			
Cash at bank and on hand		**411.8**	383.9
Short-term bank deposits[1]	30	**9.3**	9.3
Restricted cash deposits[1]		**39.7**	67.2
		460.8	460.4

1. Restricted cash deposits includes £13.5m (2019: £27.5m) relating to the project bank accounts where amounts due to subcontractors are ring fenced. Payments to subcontractors were made after the year end. There was also £35.5m (2019: £49.0m) of cash which is pledged as short term collateral; this balance includes short-term bank deposits. This comparative for short term collateral cash has been restated by £9.3m from £39.7m to £49.0m due to a disclosure error.

The notes on pages 46 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Note	Share capital and share premium £m	Other reserves £m	Retained earnings £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2018		286.4	(6.9)	(47.5)	232.0	(2.9)	229.1
Profit for the year		–	–	33.4	33.4	0.3	33.7
Other comprehensive expense after tax		–	(3.0)	–	(3.0)	(0.2)	(3.2)
Total comprehensive (expense)/income for the year		–	(3.0)	33.4	30.4	0.1	30.5
Dividends paid	13	–	–	–	–	–	–
At 31 March 2019		**286.4**	**(9.9)**	**(14.1)**	**262.4**	**(2.8)**	**259.6**
Profit for the year		**–**	**–**	**34.7**	**34.7**	**0.2**	**34.9**
Other comprehensive expense after tax		**–**	**(15.7)**	**–**	**(15.7)**	**(0.1)**	**(15.8)**
Total comprehensive (expense)/income for the year		**–**	**(15.7)**	**34.7**	**19.0**	**0.1**	**19.1**
Movements relating to change in beneficial ownership		**–**	**–**	**(2.9)**	**(2.9)**	**2.9**	**–**
Dividends paid	13	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2020		**286.4**	**(25.6)**	**17.7**	**278.5**	**0.2**	**278.7**

Additional disclosure and details are provided in note 27.

The notes on pages 46 to 79 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Laing O'Rourke Corporation Limited (the 'Company') is a company incorporated and domiciled in Jersey. In the prior year the Company was domiciled in Cyprus. The Group prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The address of the registered office is given on page 34. The nature of the Group's operations and its principal activities are set out in note 36 and in the Financial Review on pages 17 to 22. The consolidated financial statements of the Group for the year ended 31 March 2020 comprise the Company and its subsidiaries and the Group's interest in joint arrangements and associates. The entity's financial statements are filed separately.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

The Group consolidated financial statements are presented in pounds sterling, rounded to the nearest hundred thousand and include the results of the holding company, its subsidiary undertakings and the Group's interest in joint arrangements and associates for the year ended 31 March 2020. The Group consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings (prior to the adoption of IFRS), and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The principal accounting policies which have been consistently applied for all consolidated entities including subsidiaries, joint arrangements and associates are set out below.

Going concern

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

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

- The renewal/refinancing of current debt facilities, which mostly have an expiry date of 31 December 2021; and
- The conversion of the Group's order book and replenishing the future pipeline of work over the next 15 months, which is subject to market and macroeconomic factors, including the potential future impacts of Covid-19 and Brexit.

The inability to achieve one or more of the above could have a negative impact on cashflow and potentially the Group's banking covenants. As such, these factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. Refer to pages 36 to 37 of the consolidated management report relating to going concern, which are incorporated by reference into these financial statements.

Accounting standards

The following standards, amendments and interpretations became effective in the year ended 31 March 2020 and have been adopted:

a) IFRS 16, Leases

b) IFRIC 23, Uncertainty over Income Tax Treatments

c) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

d) Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

e) Amendments to IFRS 9: Prepayment Features with Negative Compensation

f) Annual improvements to IFRS Standards 2015-2017 Cycle

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

IFRS 16 - Leases

The Group has adopted IFRS 16 from 1 April 2019 using the modified retrospective approach. IFRS 16 replaces the previous leases Standard, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'), it effectively eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model.

It has introduced onto the Statement of Financial Position a right-of-use (ROU) asset and corresponding lease liability of £104.5m on 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.1%. There was no effect on transition to the Group's retained earnings. Management used judgement to determine whether a right of use operating lease existed if the contract conveyed the right to control use of an identified asset for a period of time in exchange for consideration. Refer to note 17 for property, plant and equipment impact, note 21 for lease liabilities and note 31 for transition details.

In line with the requirements of the standard with regards to the transition option adopted, the Group has not restated its comparative information which continues to be reported under IAS 17.

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 2020.

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

a) IFRS 17, Insurance Contracts

b) Definitions of Materiality (Amendments to IAS 1 and IAS 8)

c) Amendments to IFRS 3, Business Combinations

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

e) References to the Conceptual Framework

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Directors are assessing the impact of the above. The Group has chosen not to adopt any of the above standards and interpretations earlier than required.

The Directors are also assessing the impact of climate change risk on the preparation of the financial statements.

2.3 BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

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

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

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

2.5 PROPERTY, PLANT AND EQUIPMENT

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

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

Plant, equipment and vehicles includes tower cranes, crawler cranes and other specialist assets that are depreciated up to a useful life of 15 years as well as small tools and vehicles that are depreciated between 2 and 5 years.

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

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

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

2.6 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

Other intangible assets

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

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

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment or reversal of prior impairments when circumstances or events indicate there may be a change in the recoverable amount. 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. The recoverable amount in the impairment test is based on fair value less cost to sell or value-in-use, whichever is greater.

2.7 FINANCIAL INVESTMENTS

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

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

2.8 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

2.9 CASH AND CASH EQUIVALENTS

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 TRADE AND OTHER RECEIVABLES

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

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

2.11 TRADE AND OTHER PAYABLES

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

2.12 PROVISIONS

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

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

2.13 REVENUE RECOGNITION

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

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

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

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

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

Revenue on sale of private housing and commercial property is recognised at a point in time on legal completion of the sale.

2.14 CONSTRUCTION AND SERVICE CONTRACTS

When the outcome of individual contracts can be estimated reliably, contract revenue is recognised over time 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. Contracts costs are expensed as incurred.

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

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

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

In the year ended 31 March 2020, a change in methodology in relation to revenue recognition has been applied across the Group. Up until 31 March 2019, profit margin for certain contracts (generally fixed price lump sum) has been recognised by applying a 'bowed' profit recognition. This methodology applies additional contingency to projects in the earlier stages where end of project margin was historically less certain. For the year ended 31 March 2020, all projects have recognised profit on a straight-line basis cumulatively to 31 March 2020. This represents a change in accounting estimate per IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors, and has been made on the basis that revenue is recognised more accurately by holding appropriate levels of contingencies within all projects and not to rely on a generic risk overlay position. The change is further supported by the Company's governance process assessing contingencies in projects, improved forecasting accuracy of projects in recent years, a move to a more selective bidding process and commencement of more pre-construction arrangements prior to commencing main works.

The impact on the Income Statement for the year ended 31 March 2020 is to recognise an additional £17.5m of revenue with an offsetting liability of £17.5m removed from contract liability balances in the statement of financial position, although this impact is partly offset by higher project contingencies at an individual project level.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 FULFILMENT COST

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

2.16 INVENTORIES

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

2.17 LEASES

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

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

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of less than 12 months and leases of low value assets (less than USD$5,000). Instead, the Company recognises the lease payments associated with these leases as an expense on a straight-line bases over the lease term. This policy is applied from 1 April 2019. Right-of-use assets are presented as part of property, plant and equipment.

For the prior year IAS 17 applied where leases other than finance leases were classified as operating leases. The 2019 comparatives show payments made under operating leases as an expense in the income statement on a straight-line basis over the lease term.

2.18 PENSION COSTS

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

2.19 TAX

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

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

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

2.20 BORROWINGS AND BORROWING COSTS

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

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

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

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

2.21 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 EXCEPTIONAL ITEMS

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

2.23 TRADING ANALYSIS

Trading analysis information is based on the Group's internal reporting structure of two operational hubs and corporate management centre. Further information on the business trading activities is set out in the operating overview on pages 5 to 6. Trading analysis results represent the contribution directly attributable for the different hubs to the results of the Group. Transactions between hubs are conducted on an arm's length basis.

2.24 INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount by the expected credit loss. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.25 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

a) Revenue and margin recognition

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

Across the Group more than 218 construction contracts (2019: 258) were income generating during the year. Of these ten (2019: 16) individually had a material impact on operating profit.

