Registered Number 04222545

Laing O'Rourke Plc

Annual Report and Financial Statements

for the year ended 31 March 2021

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DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS	R G O'Rourke KBE H D O'Rourke R C Baker (appointed 22 September 2020) M Igoe A S McIntyre (resigned 22 September 2020) J J Murray J C O'Connor
COMPANY SECRETARY	R E Turner
COMPANY NUMBER	04222545
REGISTERED OFFICE AND BUSINESS ADDRESS	Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN United Kingdom
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 *Embankment Place* London WC2N 6RH United Kingdom
BANKERS	Lloyds Bank plc Bank of Scotland plc 10 Gresham Street London EC2V 7HN United Kingdom HSBC UK Bank Plc 7th Floor Thames Tower Reading RG1 1LX United Kingdom
WEBSITE	www.laingorourke.com

STRATEGIC REPORT

for the year ended 31 March 2021

The Directors present their Strategic Report on the Laing O'Rourke Plc Group ('Laing O'Rourke' or 'Group') for the year ended 31 March 2021.

REVIEW OF THE BUSINESS

The Group's principal activities are:

CONSTRUCTION

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

MANUFACTURING

- *Building products; and*
- Manufacturing construction products.

PLANT HIRE

- Plant hire and operations.

SERVICES

- Design services;
- Building operations management; and
- Property development.

A list of all subsidiaries, joint ventures and joint arrangements can be found in note 34 to the financial statements.

Laing O'Rourke Plc (the 'Company') is a wholly owned subsidiary of O'Rourke Investments Limited and a member of the Laing O'Rourke Corporation Limited Group. The Company is incorporated and domiciled in England and Wales.

FINANCIAL REVIEW

During the financial year ended 31 March 2021 (FY21), the Group made continued progress towards delivery of its strategic targets having achieved a profit before tax of £4.9m (FY20: £10.5m).

The key achievements can be summarised as follows:

- The Group generated a significant net cash improvement of £72.3m and finished the year with net cash of £96.9m (FY20: £24.6m) primarily due to a decrease in contract assets of £14.3m and an increase in contract liabilities of £54.9m;
- The statutory earnings before interest and tax (EBIT) has decreased by 18% to £24.7m (FY20: £30.1m) which is mainly due to a reduction in volumes during the first half of the year; and
- The core debt was repaid and refinanced on 4 October 2021, with a new unsecured Revolving Credit Facility ('RCF') for £35.0m put in place, with an expiry date of 3 October 2023.

At the year end the Group had an order book of £6.2bn (FY20: £6.4bn) which represents c.four year's revenue (order book is defined as the value of work outstanding on secured, anticipated and preferred bidder contracts). Our key focus has been on converting our pipeline to secured work, which stood at £4.5bn at the year end (FY20: £3.5bn). This remains a priority for the remainder of FY22. In FY21, underlying performance was again impacted by an increase in costs relating to Covid-19. Four major projects – all in constrained city centre locations – were suspended as a result of the pandemic but only one site was significantly impacted by potentially irrecoverable Covid-19 costs. This was largely due to a regionally mandated extended shut down period at the start of the pandemic and high levels of required isolation periods in FY21. This led to an increase in costs recognised on the project of £14.1m.

The Group's share of cumulative losses in Canada relating to the construction of the CHUM hospital increased marginally by £5.5m to £214.0m. The project is nearing completion and the Group is not expecting any further losses. The hospital has been operational since October 2017 and the Group's only role in the project now consists of responding to any residual obligations on Phase 1 and monitoring its interface obligations in respect of Phase 2 which achieved substantial completion on 16 April 2021 (delivered by a local contractor).

EXCEPTIONAL ITEMS

The Group did not incur external costs in relation to restructuring losses during the year (FY20: £2.4m).

The Group did not recognise any losses on liquidation of subsidiaries during the year (FY20: £3.9m).

COVID-19

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

FUNDING

The Group's net cash position (cash less debt but excluding bank arrangement fees and the impact of adopting IFRS 16) increased from £24.6m at 31 March 2020 to £96.9m at 31 March 2021. This increase was driven by a decrease in contract assets and an increase in contract liabilities (see note 18).

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.

As well as debt instruments, such as bank loans and overdrafts, the Group uses project related bonding and guarantees to support its activities. 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.

The core debt was repaid and refinanced on 4 October 2021, with a new unsecured Revolving Credit Facility ('RCF') for £35.0m put in place, with an expiry date of 3 October 2023.

UK FUNDING

UK CORE DEBT:

	£'m	Term
RCF/Term Debt	**108.7**	3 years
Property loan	**13.7**	3 years

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

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

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

In the UK, bonding and similar instruments have continued to reduce by £3m to £92m at 31 March 2021. The UK business has reduced its exposure by approximately 40% since 2018. Since the year end, bank guarantees have reduced by a further £17.3m to £22.5m due to a £22.2m step-down in the CHUM position offset by a £4.9m increase due to the switching of a bond to a bank guarantee in respect of CHUM.

UK BONDS AND GUARANTEES

	FY21 (£m)	FY20 (£m)	FY19 (£m)	FY18 (£m)
Surety Exposure	**52**	55	84	108
Bank Exposure	**40**	40	44	45

ASSET DISPOSALS

On 28 May 2020 Laing O'Rourke Plc sold 5,000 shares out of a total holding of 7,000 shares in its joint venture Yorkshire Learning Partnership Limited for £7.0m. On 6 October 2020 Laing O'Rourke Plc sold the remaining 2,000 shares for £2.8m.

FINANCE AND TREASURY POLICY

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

UK CONSTRUCTION WORKING CAPITAL AND SUPPLY CHAIN PAYMENTS

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

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

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

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

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

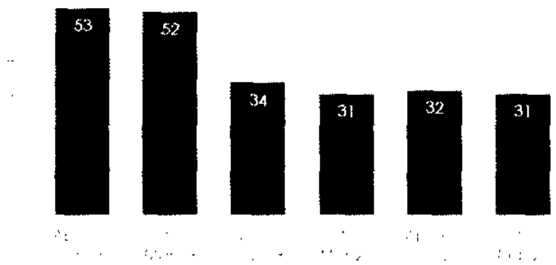
Since April 2018 significant progress has been made in reducing average payment days and increasing the percentage of invoices paid to terms or within 60 days. During the 18 months to 31 March 2021 the Group's performance has remained stable. There is still progress to be made by the Group in achieving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

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

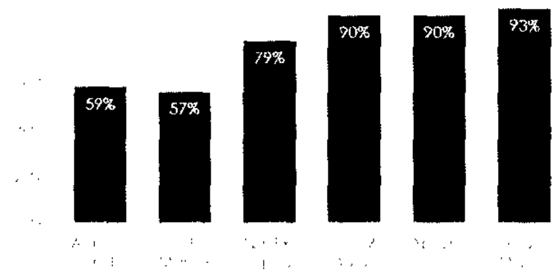
The graphs opposite show Laing O'Rourke Construction Limited's payment performance for the three years to 31 March 2021. Laing O'Rourke Construction is the main trading entity in the UK, a wholly owned subsidiary of Laing O'Rourke plc, and is the main entity subject to the PPC.

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

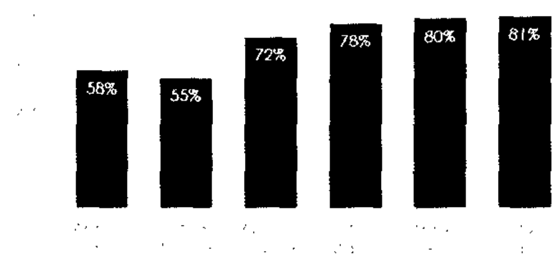
Graph One: Average days



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



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



RISK AND ACCOUNTING POLICIES

The Group's risk management framework and processes are largely unchanged from FY20. Since the year end, however, greater focus is being placed upon developing and enhancing our risk management framework and the work of the Risk and Internal Audit function, particularly in seeking to identify issues across all operational phases of delivery. The Board continuously assesses and monitors risks affecting the Group. Further details of how the Group has managed key financial and operational risks, such as credit and liquidity risks, are set out on pages 39 to 46 of the Laing O'Rourke Corporation Limited Annual Report and Consolidated Financial Statements under 'Risk Management'.

IMPACT OF BREXIT

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

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

OUTLOOK

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

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

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

Whilst the impacts of Covid-19 have become clearer and are, for the most part in the UK, behind us, the full impact of the combination of Covid-19 and Brexit is still yet to be seen. However, the Board remain confident that the strategic plan can be delivered. This has been explained in our going concern note on pages 19 to 21 and the impact of climate change on our forecasts and future performance has been explained in note 2.25 (d) on page 40.

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 UK Government has lifted remaining legal restrictions relating to Covid-19 preventative measures which should enable our sites to run even more efficiently going forward. However, while restrictions were lifted during July and August 2021, we will continue to proceed with caution and our Covid-19 safe measures will remain in place on our sites and in our offices for as long as we deem it necessary, and in compliance with Construction Leadership Council ('CLC') guidance.

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

The Group now has 100% of its expected FY22 revenue either secured or anticipated and 76% of its expected FY23 revenue is at the secured, anticipated or preferred bidder stage.

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

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

CORPORATE GOVERNANCE SECTION 172 (1) STATEMENT

This section serves as our Section 172 statement in compliance with the Companies Act 2006. Section 172 of the Companies Act requires the directors to have regard to the interests of our wider stakeholders when making key decisions across a range of areas. This statement, together with the relevant sections of the Annual Report and Financial Statements, explains how our Board meets this requirement and also how stakeholder engagement influences decision making across the Group.