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

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

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

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

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

- The processes in place regarding the selection of projects during the bid/work-winning phase.
- The level of experience of management and the Board in delivering projects and accounting for the various types of projects.
- The process in place to identify and mitigate issues promptly.
- Volatility is also reduced by the effect of managing a significant portfolio of projects.

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

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

As at 31 March 2020, Covid-19 was reasonably expected to have an impact on costs to complete across the Group's portfolio of construction contracts. After the balance sheet date, Management has performed an ongoing assessment of forecast costs for construction contracts. Additional costs to progress or complete projects, and associated revenue, as a result of Covid-19 have been categorised as follows:

- Costs that do not contribute to the progression or completion of a performance obligation; these costs are classified as inefficiencies and are expensed in the period in which they are incurred;
- Costs associated with delay or additional measures required, such as those due to social distancing and additional PPE, are included in the costs to complete forecast insofar as they were reasonably foreseeable at 31 March 2020;

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

a) Revenue and margin recognition (continued)

– Revenue associated with additional Covid-19 costs has been recognised where it was considered highly probably of not reversing as at the balance sheet date in accordance with IFRS15 and the Group's policy on revenue and margin recognition.

For the period leading up to 31 March 2020, management made an adjustment for one project where the impact of the Group's share of the costs of delay or additional measures required, net of associated revenue, were significant (> £2m).

There are three contracts that the Group considers represent major sources of estimation uncertainty and, as at 31 March 2020, the Group has included estimated recoveries from customers with a combined value of £93.0m on these contracts. These recoveries are recognised on the basis that they are considered highly probable that a significant reversal in the amount of revenue recognised will not occur. However, there are a range of factors affecting potential outcomes once these contracts are finalised and the Group estimates the values on these contracts could collectively range from an upside of £41.8m to a downside of £90.3m. The most material variation that has been recognised as at 31 March 2020, based on a Deed of Settlement and Variation that has been agreed with the client but is awaiting ratification by central government is £81.1m.

Our construction business revenue for the year is £2.3bn (2019: £2.6bn) with an associated margin of 9.7 per cent (2019: 8.1 per cent). Should margins reduce by 1 per cent the impact of such a change across our projects in delivery at the year-end would be an impact on gross profit of £24m (2019: £25m). Should revenues reduce by 1 per cent the impact on gross profit would be £2.3m (2019: £2.1m).

b) Disputes

Management has used judgement in accounting for disputed amounts, legal cases and claims but the actual future outcome may be different.

One individual dispute currently disclosed within the consolidated financial statements that has a material impact to the Group is in respect of the terminated contract with EPC Cryogenic Tanks in 2017. An amount of £93.0m (AUD$187m) is recognised in non-current trade and other receivables, as an estimate of the amount expected to be recovered. This will be subject to dispute resolution or private arbitration and so the actual amount recovered may be significantly different to this estimate. The Group intends to pursue several substantial claims in accordance with this contract. Refer to note 28 for further details.

c) Exceptional items presentation

Judgement has been used to determine the presentation of exceptional items which relate to matters arising which are unusual and not expected to recur; the exceptional items in the year were:

i) Ongoing legal costs relating to a one-off disputed contract in our Australia Hub were treated as an exceptional item.

ii) The cost of a major restructuring and refinancing exercise was treated as an exceptional item as it is one-off major programme in the UK.

iii) Impairments of assets in Australia as these will have a one-off impact.

There are no key estimates within exceptional items.

2.26 OTHER JUDGEMENTS AND ESTIMATES

a) Taxation

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

At the balance sheet date, a total tax liability of £7.5m (2019: £8.7m) has been recognised in respect of uncertain tax positions.

The £7.5m provision relates to management's judgement of the amount of tax payable on open tax returns where the liabilities remain to be agreed with the tax authorities in the UK and Hong Kong. Principally the uncertain tax items for which a provision is made, relate to the interpretation of tax legislation regarding the tax deductibility of expenses incurred in the ordinary course of business. Due to the nature of the uncertainty associated with such tax items, there is a very limited range of outcomes possible – being either the tax provision becomes payable or not - and therefore it is not practicable to provide sensitivity estimates.

b) Impairment of goodwill

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

c) Covid-19 and Brexit

In light of Covid-19 and the potential no-deal Brexit, management has considered other areas of judgement and estimation, including expected credit loss provisioning, note 19, and impacts on costs to progress or complete construction contracts, note 2.25(a).

As described further in note 14, the Group has also performed an impairment test across all CGUs.

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

3 REVENUE

3.1 DISAGGREGATION OF REVENUE

Following the implementation of IFRS 15 from 1 April 2018, the Group presents a disaggregation of its revenue according to the primary geographical markets and sectors in which the Group operates.

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

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following principal activities (as discussed on page 35 of the consolidated management report) and geographical regions:

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

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

	United Kingdom 2019 £m	Australia 2019 £m	Rest of World 2019 £m	Total 2019 £m
Revenue	1,931.9	628.3	193.2	2,753.4
Timing of revenue recognition				
At a point in time	13.7	16.0	13.8	43.5
Over time	1,918.2	612.3	179.4	2,709.9
Revenue	1,931.9	628.3	193.2	2,753.4

	Construction 2019 £m	Manufacturing 2019 £m	Plant Hire 2019 £m	Services 2019 £m	Total 2019 £m
Revenue	2,621.9	36.0	82.4	13.1	2,753.4
Timing of revenue recognition					
At a point in time	–	36.0	–	7.5	43.5
Over time	2,621.9	–	82.4	5.6	2,709.9
Revenue	2,621.9	36.0	82.4	13.1	2,753.4

4 TRADING ANALYSIS

	Europe Hub 2020 £m	Australia Hub 2020 £m	Corporate Management & Treasury 2020 £m	Total Group 2020 £m
Performance by geography:				
Managed revenue*	**2,239.3**	**710.7**	**9.9**	**2,959.9**
Less: Inter-segment revenue	**(333.8)**	**(61.3)**	**(9.7)**	**(404.8)**
Total revenue*	**1,905.5**	**649.4**	**0.2**	**2,555.1**
Less: Share of joint ventures' revenue	**(97.7)**	**(8.9)**	**–**	**(106.6)**
Revenue	**1,807.8**	**640.5**	**0.2**	**2,448.5**
Profit from operations post-exceptional items	**75.1**	**31.2**	**(33.7)**	**72.6**
Profit/(loss) before tax post-exceptional items	**55.5**	**26.6**	**(36.6)**	**45.5**
EBIT* post-exceptional items	**75.1**	**31.6**	**(33.8)**	**72.9**
EBITDA* post-exceptional items	**108.7**	**46.3**	**(33.4)**	**121.6**
Profit from operations pre-exceptional items	**77.5**	**39.5**	**(33.7)**	**83.3**
Profit/(loss) before tax and exceptional items	**57.8**	**35.0**	**(36.6)**	**56.2**
EBIT* pre-exceptional items	**77.4**	**39.9**	**(33.7)**	**83.6**
EBITDA* pre-exceptional items	**111.1**	**54.6**	**(33.4)**	**132.3**

* These are non-statutory disclosures

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

* These are non-statutory disclosures

4 TRADING ANALYSIS (CONTINUED)

EBIT and EBITDA:	Note	Pre-exceptional items 2020 £m	Exceptional items (note 5) 2020 £m	Total 2020 £m	Pre-exceptional items 2019 £m	Exceptional items (note 5) 2019 £m	Total 2019 £m
Profit/(loss) from operations		**83.3**	**(10.7)**	**72.6**	46.6	(14.1)	32.5
Adjusted for:							
Net non-operating expense	9	**0.3**	**–**	**0.3**	–	14.7	14.7
EBIT		**83.6**	**(10.7)**	**72.9**	46.6	0.6	47.2
Depreciation	6	**45.3**	**–**	**45.3**	26.9	–	26.9
Amortisation	6	**3.4**	**–**	**3.4**	3.5	–	3.5
EBITDA		**132.3**	**(10.7)**	**121.6**	77.0	0.6	77.6

5 EXCEPTIONAL ITEMS

	2020 £m	2019 £m
Legal costs	**3.2**	3.2
Refinancing costs	**–**	8.0
Restructuring costs	**2.4**	2.9
Gain on sale of subsidiary – Austrak	**–**	(14.7)
Impairment of assets – Laing O'Rourke Australia Pty Limited Group	**5.1**	–
Exceptional costs before tax	**10.7**	(0.6)
Income tax credit on exceptional items	**(1.4)**	(1.5)
Exceptional costs after tax	**9.3**	(2.1)

LEGAL COSTS

Exceptional costs of £3.2m (2019: £3.2m) were recognised in the year, which relate to legal costs incurred in the Australia Hub regarding the disputed EPC Cryogenic tanks contract. These costs have been treated as exceptional as they relate to unusual circumstances that in the normal course of business are unlikely to reoccur. As the relevant contract does not specify a time limit within which the dispute resolution process must be determined, there can be no certainty as to when the matter will be finalised.