CORPORATE GOVERNANCE PRINCIPLES

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

Laing O'Rourke Plc sits within the Corporate Governance Framework of the overall Laing O'Rourke Corporation Group. Decisions that impact Laing O'Rourke Plc are made at both the Europe Hub Committee and Group Executive Committee levels. The structure of our Board and its committees is outlined below and on page 8. The directors of Laing O'Rourke Plc are members of the Europe Hub Committee and/or the Group Executive Committee. All references to the Board, the Company and the Group within this Corporate Governance Section, on pages 7 to 18, relate to the Laing O'Rourke Corporation Group. Whilst the majority of this Corporate Governance section is equivalent to the disclosures in the Laing O'Rourke Corporation Limited Annual Report and Consolidated Financial Statements, there are some sections which have been removed because they are not relevant to the Group (ie sections specific to Australia) and some sections which have been tailored or added in order to meet the requirements of the Section 172 (1) Statement. The sections that have been tailored to the Group are:

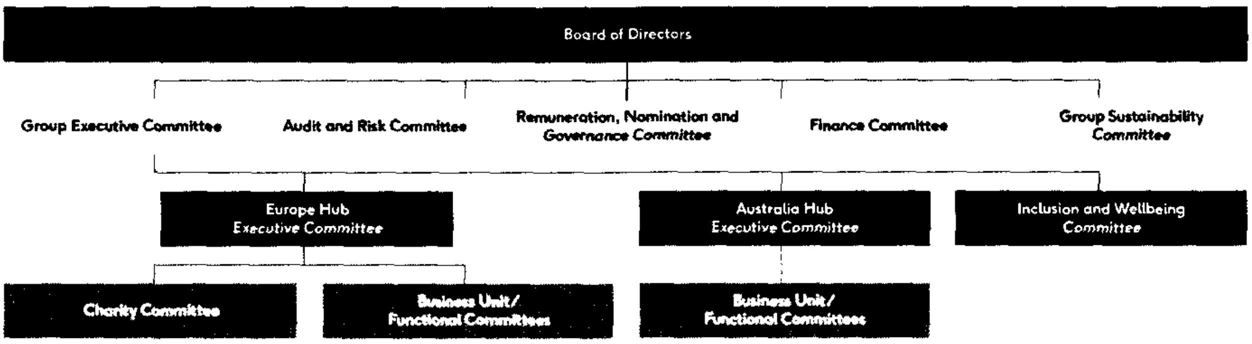
- Financial performance
- Leadership and People
- Stakeholder Engagement

GROUP CORPORATE GOVERNANCE FRAMEWORK

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

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

LAING O'ROURKE CORPORATION LIMITED BOARD STRUCTURE



LAING O'ROURKE CORPORATION DIRECTORS

Sir John Parker GBE FREng – Group Chairman

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

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

Des O'Rourke – Group Deputy Chairman

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

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

Ray O'Rourke KBE – Group Chief Executive Officer

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

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

Rowan Baker – Group Chief Financial Officer

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

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

Greg Branch – Non-Executive Director

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

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

Seamus French – Non-Executive Director

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

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

Charlotte Valeur – Non-Executive Director

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

Jim Edmondson – Group Company Secretary

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

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

TOPIC/ACTIVITY	ACTIONS	PROGRESS
STRATEGY AND SUSTAINABILITY	Supported development of a new sustainability strategy for the Group, incorporating environmental and diversity performance targets to support current ambitions to achieve operational net zero emissions by 2030 and 50/50 staff gender balance by 2033.	Approval to appoint sustainability 'ambassadors' throughout the business to support appointment of a new Group Head of Sustainability. Investment in R&D and modern methods of construction to support low carbon products. Requirement for project teams to reflect the community in which they operate. Careful monitoring by the Board to maintain a realistic view of progress towards environmental and diversity targets. Details on the KPIs which have been approved by the Board and against which progress will be measured are outlined on pages 47 to 49 of the Laing O'Rourke Corporation Limited Annual Report and Consolidated Financial Statements.
	Considered and approved a new responsible decision-making ('RDM') framework for the Group as a key enabler for our transformation strategy to deliver our 'Deliver 2025' mission.	Work in both Hubs to embed responsible decision-making (RDM) in all aspects of business.
FINANCIAL PERFORMANCE	Evaluated the UK business' performance against budget and forecast.	Detailed reports to each Board meeting from Group Chief Financial Officer and Group Commercial Director. Details on the KPIs which have been approved by the Board and against which progress will be measured are outlined on pages 47 to 49 of the Laing O'Rourke Corporation Limited Annual Report and Consolidated Financial Statements.
	Early response to the challenges presented by the operational impact of the Covid-19 pandemic.	Programme of frequent Board and finance sub committee meetings; in the UK, use of furlough and HMRC 'time to pay' schemes and self-help salary reductions and strict discipline on overhead and cash collection. The business was well placed to benefit from work on a new operating model, technical excellence, offsite manufacture and careful governance of the bid process. Positive decision not to seek further UK Government support. Dialogue with the UK Government assisted in establishing credentials in the context of education, health and infrastructure investment intended to support economic recovery post-pandemic.