REFINANCING COSTS

In 2019 the Group incurred £8.0m of costs in relation to refinancing and consulting advice.

RESTRUCTURING COSTS

During the year, the European Hub incurred £2.4m of costs in relation to restructuring (2019: £2.9m incurred in the Australian Hub).

GAIN ON SALE OF SUBSIDIARY - AUSTRAK

During 2019 the Group disposed of its subsidiary Austrak Pty Limited and recognised a profit on disposal of £14.7m.

IMPAIRMENT OF ASSETS - LAING O'ROURKE AUSTRALIA PTY LTD GROUP

During the year the Group reviewed the carrying values of multiple assets and recognised an exceptional impairment of £5.1m (2019: £nil). This includes impairments of right-of-use assets (£1.3m), intangible assets (£0.5) and other assets (£3.3m).

6 PROFIT/(LOSS) FROM CONTINUING OPERATIONS

Profit from operations is stated after charging/(crediting):	Note	2020 £m	2019 £m
Staff costs	7	646.7	659.0
Depreciation of property, plant and equipment:	17		
Owned assets		19.2	14.5
Under leases (2019: finance leases only)		26.1	12.4
Operating lease rentals and short-term hires:			
Property, plant and equipment		1.9	40.8
Amortisation of other intangible assets	14	3.4	3.5
Profit on disposal of plant and equipment		(7.3)	(0.8)
Loss on disposal of land and buildings		–	0.2
Foreign exchange (gains)/losses		(0.4)	2.7
Cost of inventories recognised as an expense:			
Amount of inventories recognised as an expense		19.7	28.5
Exceptional items	5	10.7	(0.6)
Accrued costs in respect of rectification of defective works		8.9	46.5
Auditors' remuneration (see below)		3.6	2.9

Auditors' remuneration	Note	2020 £m	2019 £m
Fees payable to the Company's auditor for the audit of:			
The Company's annual financial statements and consolidated financial statements		**2.5**	1.1
The Company's subsidiaries pursuant to legislation		**0.7**	1.5
Total audit fees		**3.2**	2.6
Fees payable to the Company's auditor and its associates for other services:			
Services relating to taxation		**0.3**	0.2
All other services		**0.1**	0.1
Total non-audit fees		**0.4**	0.3
Total fees		**3.6**	2.9

The fees stated above include £nil (2019: £0.1m) for audit fees charged by the Company's previous statutory audit firm PricewaterhouseCoopers Limited Cyprus.

7 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	2020 Number	2019 Number
The average monthly number of employees (including Directors) during the period was:		
Europe Hub	**9,322**	10,687
Australia Hub	**2,258**	1,998
Total number of employees	**11,580**	12,685

Aggregate remuneration and related costs, including Directors	2020 £m	2019 £m
Salaries	**387.4**	369.3
Wages	**187.9**	219.7
Social security costs	**42.8**	42.4
Other pension costs	**28.6**	27.6
	646.7	659.0

At 31 March 2020 £2.7m (2019: £2.5m) was payable in respect of defined contribution schemes and included in other payables (note 23).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel during the period include the ten Directors and nine other members (2019: nine Directors and eight other members) who served on the Group Executive Committee during the year, and no other individuals (2019: no other individuals) considered key management personnel during the year.

The compensation of key management personnel is as follows:

	2020 £m	2019 £m
Salaries and other short-term employee benefits	**7.5**	6.1

DIRECTORS' REMUNERATION

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

	2020 £m	2019 £m
Salaries and other short-term benefits	**3.5**	3.0

None of the Directors are accruing benefits under a defined contribution scheme (2019: none). No post-retirement benefits were paid on behalf of Directors (2019: £nil).

8 OTHER OPERATING INCOME

	2020 £m	2019 £m
Rents received	**–**	1.2
Research and development expenditure credit	**0.4**	3.0
Other operating income	**0.5**	1.0
	0.9	5.2

9 NET NON-OPERATING INCOME

	2020 £m	2019 £m
Exceptional profit on sale of subsidiary (note 5)	**–**	14.7
Profit on sale of subsidiaries	**0.4**	–
Loss on disposal of property	**(0.1)**	–
	0.3	14.7

10 FINANCE INCOME

	2020 £m	2019 £m
Bank interest	**1.0**	2.8
Other interest and similar income	**0.9**	1.1
	1.9	3.9

11 FINANCE EXPENSE

	2020 £m	2019 £m
Interest payable on bank loans and overdrafts	**15.5**	10.9
Interest payable on lease liabilities (2019: interest payable on finance leases)	**6.6**	1.9
Other interest payable and similar charges	**7.2**	5.5
	29.3	18.3

12 INCOME TAX

	2020 £m	2019 £m
Jersey corporation tax		
Current tax on profit for the year	**–**	–
Foreign tax		
Current tax on profit for the year	**2.5**	(1.0)
Adjustment in respect of prior years	**0.7**	(2.7)
Total current tax	**3.2**	(3.7)
Net origination of temporary differences - current year	**12.0**	4.3
Net origination of temporary differences - prior years	**(0.8)**	(1.5)
Impact of change in tax rate	**(3.8)**	–
Total deferred taxation	**7.4**	2.8
Tax charge/(credit)	**10.6**	(0.9)

The overall charge (2019: credit) for the year of £10.6m (2019: £0.9m) is explained relative to the UK statutory rate of 19 per cent below:

	2020 £m	2019 £m
Total tax reconciliation		
Profit before tax	**45.5**	32.8
Tax at the UK corporation tax rate of 19% (2019: UK 19%)	**8.6**	6.2
Effects of		
- higher overseas tax rates	**1.5**	0.4
- non-deductible expenditure/(non-taxable income)	**0.7**	(2.8)
- adjustments in respect of prior years	**(0.1)**	(4.2)
- tax effect of joint ventures	**0.1**	(0.5)
- impact of change in future tax rates	**(3.8)**	–
- non-recognised deferred tax	**2.7**	–
- other items	**0.9**	–
Total tax charge/(credit)	**10.6**	(0.9)

A total Group tax charge of £10.6m (2019: credit of £0.9m) arises for the year on the total Group profit of £45.5m (2019: total Group profit of £32.8m), giving an effective tax rate of 23.3% (2019: 2.7%). The total tax charge for the year includes an exceptional tax credit of £1.4m (2019: credit of £1.5m) in relation to tax allowable exceptional expenditure for UK redundancy costs and asset impairments in the Australia Hub (see note 5). Non-recognised deferred tax relates to Canadian operations.

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

12 INCOME TAX (CONTINUED)

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2020			2019		
	Before-tax amount £m	**Tax expense £m**	**Net-of-tax amount £m**	Before-tax amount £m	Tax expense £m	Net-of-tax amount £m
Exchange differences on translating foreign operations	**(14.1)**	**–**	**(14.1)**	(2.8)	–	(2.8)
Fair value of held to collect and to sell financial assets	**(1.0)**	**–**	**(1.0)**	2.5	–	2.5
Cash flow hedges	**0.5**	**–**	**0.5**	(2.3)	–	(2.3)
Share of other comprehensive expense of joint ventures	**(1.2)**	**–**	**(1.2)**	(0.6)	–	(0.6)
	(15.8)	**–**	**(15.8)**	(3.2)	–	(3.2)

The comparative for exchange differences on translating foreign operations has been restated by £0.7m from £(3.5)m to £(2.8)m and the share of other comprehensive expense of joint ventures has been restated by £(4.3)m from £3.7m to £(0.6)m. Both restatements are due to disclosure errors.

13 DIVIDENDS

	2020 £m	2019 £m
No interim dividends were paid during the year (2019: £nil)	**–**	–

The Directors do not recommend the payment of a final dividend (2019: £nil).