LEADERSHIP AND PEOPLE	Recognition that people are our most valuable asset, which was given particular resonance by the impact of the Covid-19 pandemic.	Good response to financial wellbeing support package with development of additional workshops. Emergence from furlough scheme with 90% of UK employees back at work by June 2020.
	Considered succession planning for senior roles.	Succession planning continuing to evolve under the stewardship of Group Chairman Sir John Parker.
	Considered 'Purpose' from an individual leadership perspective.	Executive initiatives around defining what 'purposeful leadership' looks like as the business starts to consider defining its overall 'purpose'.
	Focus on Wellbeing, with offer of professional financial advice, participation in Mental Health Awareness Week and work towards recognition as a Disability Confident leader.	Coaching Faculty developed as a resource for project leaders.
	Reviewed Executive Development Programme, a two year initiative involving some 30 executives. The purpose is to enable each executive to review personal progress aside from everyday tasks, and to enable the business to arrive at an objective analysis of bench strength in order to inform succession planning.	Excellent executive engagement assisted by professional coaching in core areas of purposeful leadership and high performance.
RISK MANAGEMENT AND INTERNAL CONTROLS	Established special attention forums responsible for tracking and reporting identification and management of risks arising directly from Covid-19 pandemic and Brexit.	Regular reporting to the Board by Legal and commercial functions. Approval of the appointment of a new Head of Risk and Internal Audit, reporting directly to the Non-Executive chair of the Group's Audit and Risk Committee.
	Approval of 'Project Certainty', a development of the Group's project operating model which places projects and people at the heart of the business and is central to the 'Deliver 2025 Mission'.	Introduction of 'Project Certainty' on a number of major new projects. A focus on inclusion and wellbeing and an approach called 'Engineered Safety' as central to the way in which the Group goes to work.
STAKEHOLDER ENGAGEMENT	Client feedback via Perception Study designed to increase understanding of client objectives measured by reference to key themes including people, diversity, sustainability, innovation and technical expertise.	Client Perception Study results showed a clear emphasis on need for trust and collaborative relationship with 'no surprises' and the importance of our diversity and sustainability aspirations.
	Involvement in 'Kickstart Scheme', a UK Government initiative designed to create work placements for young people either at risk of long-term unemployment or unable to find a job after graduation.	Complements our 'Guns' development programme which aims to identify, nurture and retain emerging talent within the business.
	Regular reporting by Board members who lead our Building and Infrastructure businesses into weekly Business Plan Review meetings and monthly meetings of our Europe Hub Executive Committee.	Enables 'real time' reporting on client dialogue, workforce feedback, supply chain relationships and any stakeholder concerns.

CORPORATE GOVERNANCE STATEMENT

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

PRINCIPLE ONE PURPOSE AND LEADERSHIP

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

The Group's strategy is implemented through our 'Deliver 2025 Mission', further details of which are set out on pages 9 and 10 of the Laing O'Rourke Corporation Limited Annual Report and Consolidated Financial Statements.

The Board appreciates the importance of engagement and dialogue with its employees and wider stakeholders to communicate the Group's strategy, governance and culture. Details of how and why we engage are set out on page 16 to 18 in our reporting against Principle Six (Stakeholder Relationships and Engagement) of the Wates Principles.

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

CONDUCT AND ETHICS

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

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

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

HIGHLIGHTS:

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

PRINCIPLE TWO LAING O'ROURKE CORPORATION LIMITED – BOARD COMPOSITION

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

The Board is led by Sir John Parker, independent Non-Executive Director, as Chairman of the Group. The Board further comprises the Chief Executive Officer (with a clearly defined role, separate to that of the Chairman), the Deputy Chairman, Chief 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, appropriate for the Group's strategic needs, challenges of the organisation and effective decision making.

The Board delegates the day to day operation of the Group through a structure of executive committees (see page 7), which regularly report into the Board and provide clarity on the Group's business needs. The Group's shareholders are Board members, enabling a full understanding of shareholder interests.

The Audit and Risk Committee and the Inclusion and Wellbeing Committee are chaired by Non-Executive Directors in order to ensure independent challenge and influence across the broad range of issues for which these committees are responsible. The Board Chairman and the committee chairs promote open debate and facilitate constructive discussions. The Chairman, via the Group Company Secretary, is responsible for ensuring that directors receive the appropriate level of information in board papers sufficiently in advance of meetings to facilitate such discussions.

AUDIT AND RISK COMMITTEE

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

THE INCLUSION AND WELLBEING COMMITTEE

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

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

The Group is confident that the Board has the right skills and experience to discharge its duties effectively. The directors are clear on the amount of time required for their role and are careful to balance this with the requirements of other roles (see biographies on page 8).

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

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

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

DIVERSITY

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

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

DIVERSITY – CASE STUDY

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

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

PRINCIPLE THREE DIRECTOR RESPONSIBILITIES

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

The Group Governance Framework provides a clear understanding of roles and responsibilities, linking to policies and procedures and delegations of authority, supporting effective decision making and independent challenge, in turn delivering long-term value to the Group and to stakeholders. Governance processes are reviewed on a regular and ongoing basis as part of the Group's commitment to corporate governance outlined in the opening paragraphs of this report on page 7.

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

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

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

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

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

PRINCIPLE FOUR OPPORTUNITY AND RISK

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

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

PROJECT DELEGATION OF AUTHORITY

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

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

PROJECT GATEWAYS

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

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

BID SETTLEMENT MEETINGS:

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

iGMS

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

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

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

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

DIGITAL

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

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

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

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

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

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

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

PRINCIPLE FIVE REMUNERATION

The Remuneration, Nomination and Governance Committee, chaired by an independent Non-Executive Director, has clearly defined terms of reference. Its main function is to make recommendations to the Board for the Group's remuneration structure and to align remuneration to the long-term sustainable success of the Group. Total Directors' remuneration is disclosed in note 6 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 Remuneration, Nomination and Governance Committee.

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

GENDER PAY REPORTING

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

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

Our succession planning, focus on participation of women in development programmes, and targets to increase recruitment of women into non-traditional roles, are all impacting positively on reducing this gender pay gap and the Board is confident that while this will take time, progress is being made. Details of how the Group is pursuing those aspirations are set out on page 12.

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

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

PRINCIPLE SIX STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

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

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

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

OUR PEOPLE

Connecting effectively with our people during the year to hear and understand their views became more important than ever as the Covid-19 pandemic spread across the globe.

The Group prioritised communication, engagement and support for our workforce through many different channels including:

- Daily, weekly or monthly employee communications from senior leaders;
- Making toolkits available to managers to ensure that they could cascade consistent information to their teams in a personal way; and
- Increased interactive communication with our people through extension of our in-house media channel 'LOR Live' to remote platforms, facilitating real time Q&As with thoughts and opinions encouraged from all staff.

Communication was proactive and interactive via LOR Live (monthly live broadcasts by our leadership teams), our internal social media channel on Yammer, Laing O'Rourke's intranet, weekly townhall sessions across the business and project visits (where possible) with leadership briefings. The primary focus was ensuring that all colleagues were safe on sites and in offices and that their wellbeing and mental health was being supported in the face of increased challenges in balancing work and family environments.

We refreshed our annual staff engagement survey in November 2020, with strong scores recorded across both Hubs particularly confidence in leadership, pride in working for Laing O'Rourke and overall staff engagement.

Managing the safety of our people was the priority for the Board and our Executive Committees as they managed the business through the particular challenges of the Covid-19 pandemic and a key factor taken into account in all operational decisions regarding access to our project sites and offices.

The Board and our Executive Committees took a proactive interest in how the pandemic would impact our future ways of working, with staff surveys across both Hubs asking our people to share their experiences of working remotely and to consider how their roles could change into the future. The results of this survey were overwhelmingly positive around the support provided to our people and their desire for the business to move towards new ways of flexible and dynamic working. The Board has endorsed this approach, with pilot schemes implemented across our project and office environments.

Other initiatives considered and endorsed by the Board and our Executive Committees during the period included:

- Roll out of the Energy Project (one of the Group's wellbeing initiatives) across both hubs with support training;
- Providing support initiatives to help those working from home, raising mental health concerns and caring for dependants; and
- Provision of increased annual leave to support people balancing the challenges of working from home and the anxiety associated with the Covid-19 pandemic.

OUR SUPPLIERS

In July 2020 more than 150 suppliers attended Laing O'Rourke's virtual conference to continue to engage our UK supply chain on the Group's 'Deliver 2025' Mission. This was reinforced by further communications with our supply chain throughout the Covid-19 pandemic, utilising our strategic partnerships to collaborate and mitigate the impact of the pandemic on our projects.

Strategic partnerships with key suppliers are further supported through the issue of joint communications, sharing supply chain best practice and collaborating with mutual stakeholders. These highlight how partnerships bring benefits to the delivery of projects and drive innovation throughout the industry.