14 INTANGIBLE ASSETS

	Goodwill £m	**Computer software and licences £m**	**Development costs £m**	**Total £m**
Cost				
At 1 April 2019	**324.0**	**35.8**	**3.4**	**363.2**
Additions	**–**	**7.2**	**1.6**	**8.8**
Disposals	**–**	**(2.6)**	**–**	**(2.6)**
Impairment	**(0.3)**	**(0.2)**	**–**	**(0.5)**
Exchange differences	**(3.7)**	**(0.2)**	**–**	**(3.9)**
At 31 March 2020	**320.0**	**40.0**	**5.0**	**365.0**
Accumulated amortisation				
At 1 April 2019	**0.8**	**25.4**	**2.4**	**28.6**
Amortisation for the year	**–**	**2.4**	**1.0**	**3.4**
Disposals	**–**	**(2.5)**	**–**	**(2.5)**
Exchange differences	**–**	**(0.1)**	**–**	**(0.1)**
At 31 March 2020	**0.8**	**25.2**	**3.4**	**29.4**
Net book value at 31 March 2020	**319.2**	**14.8**	**1.6**	**335.6**
Cost				
At 1 April 2018	330.1	32.0	3.4	365.5
Additions	–	3.7	–	3.7
Disposals	(3.4)	(0.1)	–	(3.5)
Impairment	(2.2)	–	–	(2.2)
Exchange differences	(0.5)	0.2	–	(0.3)
At 31 March 2019	324.0	35.8	3.4	363.2
Accumulated amortisation				
At 1 April 2018	1.1	22.5	1.6	25.2
Amortisation for the year	–	2.7	0.8	3.5
Disposals	–	(0.1)	–	(0.1)
Exchange differences	(0.3)	0.3	–	–
At 31 March 2019	0.8	25.4	2.4	28.6
Net book value at 31 March 2019	323.2	10.4	1.0	334.6
Net book value at 31 March 2018	329.0	9.5	1.8	340.3

14 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have significant amounts of goodwill	2020 £m	2019 £m
Australia	**38.0**	42.0
United Kingdom	**281.2**	281.2
	319.2	**323.2**

The recoverable amount of goodwill attached to each cash generating unit is based on value in use calculations in accordance with IAS 36, Impairment of Assets. Each CGU calculation uses cash flow projections based on four-year financial budgets approved by management and a perpetual growth rate of 3 per cent for both CGU's (2019: 3 per cent), discounted at the Group's estimated pre-tax weighted average cost of capital of 14.1 per cent (2019: 11.4 per cent) for the UK CGU and 13.5% (2019: 16.1%) for the Australia CGU. Budgeted gross margins are based on past performance and management's market expectations. The weighted average cost of capital is an estimate from listed industry competitors, adjusted for changes in capital structures and specific considerations.

Sensitivity analysis, including the potential impact of Covid-19 and Brexit, has been performed on the goodwill in relation to each CGU by changing the key assumptions applicable to each CGU. In the view of the Directors there is not a reasonably foreseeable change in a key assumption that would trigger an impairment charge. There has been an impairment in the year of £0.3m in the Australia CGU relating to Stabilor which was a one-off event.

AMORTISATION CHARGE

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

	2020 £m	2019 £m
Administrative expenses	**3.4**	3.5

15 ACQUISITIONS AND DISPOSALS

There have been no acquisitions or disposals in the current year.

PRIOR YEAR DISPOSALS

Austrak Pty Limited

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

High Wood Health (Hold Co) Limited

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

Omega Limited and Portfolio Solutions (Northern Ireland) Limited

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

16 INVESTMENTS IN JOINT VENTURES

	Joint ventures equity investments £m	Loans to joint ventures £m	Total £m
Cost			
At 1 April 2019	**225.2**	**48.0**	**273.2**
Equity investment purchases	**6.0**	**–**	**6.0**
Loans advanced	**–**	**1.4**	**1.4**
Loans repaid	**–**	**(0.2)**	**(0.2)**
Exchange differences	**–**	**1.2**	**1.2**
At 31 March 2020	**231.2**	**50.4**	**281.6**
Share of post-acquisition results			
At 1 April 2019	**(244.8)**	**–**	**(244.8)**
Share of results for the year after tax	**(4.9)**	**–**	**(4.9)**
Distributions received	**(1.1)**	**–**	**(1.1)**
Fair value revaluation of financial assets	**(1.0)**	**–**	**(1.0)**
Fair value revaluation of cashflow hedges	**0.5**	**–**	**0.5**
Exchange differences	**(1.2)**	**–**	**(1.2)**
At 31 March 2020	**(252.5)**	**–**	**(252.5)**
Net book value at 31 March 2020	**(21.3)**	**50.4**	**29.1**
Net book value at 31 March 2019	(19.6)	48.0	28.4

Cost			
At 1 April 2018	204.2	57.6	261.8
Equity investment purchases	21.0	–	21.0
Loans advanced	–	3.2	3.2
Loans repaid	–	(12.2)	(12.2)
Exchange differences	–	(0.6)	(0.6)
At 31 March 2019	225.2	48.0	273.2
Share of post-acquisition results			
At 1 April 2018	(247.8)	–	(247.8)
Share of results for the year after tax	5.3	–	5.3
Distributions received	(1.9)	–	(1.9)
Fair value revaluation of financial assets	2.5	–	2.5
Fair value revaluation of cashflow hedges	(2.3)	–	(2.3)
Exchange differences	(0.6)	–	(0.6)
At 31 March 2019	(244.8)	–	(244.8)
Net book value at 31 March 2019	(19.6)	48.0	28.4
Net book value at 31 March 2018	(43.6)	57.6	14.0

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

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

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

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

	2020 £m	2019 £m
Investments in joint ventures	**15.4**	16.6
Loans to joint ventures	**15.3**	14.1
Provisions	**(1.6)**	(2.3)
	29.1	28.4

No impairment losses to equity investments were brought forward at 31 March 2020 or charged in the year (2019: £nil).

16 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

	Emirates Precast Construction LLC 2020 £m	Canal Harbour Development Company Limited 2020 £m	Health Montreal Collective CJV Limited Partnership 2020 £m	Private Finance Initiatives (PFIs*) 2020 £m	Explore Transport 2020 £m	Juris Partnership 2020 £m	Other joint ventures 2020 £m	Total 2020 £m
Revenue	25.5	–	2.2	5.9	57.8	10.2	109.2	210.8
Depreciation and amortisation	(0.3)	–	–	–	(9.0)	(0.1)	–	(9.4)
Other expenses	(22.8)	–	(14.0)	(5.7)	(48.8)	(9.1)	(109.2)	(209.6)
Operating profit/(loss)	2.4	–	(11.8)	0.2	–	1.0	–	(8.2)
Net finance income/(costs)	–	–	1.0	0.2	(1.7)	–	–	(0.5)
Profit/(loss) before tax	2.4	–	(10.8)	0.4	(1.7)	1.0	–	(8.7)
Tax credit/(expense)	–	–	–	–	0.3	–	–	0.3
Profit/(loss) after tax	2.4	–	(10.8)	0.4	(1.4)	1.0	–	(8.4)
Other comprehensive income/(expense)	–	–	–	–	–	–	–	–
Total comprehensive income/(expense)	2.4	–	(10.8)	0.4	(1.4)	1.0	–	(8.4)
Dividends received from joint ventures	2.6	–	–	–	0.2	1.0	–	3.8
Non-current assets								
Goodwill	–	–	–	–	0.7	–	–	0.7
Property, plant and equipment	0.8	–	–	–	50.5	0.3	–	51.6
Other non-current assets	0.4	–	–	278.9	–	0.2	–	279.5
Current assets								
Cash and cash equivalents	6.0	–	10.2	14.6	3.1	2.4	9.8	46.1
Other current assets	19.4	–	20.4	1.0	11.4	7.8	7.4	67.4
Total assets	26.6	–	30.6	294.5	65.7	10.7	17.2	445.3
Current liabilities								
Borrowings	–	–	–	(5.3)	(3.6)	–	–	(8.9)
Other current liabilities	(9.8)	(0.8)	(31.6)	(1.9)	(15.4)	(3.9)	(16.5)	(79.9)
Non-current liabilities								
Borrowings	–	–	–	(281.1)	(35.5)	–	–	(316.6)
Other non-current liabilities	(1.8)	(51.0)	–	–	(2.3)	(0.7)	–	(55.8)
Total liabilities	(11.6)	(51.8)	(31.6)	(288.3)	(56.8)	(4.6)	(16.5)	(461.2)
Net assets/(liabilities)	15.0	(51.8)	(1.0)	6.2	8.9	6.1	0.7	(15.9)
Financial commitments	–	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–	–

*PFIs relates to investments in joint ventures in Alder Hey and Yorkshire Learning Partnerships.

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

16 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

17 PROPERTY, PLANT AND EQUIPMENT

	Group owner occupied land and buildings £m	Other land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
At 31 March 2019	**22.5**	**29.8**	**373.4**	**425.7**
Adjustment on adoption of IFRS 16	**–**	**89.0**	**15.5**	**104.5**
At 1 April 2019	**22.5**	**118.8**	**388.9**	**530.2**
Additions	**0.1**	**43.3**	**26.4**	**69.8**
Disposals	**–**	**(0.7)**	**(44.2)**	**(44.9)**
Exchange differences	**(0.3)**	**(3.0)**	**(6.7)**	**(10.0)**
At 31 March 2020	**22.3**	**158.4**	**364.4**	**545.1**
Accumulated depreciation				
At 1 April 2019	**1.5**	**18.5**	**206.8**	**226.8**
Depreciation charge for the year	**0.4**	**17.5**	**27.4**	**45.3**
Impairment	**–**	**1.3**	**0.3**	**1.6**
Disposals	**–**	**(0.3)**	**(25.5)**	**(25.8)**
Exchange differences	**0.2**	**0.4**	**(3.4)**	**(2.8)**
At 31 March 2020	**2.1**	**37.4**	**205.6**	**245.1**
Net book value at 31 March 2020	**20.2**	**121.0**	**158.8**	**300.0**

Cost				
At 1 April 2018	22.5	29.6	395.0	447.1
Additions	–	5.8	39.5	45.3
Disposals	–	(6.1)	(63.3)	(69.4)
Exchange differences	–	0.5	2.2	2.7
At 31 March 2019	22.5	29.8	373.4	425.7
Accumulated depreciation				
At 1 April 2018	1.2	22.2	233.2	256.6
Depreciation charge for the year	0.3	1.3	25.3	26.9
Impairment	–	0.1	–	0.1
Disposals	–	(5.9)	(53.8)	(59.7)
Exchange differences	–	0.8	2.1	2.9
At 31 March 2019	1.5	18.5	206.8	226.8
Net book value at 31 March 2019	21.0	11.3	166.6	198.9
Net book value at 31 March 2018	21.3	7.4	161.8	190.5

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leases: Included in property, plant and equipment are right-of-use assets held under leases (2019: finance leases only) at the following amounts:

	2020 £m	2019 £m
Cost at 1 April	**173.8**	164.1
Accumulated depreciation at 1 April	**(69.3)**	(67.1)
Adjustment on adoption of IFRS 16	**104.5**	–
Net book value at 1 April	**209.0**	97.0
Additions/acquisitions	**45.9**	35.5
Impairment	**(1.3)**	–
Disposals at net book value (including transfer to owned assets within Property, Plant and Equipment)	**(30.1)**	(15.4)
Depreciation charge for the year	**(26.1)**	(12.4)
Exchange differences	**(1.3)**	(0.2)
Net book value at 31 March	**196.1**	104.5

Lease terms are variable. See note 21 for ageing of lease obligations and note 31 for transition details on the adoption of IFRS 16 'Leases'.

18 INVESTMENT PROPERTY

	Freehold 2020 £m	Freehold 2019 £m
Net book value at 1 April	**–**	0.2
Disposals	**–**	(0.2)
Net book value at 31 March	–	–

Investment property income earned by the Group, all of which was received under operating leases, amounted to £nil (2019: £nil) and is shown as revenue in the income statement. Direct operating expenses arising on investment properties generating rental income in the year amounted to £nil (2019: £nil).

The Group's investment properties were let under non-cancellable operating lease agreements. The leases had varying terms, escalating clauses and renewal rights.

19 TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	2020 £m	2019 £m
Trade receivables	**107.5**	99.4
Less: provision for impairment of trade receivables	**(1.9)**	(6.0)
Contract assets	**259.0**	282.6
Prepayments and accrued income	**13.2**	29.7
Other receivables	**17.2**	51.2
	395.0	456.9
Amounts expected to be recovered after more than one year:		
Trade receivables	**0.3**	0.6
Contract assets	**142.1**	147.5
Other receivables	**1.3**	0.1
	143.7	148.2
Total trade and other receivables	**538.7**	605.1

At 31 March 2020, trade and other receivables include customer retentions of £88.8m (2019: £106.1m) relating to construction contracts of which £49.0m (2019: £34.5m) are non-current assets. Contract assets have decreased as the Group has provided fewer services ahead of the agreed payment schedules.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2020 £m	2019 £m
Opening balance	**(6.0)**	(2.6)
Additional provisions recognised	**(0.7)**	(3.6)
Utilised during the year	**0.1**	–
Unused amounts reversed	**5.0**	0.4
Exchange differences	**(0.3)**	(0.2)
Closing balance	**(1.9)**	(6.0)

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

	Carrying amount 2020 £m	**Allowance for expected credit losses 2020 £m**
Not overdue	**86.9**	**0.5**
0 to 3 months overdue	**12.1**	**0.1**
3 to 6 months overdue	**1.8**	**0.1**
Over 6 months overdue	**7.0**	**1.2**
	107.8	**1.9**

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

There has been no deterioration in the ageing of trade receivables since the year end date, not withstanding the impact of Covid-19 and therefore no impact on expected credit losses.

Included in non-current contract assets is an amount of £93.0m (2019: £102.2m) in respect of the EPC Cryogenic Tanks contract terminated during FY17. The contract to date loss amounts to £40.3m and includes costs incurred in respect of delays and other matters which will be claimed in addition to other substantial claims net of expected losses stated above, but which have not been recognised in contract revenue at 31 March 2020. The Group's total claims exceed total contract costs incurred. In addition to claims for unpaid work performed (including variations), the amount to be claimed by the Group includes delay and disruption claims, post termination costs, legal costs and interest. The contract contains dispute resolution provisions. The matter has been referred for resolution through private arbitration. As the relevant contract does not specify a time limit within which the dispute resolution process must be determined, there can be no certainty as to when the matter will be finalised. The most recent court hearing was in October 2020, with the decision reserved.

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

CONTRACT FULFILMENT COSTS

The Group has no fulfilment costs within contract assets.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

REMAINING PERFORMANCE OBLIGATIONS

Contracts which have remaining performance obligations expected to be settled over the next four years are set out below:

	2020 £m	2019 £m
Construction work in hand		
Europe Hub	**3,208.1**	4,468.0
Australia Hub	**1,105.2**	779.0
	4,313.3	5,247.0

Management expects that £2,170m (2019: £2,501m) will be recognised as revenue in the next financial year. The comparative has been restated by £168m from £2,333m to £2,501m due to a disclosure error.

20 INVENTORIES

	2020 £m	2019 £m
Development land and work in progress	**13.7**	16.5
Raw materials and consumables	**5.2**	4.8
Finished goods and goods for resale	**0.2**	0.2
	19.1	21.5

Development land and work in progress at 31 March 2020 includes assets to a value of £10.3m (2019: £12.9m) expected to be consumed after more than one year. This has been classified as a current asset as this reflects the normal operating cycle of these businesses. Inventories carried at net realisable value at 31 March 2020 had a carrying value of £12.2m (2019: £14.5m).

Capitalised specific borrowing costs attributable to qualifying assets and included in development land and work in progress of £1.2m did not materially change from last year (2019: £1.4m).

21 BORROWINGS

	2020 £m	2019 £m
Amounts expected to be settled within one year:		
Bank loans	**54.0**	24.1
Lease obligations (2019: finance lease obligations only)	**34.1**	20.9
	88.1	45.0
Amounts expected to be settled after more than one year:		
Bank loans	**182.0**	224.7
Other loans	**51.4**	47.4
Lease obligations (2019: finance lease obligations only)	**130.2**	31.3
	363.6	303.4
Total borrowings	**451.7**	348.4

LEASE OBLIGATIONS

Obligations under leases are secured by legal charges on certain non-current assets of the Group with an original cost of £212.9m (2019: £173.8m) and total net book value of £157.8m (2019: £104.5m). The comparative for original cost has been restated by £9.7m from £164.1m to £173.8m.

22 LEASING

The Group has lease contracts for property and equipment. The amounts recognised in the financial statements in relation to the leases are as follows:

	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Right of use assets	**123.9**	**161.9**	**285.8**
Depreciation for the year	**(16.7)**	**(73.0)**	**(89.7)**
Net book value as at 31 March 2020	**107.2**	**88.9**	**196.1**

Total cash outflow for leases was £43.7m (2019: £66.6m).