The Board recognises that its supply chain partners will be critical in helping the Group achieve its 'Deliver 2025' mission to become the recognised leader for innovation and excellence and achieve stretching sustainability targets. Members of the Board and our Executive Committees participate in supply chain forums.

Updates on significant activities and developments within our supply chain are provided to the Board and our Executive Committees and taken into account when setting or approving annual budgets, performance targets and making long term strategic decisions.

Supplier payment practices are regularly reviewed and Laing O'Rourke remains a committed member of the UK's Prompt Payment Code.

OUR LENDERS

The Group operates strict controls over working capital and cash management, engaging proactively on these controls with its lenders. A regular and transparent reporting dialogue is maintained with lenders, including monthly update calls and touch points, visits to projects and our manufacturing facilities, strategy and general business updates and reporting against agreed financial performance metrics.

All financial stakeholders have direct access at all times to the Chief Financial Officer, who is appointed to the Board and attends meetings of the Executive Committees. This ensures that the directors and our senior leaders are kept regularly informed of developments with our financial stakeholders and that their views are taken properly into account when making operational and strategic decisions.

OUR COMMUNITY	At a project level, we engage with a wide range of local stakeholders to keep them informed of our local initiatives and progress on projects, which deliver significant economic and social value to local communities. We use a wide range of communication channels (including social media) to maximise the effectiveness of how we engage with the local community across our projects.	The Board approved the implementation across both hubs of a responsible decision-making framework. This is our ethical framework underpinned by universal principles of sustainability that helps our Board, Executive Committees and our people consider our values, principles and other external factors when making complex decisions.
GOVERNMENT AND REGULATORY BODIES	Through our trade bodies, the UK's Construction Leadership Council ('CLC') and Build UK, we are party to regular dialogue with officials at the Department for Business, Energy and Industrial Strategy. During the financial year, this dialogue was focused on navigating the Covid-19 pandemic, ensuring construction activity continued safely and supported national economic recovery. We also maintained dialogue with central UK government departments responsible for delivery of specific infrastructure projects, including the Department of Health and Social Care ('DHSC') for hospitals and the Department for Education ('DfE') for schools. We are committed to developing and maintaining open and effective working relationships with regulatory bodies relevant to our business. Where appropriate, these relationships are managed by senior leaders in our executive team.	Our regular dialogue with government and regulatory bodies ensures that the Board and our Executive Committees are briefed on the potential impact of significant developments on government policy, procurement routes and changes to laws and regulations.

RISK

The Directors of Laing O'Rourke Corporation Limited manage risk for the Group as a whole, rather than for individual entities. For this reason, the Company's Directors believe that analysis of the Laing O'Rourke Plc Group's risks should be viewed in the context of the Laing O'Rourke Corporation Limited Group. The principal risks and uncertainties of the Laing O'Rourke Corporation Limited Group, which include those of the Laing O'Rourke Plc Group, are discussed in the Laing O'Rourke Corporation Limited Group's annual review which does not form part of this report.

The Directors of Laing O'Rourke Corporation Limited manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators should be viewed in the context of the Laing O'Rourke Corporation Limited Group. The performance, position and future development of the Europe Hub of the Laing O'Rourke Corporation Limited Group, which include those of the Laing O'Rourke Plc Group, are discussed in the Laing O'Rourke Corporation Limited Group's annual review which does not form part of this report. Copies of the Laing O'Rourke Corporation Limited consolidated financial statements are available at www.laingorourke.com/company/governance/annual-report.

APPROVAL

This report was approved by the Board on 2 November 2021 and signed on behalf of the Board by:

R E TURNER
COMPANY SECRETARY

DIRECTORS' REPORT

for the year ended 31 March 2021

BRANCHES OUTSIDE THE UK

As the Group is an international business, there are activities operated through branches in certain jurisdictions.

FUTURE DEVELOPMENTS

Details on future developments are presented within the Strategic Report on page 3 to 18.

FINANCIAL RISK MANAGEMENT

The Directors of Laing O'Rourke Corporation Limited manage financial risks for that Group as a whole, rather than as individual entities. For this reason, the Company's Directors believe that analysis of the Company's risks should be viewed in context of the Laing O'Rourke Corporation Limited Group. The principal risks and uncertainties of Laing O'Rourke Corporation Limited, which include those of the Company, are discussed in the Laing O'Rourke Corporation Limited annual review, which does not form part of this report.

RESULTS AND DIVIDENDS

The results for the financial year are set out in the Consolidated Income Statement on page 26.

Revenue for the financial year was £1,515.4m (2020: £1,651.9m). The profit after tax for the year was £1.0m (2020: £7.6m). Capital employed by the Group at 31 March 2021 was a deficit of £180.3m (2020: deficit of £179.3m).

No dividends were declared or paid (2020: £nil).