23 TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Amounts expected to be settled within one year:		
Contract liabilities	**297.3**	225.2
Trade payables	**213.8**	246.3
Other tax and social security	**47.9**	31.5
Other payables	**46.2**	77.1
Accruals and deferred income	**315.0**	409.6
	920.2	989.7
Amounts expected to be settled after more than one year:		
Contract liabilities	**8.8**	23.4
Trade payables	**16.3**	24.5
Accruals and deferred income	**8.9**	14.0
	34.0	61.9
Total trade and other payables	**954.2**	1,051.6

At 31 March 2020, trade and other payables include retentions from suppliers of £57.2m (2019: £58.9m) relating to construction contracts of which £16.3m (2019: £18.9m) are non-current liabilities. Also included as current liabilities within trade and other payables are contract liabilities across a number of legacy projects related to rectification works of £56.7m (2019: £76.2m), the timing of which is uncertain. Contract liabilities have increased as the Group has provided fewer services ahead of the agreed payment schedules.

24 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Insurance technical provisions £m	Employee provisions £m	Joint venture provisions £m	Total provisions £m
At 1 April 2019	**44.3**	**6.4**	**2.3**	**53.0**
Provisions created	**–**	**1.0**	**–**	**1.0**
Provisions utilised	**(4.9)**	**–**	**(0.7)**	**(5.6)**
Exchange differences	**–**	**(0.7)**	**–**	**(0.7)**
At 31 March 2020	**39.4**	**6.7**	**1.6**	**47.7**
Disclosed within:				
Current liabilities	**–**	**1.9**	**1.6**	**3.5**
Non-current liabilities	**39.4**	**4.8**	**–**	**44.2**
	39.4	**6.7**	**1.6**	**47.7**
At 1 April 2018	48.0	6.3	23.5	77.8
Provisions created	–	0.2	–	0.2
Provisions utilised	(3.7)	(0.1)	(21.2)	(25.0)
At 31 March 2019	44.3	6.4	2.3	53.0
Disclosed within:				
Current liabilities	–	3.2	2.3	5.5
Non-current liabilities	44.3	3.2	–	47.5
	44.3	6.4	2.3	53.0

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

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

The Group provides in full for obligations to remedy net liabilities and jointly controlled entities in excess of amounts already loaned. At 31 March 2020, these provisions amounted to £1.6m (2019: £2.3m) which were measured in accordance with the Group's accounting policies. Amounts provided are assessed based on judgements of contracts costs, contract programmes and maintenance liabilities and are expected to be paid within one year.

25 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following;

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets 2020 £m	Assets 2019 £m	**Liabilities 2020 £m**	Liabilities 2019 £m	**Net 2020 £m**	Net 2019 £m
Property, plant and equipment	**0.3**	3.1	**(4.4)**	(1.1)	**(4.1)**	2.0
Other temporary differences	**14.7**	9.4	**(4.9)**	(4.8)	**9.8**	4.6
Tax losses carried forward	**39.0**	43.7	**–**	3.6	**39.0**	47.3
Deferred tax assets/(liabilities)	**54.0**	56.2	**(9.3)**	(2.3)	**44.7**	53.9
The ageing of deferred tax assets/(liabilities) at the year-end was:						
Less than one year	**24.4**	35.8	**(4.3)**	(1.9)	**20.1**	33.9
More than one year	**29.6**	20.4	**(5.0)**	(0.4)	**24.6**	20.0
	54.0	56.2	**(9.3)**	(2.3)	**44.7**	53.9

MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

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

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

The recognised deferred tax assets include £35.3m which relate to carried forward tax losses in relation to the UK operations. The Group has concluded that these deferred tax assets will be recovered using the estimated future taxable income which is based on the approved forecasts prepared by management. These forecasts cover the next five years and take into account UK tax laws that, in broad terms, restrict the offset of the carried forward tax losses to 50% of the current year profits. The UK Group entities have generated taxable profits this year and this is expected to continue in the future. The losses can be carried forward indefinitely and have no expiry date. Changes in future profits will impact the recoverability of the deferred tax assets.

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

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of the following items:	**2020 £m**	2019 £m
Tax losses	**56.9**	56.1

The Group has unrecognised deferred tax assets of £56.9m (2019: £56.1m) relating to unused tax losses of £214.5m (2019: £221.4m) predominantly generated from Canadian operations. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future taxable profits and the constraints in using the losses.

26 SHARE CAPITAL AND PREMIUM

	Number of €1 shares issued	Share premium £m
At 1 April 2019 and at 31 March 2020	9,000	286.4

The authorised share capital of Laing O'Rourke Corporation Limited at 31 March 2020 was 18,000 ordinary shares of €1 each (2019: 18,000 shares).

27 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	Called-up share capital £m	Share premium £m	Fair value reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained (deficit)/ earnings £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2018	–	286.4	–	(3.1)	(3.8)	(47.5)	**232.0**	(2.9)	**229.1**
Profit for the year	–	–	–	–	–	33.4	**33.4**	0.3	**33.7**
Other comprehensive income/(expense) after tax	–	–	2.5	(2.3)	(3.2)	–	**(3.0)**	(0.2)	**(3.2)**
Total comprehensive income/(expense) for the year	–	–	2.5	(2.3)	(3.2)	33.4	**30.4**	0.1	**30.5**
At 31 March 2019	**–**	**286.4**	**2.5**	**(5.4)**	**(7.0)**	**(14.1)**	**262.4**	**(2.8)**	**259.6**
Profit for the year	–	–	–	–	–	34.7	**34.7**	0.2	**34.9**
Other comprehensive (expense)/income after tax	–	–	(1.0)	0.5	(15.2)	–	**(15.7)**	(0.1)	**(15.8)**
Total comprehensive (expense)/income for the year	–	–	(1.0)	0.5	(15.2)	34.7	**19.0**	0.1	**19.1**
Movements relating to change in beneficial ownership	–	–	–	–		(2.9)	**(2.9)**	2.9	**–**
At 31 March 2020	**–**	**286.4**	**1.5**	**(4.9)**	**(22.2)**	**17.7**	**278.5**	**0.2**	**278.7**

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

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

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

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

28 GUARANTEES AND CONTINGENT LIABILITIES
The Group had contingent liabilities at 31 March 2020 in respect of:

GUARANTEES

	2020 £m	2019 £m
Surety Bonds	**197.3**	203.1
Bank Guarantees	**157.4**	189.3
	354.7	392.4

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

28 GUARANTEES AND CONTINGENT LIABILITIES (CONTINUED)

However in April 2017, Laing O'Rourke Australia Pty Limited commenced court proceedings against a consortium partner to restrain a call on AUD$49.4m (£26.9m) of surety bonds in relation to the termination of a contract. Following two judgments in favour of Laing O'Rourke Australia Pty Limited, on 8 March 2018, Laing O'Rourke Australia Pty Limited and the consortium partner agreed not to call on the bonds except in accordance with the final resolution of the contract in private arbitration.

CLAIMS

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

Laing O'Rourke Australia Pty Limited received a claim for payment on 30 July 2018 from the party owing the Group the amounts recognised as a receivable, see note 19. This is now subject to private arbitration. Management is vigorously defending the claim and have not recognised a liability in the financial statements as they believe it is not probable that a payment will be required to settle the claim. However, as with the recovery of the arbitration, this will take some time to resolve. The most recent court hearing was in October 2020, with the decision reserved. Further information on this claim is not provided as management expects it would seriously prejudice the position of the Group.

JOINT ARRANGEMENTS

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

29 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

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

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

29.1 FOREIGN CURRENCY RISK

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

	Pound sterling value of equivalent currency (m)								
	2020 GBP	2020 EUR	2020 AUD	2020 AED	2020 SAR	2020 CAD	2020 HKD	2020 Other	2020 Total £m
Loans to joint ventures	**15.3**	**35.1**	**–**	**–**	**–**	**–**	**–**	**–**	**50.4**
Trade and other receivables	**254.7**	**0.4**	**170.7**	**73.1**	**–**	**5.6**	**22.8**	**0.1**	**527.4**
Cash and cash equivalents	**258.9**	**5.3**	**154.5**	**30.6**	**–**	**–**	**10.8**	**0.7**	**460.8**
Total financial assets	**528.9**	**40.8**	**325.2**	**103.7**	**–**	**5.6**	**33.6**	**0.8**	**1,038.6**
Borrowings	**(414.1)**	**–**	**(37.6)**	**–**	**–**	**–**	**–**	**–**	**(451.7)**
Trade and other payables	**(599.7)**	**(4.9)**	**(180.6)**	**(105.2)**	**(0.6)**	**(0.2)**	**(14.9)**	**(0.6)**	**(906.7)**
Net financial (liabilities)/assets	**(484.9)**	**35.9**	**107.0**	**(1.5)**	**(0.6)**	**5.4**	**18.7**	**0.2**	**(319.8)**

29 FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Of the total foreign currency borrowings of £37.6m (2019: £52.1m), the amount of borrowings used to finance overseas operations amounts to £37.6m (2019: £52.1m).

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

If the foreign exchange rates that the Group is exposed to had changed adversely by 10 percent at the balance sheet date, the results for the year and equity would have decreased by £3.7m (2019: £3.9m). This sensitivity analysis takes into account the tax impact and the forward exchange contracts in place.

29.2 INTEREST RATE RISK

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

		Repricing/maturity date			
	Total £m	Within one year £m	Between one and two years £m	After two years £m	Effective interest rate %
At 31 March 2020					
Bank loans	**236.0**	**54.0**	**168.3**	**13.7**	**7.94%**
Other loans	**51.4**	**–**	**–**	**51.4**	**8.70%**
Lease obligations	**164.3**	**34.1**	**29.0**	**101.2**	**6.90%**
	451.7	**88.1**	**197.3**	**166.3**	**–**
At 31 March 2019					
Bank loans	248.8	24.1	78.6	146.1	7.96%
Other loans	47.4	–	–	47.4	8.70%
Finance lease obligations	52.2	20.9	14.3	17.0	4.10%
	348.4	45.0	92.9	210.5	–

If interest rates had been 1 percent higher during the period, the results and equity would have reduced by £2.9m (2019: £1.5m). This sensitivity analysis takes into account the tax impact.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.3 LIQUIDITY RISK

Prudent liquidity risk management involves maintaining sufficient cash and available funding to meet liabilities as they fall due. The Group has procedures in place to minimise liquidity risk such as maintaining sufficient cash and other highly liquid current assets and by having an adequate amount of committed credit facilities. Refer to pages 36 to 37 for further details within the going concern wording.

The Group has banking covenants in place across the UK, UAE and Australia, including covenants related to net debt to EBITDA, interest cover, minimum liquidity, tangible net worth and bonding ratios. If certain of these covenants are breached this will constitute an event of default on the Group's borrowing facilities. The Group takes a proactive stance monitoring and ensuring compliance with covenants and reporting requirements. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that the Group have an adequate availability of cash when required.

Maturity of financial liabilities

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

	Trade and other payables £m	Other loan £m	Bank loans £m	Leases £m	Total £m
At 31 March 2020					
Within one year	**920.2**	**–**	**58.3**	**35.6**	**1,014.1**
Between one and less than two years	**18.7**	**–**	**181.7**	**29.8**	**230.2**
Between two and less than five years	**6.2**	**55.9**	**14.8**	**46.8**	**123.7**
Five or more years	**9.1**	**–**	**–**	**54.9**	**64.0**
	954.2	**55.9**	**254.8**	**167.1**	**1,432.0**
At 31 March 2019					
Within one year	989.7	–	24.1	20.9	1,034.7
Between one and less than two years	22.3	–	90.3	15.0	127.6
Between two and less than five years	27.1	59.9	154.9	17.5	259.4
Five or more years	12.5	–	–	–	12.5
	1,051.6	59.9	269.3	53.4	1,434.2

29.4 FAIR VALUES

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

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.

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

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2020.

	Fair value measurement 2020				Fair value measurement 2019			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held to collect and to sell	**–**	**–**	**4.6**	**4.6**	–	–	5.6	5.6
	–	**–**	**4.6**	**4.6**	–	–	5.6	5.6

The financial assets held to collect and held to sell have been restated as Level 3 from Level 1and by £3.1m from £2.5m to £5.6m due to a disclosure error.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.4 FAIR VALUES (CONTINUED)

The fair value movements on held to collect and to sell financial assets and cash flow hedges are recognised in the consolidated statement of comprehensive income. The Group recognised a £1.0m loss in financial assets held to collect and to sell in relation to PFI investments in joint ventures in the year. The Group also recognised a £0.5m gain in the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred, together with any related deferred tax; see note 27.

The carrying and fair values of the Group's financial instruments at 31 March 2020 and 31 March 2019 are as follows:

	Fair value 2020 £m	**Carrying amount 2020 £m**	Fair value 2019 £m	Carrying amount 2019 £m
Loans and receivables	**577.8**	**577.8**	629.4	629.4
Financial liabilities measured at amortised cost	**(1,358.4)**	**(1,358.4)**	(1,369.5)	(1,369.5)

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

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

29.5 CAPITAL RISK MANAGEMENT

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

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

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

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

At 31 March 2020 the Group had net cash of £155.2m (2019: £132.9m).

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

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

Financial assets pledged as short-term collateral and included within cash equivalents were £35.5m (2019: £49.0m). The comparative has been restated by £39.7m from £9.3m to £49.0m due to a disclosure error.

As part of the Group's management of its insurable risks a proportion of this risk is managed through self insurance programmes operated by its captive insurance subsidiary company, Laing O'Rourke Insurance Limited. This Company is a wholly owned subsidiary of the Group and premiums paid are held to meet future claims. The cash balances held by the Company are reported within cash and cash equivalents. As is usual practice for captive insurance companies some of the cash is used as collateral against contingent liabilities and standby letters of credit to the value of £9.3m (2019: £9.3m) have been provided to certain external insurance companies. The standby letters of credit have been issued via banking facilities that Laing O'Rourke Insurance Limited has in place.

No financial assets have been provided to the Group as collateral (2019: £nil).

31 FINANCIAL AND CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment, authorised and contracted for which has not been provided for in the financial statements amounted to £nil (2019: £3.2m) in the Group.

At 31 March 2020 the total of future minimum lease payments under non-cancellable operating lease rentals were payable as follows:

	Land and buildings 2020 £m	**Other 2020 £m**	Land and buildings 2019 £m	Other 2019 £m
Future operating lease expenditure commitments:				
Due within one year	–	–	25.5	4.5
Due between one and five years	–	–	63.9	2.2
Due after more than five years	–	–	56.8	–
	–	–	146.2	6.7

Operating lease commitments as at 31 March 2020 are included on the Statement of Financial Position as lease liabilities, as required by IFRS 16.

	£m
Future operating lease expenditure commitments disclosed 31 March 2019	152.9
Restatement[1]	0.8
Future operating lease expenditure commitments disclosed 31 March 2019 (restated)	**153.7**
Recognition exemption applied for short term leases	(5.4)
Adjustments due to different treatment of extension and termination options	(2.4)
Operating lease commitments not yet commenced at 1 April 2019	(23.9)
Discounted using the lessee's incremental borrowing rate at the date of initial application	(19.1)
Variable lease commitments not recognised as a liability	(2.5)
Lease incentives received and deferred gain on sale and leaseback	1.4
Forex revaluation	2.7
Additional lease liability at 1 April 2019	**104.5**
Finance lease liability at 31 March 2019	52.2
Total lease liability at 1 April 2019	**156.7**

[1]A detailed review of leases was undertaken as part of the adoption of IFRS 16 and as a result, the future minimum lease payments under operating leases has been restated to reflect leases not previously identified.

32 RELATED PARTY TRANSACTIONS AND BALANCES

IDENTITY OF RELATED PARTIES

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

GROUP

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

SALE OF GOODS AND SERVICES PROVIDED TO RELATED PARTIES

	2020		2019	
	Income earned in year £m	**Receivable at year-end £m**	Income earned in year £m	Receivable at year-end £m
Joint ventures	**1.6**	**0.4**	16.3	16.5

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2020		2019	
	Expenses paid in year £m	**Payable at year-end £m**	Expenses paid in year £m	Payables at year-end £m
Joint ventures	**29.3**	**5.4**	0.4	0.2

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.

32 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

PROPERTY LEASES

During the year the Group incurred expenditure of £2.1m (2019: £2.2m) with Mark Holding and Finance Limited and £7.2m (2019: £7.2m) with Steetley Investments Limited in respect of amounts due under lease agreements for premises occupied by the Group. During the year the interests in Mark Holding and Finance Limited and Steetley Investments Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. At the year-end the balance outstanding to Mark Holding and Finance Limited was £nil (2019: £nil) and to Steetley Investments Limited was £nil (2019: £nil). No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

CONSTRUCTION CONTRACT

During the 2016 financial year the Group completed a construction contract with H.E. Sultan Saeed Mohammed Naser Al Mansoori, a beneficial owner of a minority stake in six UAE entities of the Group. At the year ended 31 March 2020 the balance outstanding on this contract amounted to £nil (2019: £nil). This balance was written off in full during 2019. On 21 July 2019 the entire beneficial ownership was sold to Links Formation Specialists LLC.