GOING CONCERN

The Laing O'Rourke Plc Group (the 'Group') delivered a solid *performance in FY21 during a challenging year and* performed materially in line with FY20. The ability of the Group to continue as a going concern is dependent on the performance of the wider Laing O'Rourke Corporation Limited Group. The Laing O'Rourke Corporation Limited Group's (the 'LOR Corporation Group') transformation plan is progressing well and the LOR Corporation Group remains on track to achieve its 'Deliver 2025' strategic targets.

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

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

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

As a result of its ongoing profitability and the financial flexibility achieved via these mitigations, the LOR Corporation Group did not require any waivers or relaxation of its banking covenants during the financial year for facilities in place at the year end. Subsequent to the year end, UK facilities of £108.7m have been repaid in full. On 4 October 2021, the UK put in place a new unsecured £35.0m revolving credit facility ('RCF') *with an expiry date of 3 October 2023 and is forecasting full* covenant compliance on its 'management case' business plan and its severe but plausible downside scenario. Details of covenants are provided in note 27.3 of the financial statements.

In forming their conclusion as to the appropriateness of continuing to apply the going concern basis of accounting in preparing these financial statements, the Directors have *reviewed the LOR Corporation Group's 'management case'* forecast, representing management's best estimate of the future performance of the LOR Corporation Group, including cash flow forecasts to 31 March 2023. The Directors have also considered the way in which the LOR Corporation Group constantly monitors its cash reserves and exercises tight control over its working capital as illustrated by its liquidity performance during the Covid-19 pandemic.

The RCF, which funds the UK business, permits loans to be made from the Australia Hub (part of the LOR Corporation Group) to the UK, and back, subject to certain restrictions which do not impact management's ability to manage UK liquidity. This allows liquidity to be managed on a LOR Corporation Group basis and therefore the most relevant forecast to assess the going concern basis of accounting for the LOR Corporation Group as a whole is therefore a LOR Corporation Group view of liquidity.

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

- Construction activity is assumed to continue in line with current levels, with no additional material deterioration in project gross margins or the working capital position, as a result of further Covid-19 restrictions or for any other reason. This approach accords with the LOR Corporation Group's performance to date against a Covid-19 backdrop;
- There are no adverse material cash settlements in the period to 31 March 2023 relating to the contingent liability matters disclosed in note 27 of the Laing O'Rourke Corporation Limited Annual Report and Consolidated Financial Statements;
- Work-winning continues in line with current expectations and is in line with average win rates in previous years;
- Continued support of our supply chain in terms of product material, labour supply and flexibility in payment terms;
- No imposition of a Covid-19 related lockdown on the construction sector in the LOR Corporation Group's main markets;
- Inflationary pressures experienced in the six months to October 2021 can be accommodated within existing project inflation allowances and general contingencies. The LOR Corporation Group has undertaken a detailed review of the possible impact of inflation on the estimated final cost of its projects and has concluded that existing

contingencies are expected to be sufficient to materially cover the risk on existing projects in the period to 31 March 2023, with the risk being addressed at the tender stage for new projects;

- Based on our detailed assessment, our supply chain management and experience to date, disruption to the supply of materials to projects and shortages of labour, if experienced, can be accommodated within existing project programmes or programme contingencies; and
- The underlying relevant market drivers for construction work in infrastructure, power generation, education, healthcare, justice and residential house building remain in place.

The Laing O'Rourke Corporation Limited Board's 'management case' forecast does not anticipate any breaches of new banking covenants relating to the UK RCF that would result in an Event of Default under the facility in the period to 31 March 2023 and this forecast delivers a comfortable level of LOR Corporation Group operating cash liquidity headroom across the same period.

In addition to consideration of the Laing O'Rourke Corporation Limited Group 'management case' most likely outcome, the Directors have also considered a number of downside scenarios in light of the potential uncertainties created by Covid-19, Brexit and supply chain disruption risk. These scenarios have been prepared using certain key assumptions, with particular focus on compliance with financial covenants in the UK and liquidity headroom in the UK. Liquidity in Australia provides short-term mitigation to low points in the UK on downside scenarios. Of these downside scenarios, the severe but plausible scenario described further below is the most severe.

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

- Lower revenue and trading volumes in the UK resulting in approximately £854m reduction or delay in LOR Corporation Group revenue (a 13% reduction or delay in revenue across FY22 and FY23 compared to the management case) with a £183m reduction in cash to March 2023 (48% of net cash inflows to March 2023);
- Specific project risks and risks to cash generation initiatives (£63m cash inflow removed to 31 March 2023);
- Potential cost impacts of inflation on the current portfolio of projects (£19m cash removed to 31 March 2023) over and above those that can be dealt with via contingencies; and
- Potential margin erosion and a potential negative impact on the LOR Corporation Group's ability to deliver its transformation activities, including cost reductions (a further £35m cash inflow removed to 31 March 2023).