LOANS

The Group has a loan outstanding from its ultimate parent company, Suffolk Partners Corporation, although they did not advance any loan amounts in the year (2019: £nil). The balance outstanding at the year end was £19.9m (2019: £19.1m).

The Group provides an enabling debt facility which is jointly repayable from Southside & City Developments Limited and KDC Properties Limited. During the year the Group loaned £nil (2019: £0.5m) to Southside & City Developments Limited. C Klerides and V Papadopoulos, were Directors of Laing O'Rourke Corporation Limited during the year and are directors of Southside & City Developments Limited. At the year end the amounts outstanding was £4.8m (2019: £4.8m). No amounts were written off in the period on the loan.

During the year, the Group loaned a further £nil (2019: £nil) to Augur Investments Limited. Suffolk Partners Corporation is the ultimate parent company of Laing O'Rourke Corporation Limited and a 50 per cent shareholder of Augur Investments Limited. At the year end the balance outstanding was £0.3m (2019: £0.6m).

GUARANTEE

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

SUBORDINATED LOAN

The Group has a £23.6m subordinated long-term loan from R G O'Rourke KBE and H D O'Rourke, who are also beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. During 2019 a further £15m shareholder loan was made available to the Group. Total interest of £4.0m was accrued on the loan balances during the year, with £8.8m of brought forward accrued interest. The balance outstanding as at 31 March 2020 was £51.4m (2019: £47.4m).

LOANS TO AND FROM JOINT VENTURES AND ASSOCIATES

At 31 March 2020 loans to joint ventures amounted to £50.4m (2019: £48.0m) and loans from joint ventures amounted to £nil (2019: £nil). During the normal course of business the Group provided services to, and received management fees from certain joint ventures and associates amounting to £nil (2019: £nil). Amounts due to and from joint ventures and associates at 31 March 2020 are disclosed within investments in joint ventures and associates, trade and other receivables and trade and other payables in notes 16, 19 and 23 respectively.

DIRECTORS' REMUNERATION

During the year the total remuneration of the Directors was £3.5m (2019: £3.0m) of which pension costs amounted to £nil (2019: £nil), see note 7.

OISIN

On 2 June 2016, the Group sold an aircraft to Oisin Aviation (IOM) LP. During the current year the Group paid leasing costs of £0.1m (2019: £0.1m) to Oisin Aviation (IOM) LP for the rental and £0.2m (2019: £0.2m) for the operational services of the aircraft to Oisin Aviation (Jersey) LP. During the year the limited partners of Oisin Aviation (IOM) LP and Oisin Aviation (Jersey) LP were R O'Rourke KBE and H D O'Rourke, who are also beneficiaries of the trust which ultimately owns Suffolk Partners Corporation, the ultimate parent company of Laing O'Rourke Corporation Limited.

SELECT PLANT HIRE COMPANY LIMITED

During the year, R G O'Rourke KBE and H D O'Rourke, who are also beneficiaries of the trusts which ultimately own Suffolk Partners Corporation, made a payment to Select Plant Hire Company Limited for £1.9m for the beneficial use of Company assets. Amounts owed as at 31 March 2020 are £nil (2019: £nil).

33 ULTIMATE PARENT COMPANY

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

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

34 POST BALANCE SHEET REVIEW

On 28 May 2020 Laing O'Rourke Plc sold 5,000 shares out of a total holding of 7,000 shares in its joint venture Yorkshire Learning Partnership Limited with a group profit on disposal of £0.8m. On 6 October 2020 Laing O'Rourke Plc sold the remaining 2,000 shares with a group profit on disposal of £0.1m.

As at 31 March 2020, Laing O'Rourke Services Limited had VAT (£13.3m) and Income Tax/National Insurance liabilities (£10.7m) of £24.0m, which were agreed to be deferred, in line with HMRC guidance, to 31 March 2021 and 1 July 2020 respectively. After the year end, further VAT of £15.2m and PAYE of £20.5m were agreed to be deferred in line with HMRC guidance, bringing the total VAT liability deferred to £28.5m and PAYE to £31.2m. The PAYE liabilities were settled in full on 1 July 2020. In line with the most recent HMRC guidance, the Company will opt (once the online facility is available in 2021) to further defer the VAT liabilities to beyond 31 March 2021 and instead schedule repayment in 11 equal monthly instalments to 31 March 2022.

After the balance sheet date, Laing O'Rourke Services Limited accessed HMRC's Coronavirus Job Retention Scheme, claiming £9.5m of grant money in respect of UK employment costs over the period from 23 March to 31 July 2020. In line with the Job Retention Scheme, the vast majority of grant money received was paid to furloughed employees, with the company retaining the associated employers' national insurance and pension costs.

On 4 December 2020, the Group concluded a corporate restructure of the Australia Hub. The restructure included establishing a new holding entity, Laing O'Rourke Australia Group Pty Limited, as the immediate parent company of Laing O'Rourke Australia Pty Limited. The restructure included the formation of additional entities as subsidiaries to Laing O'Rourke Australia Group Pty Limited. The restructure did not result in any disposals, acquisitions or discontinuing of operations.

35 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2020 £m	2019 £m
Increase in cash and cash equivalents for the year	**11.7**	101.4
Cash outflow/(inflow) from debt and lease financing	**60.2**	(34.5)
Change in net cash resulting from cash flows	**71.9**	66.9
New leases	**(45.9)**	(26.4)
Impact of IFRS 16 adoption at 1 April 2019	**(104.5)**	–
Non-cash and other items[1]	**(11.5)**	1.3
Foreign exchange translation differences	**(5.4)**	2.0
Impact of IFRS 16 adoption at 31 March 2020	**117.7**	–
Movement in net cash in the year	**22.3**	43.8
Net cash at 1 April	**132.9**	89.1
Net cash at 31 March	**155.2**	132.9

[1] Non-cash and other items includes accrued interest not yet paid and interest relating to lease liabilities.

	2020 £m	2019 £m
Reconciliation of net cash:		
Cash	**460.8**	460.4
Less: borrowings	**(451.7)**	(348.4)
Add: impact of IFRS 16 adoption	**117.7**	–
Add: bank arrangement fees	**28.4**	20.9
Net cash at 31 March	**155.2**	132.9

36 PRINCIPAL SUBSIDIARIES AND JOINT ARRANGEMENTS

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

Joint ventures	Principal activity	Group ownership interest	Principal place of business
Alder Hey (Special Purpose Vehicle) Limited	PFI accommodation operator hospital	40%	United Kingdom
Canal Harbour Development Company Limited	Property Development	50%	Ireland
Emirates Precast Construction LLC	Manufacture of precast concrete	40%	United Arab Emirates
Explore Transport Limited	Freight transport by road	50%	United Kingdom
Health Montreal Collective CJV Limited Partnership	Building and civil engineering	50%	Canada
Juris Partnership	Law court facility construction and maintenance	50%	Australia
Yorkshire Learning Partnership (PSP) Limited	Disposed 6 October 2020	50%	United Kingdom
Yorkshire Learning Partnership HoldCo Limited	Disposed 6 October 2020	50%	United Kingdom
Yorkshire Learning Partnership ProjectCo Limited	Disposed 6 October 2020	50%	United Kingdom

36. PRINCIPAL SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

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

Joint operations	Principal activity	Group ownership interest	Principal place of business
Bayswater JV	Civil engineering	50%	Australia
BYLOR	Civil engineering	50%	United Kingdom
COLOR Bond Street	Civil engineering	50%	United Kingdom
FLO JV	Civil engineering	50%	United Kingdom
Staffordshire Alliance	Civil engineering	33%	United Kingdom
Laing O'Rourke – Bachy Soletanche JV	Infrastructure and building construction	50%	Hong Kong
Laing O'Rourke – Hsin Chong Paul Y JV	Infrastructure and building construction	55%	Hong Kong
Laing O'Rourke – Kier Kaden JV	Infrastructure and building construction	42.5%	Hong Kong
Laing O'Rourke – Hsin Chong Paul Y (WKCD) JV	Infrastructure and building construction	55%	Hong Kong
M-Pact Manchester	Civil engineering	60%	United Kingdom
Pacific Complete JV	Civil engineering	60%	Australia

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

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

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

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

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

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

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

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

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In New South Wales Laing O’Rourke project teams responded to the 2020 bushfire catastrophe. In the height of the covid pandemic they made safe 3500 decimated properties across 5.5 million hectares in less than 200 days.