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

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

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

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

- Dispose of specific fixed assets;
- Raise additional external funding to supplement the £35.0m RCF, including refinancing of LOR Corporation Group plant and machinery assets; and
- Dispose of non-core businesses.

In addition to the Laing O'Rourke Corporation Limited Group 'management case' and the severe but plausible downside case, the Directors have also assessed the extent of downside that would be required for liquidity to drop below zero (a reverse stress-test scenario). This considers the revenue reduction required versus the 'management case' in order for liquidity to drop below zero during the period to March 2023. This would require revenue to reduce or be delayed by £1.7bn across FY22 and FY23 (a 25% reduction or delay in revenue compared to the management case), with resultant loss of *margin, with no mitigation. A similar reduction in revenue* would be required for a sustained breach of the minimum liquidity covenant under the UK RCF.

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

- Against the background of Covid-19 uncertainties, the outlook for the construction sector in the UK is positive, strengthened by the UK Government's substantial National Infrastructure Strategy. The LOR Corporation Group continues to work closely with government in the UK to support their investment agendas and, in particular, as a strategic supplier in the UK in order to deliver hospitals, schools and infrastructure;
- Laing O'Rourke's investment in developing a sector-leading modern methods of construction (MMC) capability, its proven track record against a challenging market backdrop, integrated delivery model, strong client engagement, resilience to supply chain risk and robust internal control environment ensure that it is well positioned to continue to win work;
- The current order book for the LOR Corporation Group remains strong at £7.9bn (as at 31 March 2021) as a result of continued work-winning success during the recent Covid-19 pandemic period. The LOR Corporation Group now has 98% of its expected FY22 revenue either secured or anticipated and 63% of its expected FY23 revenue is at the secured, anticipated or preferred bidder stage; and

- Cash performance at 30 September 2021 is above the management case forecast for the LOR Corporation Group.

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

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

RESEARCH AND DEVELOPMENT

The Group's research and development expenditure of £30.5m (FY20: £30m) supports the development of construction techniques to deliver quality, certainty, and value for our customers.

CHARITABLE DONATIONS

During the year, the Group contributed £0.1m (2020: £0.1m) to its nominated charities.

POST BALANCE SHEET EVENTS

Subsequent to the year end, the Group has refinanced its UK facilities, resulting in the full repayment of £108.7m of RCF/Term Debt and the entering into a new £35.0m unsecured RCF with an expiry date of 3 October 2023.

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

DIRECTORS

The current membership of the Board is as set out on page 2.

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.

EMPLOYEE ENGAGEMENT STATEMENT

All Laing O'Rourke's UK employees are contracted by Laing O'Rourke Services Limited, a wholly owned subsidiary of Laing O'Rourke Plc. The Directors appreciate that employee interests and needs evolve and change over time and therefore they value the need for continuous engagement with our people to better inform their decision-making process.

There is close interaction between the board of the parent company, Laing O'Rourke Corporation Limited, its Executive Committees, and the boards of the group subsidiaries on issues which may affect employees.

We continued during the period to use a range of communication channels to provide employees with relevant information and to seek their views on matters of common interest. Priority is given to ensuring that employees are informed of material developments to the Group's trading position and any significant organisational changes.

Our workforce is diverse and spread across multiple locations. We facilitate exchange of views between our people and leadership teams through systemic employee surveys, Town Halls, Breakfast Briefings, Roadshows, our Intranet, Yammer (our internal social media site), Away Days, our in-house media channel 'LOR Live' and staff conferences. Directors also visit project sites on a regular basis.

Connecting effectively with our people over the period to hear and understand their views became more important than ever as the Covid-19 pandemic spread across the globe. Managing the safety of our people was the priority for the Directors and our Executive Committees as they managed the business through the particular challenges of the Covid-19 pandemic and a key factor taken into account in all operational decisions regarding access to our project sites and offices.

The Company prioritised communication, engagement and support for our workforce through many different channels including:

- Daily, weekly or monthly employee communications from senior leaders;
- Making toolkits available to managers to ensure that they could cascade consistent information to their teams in a personal way; and
- Increased interactive communication with our people through extension of our in-house media channel 'LOR Live' to remote platforms, facilitating real time Q&As with thoughts and opinions encouraged from all staff.

STREAMLINED ENERGY AND CARBON REPORTING

The Group recognises the impact climate change has on the environment and society. The Group is committed to measuring and managing the carbon emissions associated with our business operations.

In the year, the Group undertook energy audits in many of its operations, as part of our compliance with the Government's Energy Savings Opportunity Scheme ('ESOS').

The Group's current emissions reduction projects are as follows:

REDUCE SITE AND FACTORY FUEL USAGE

- Continue to update and promote site CO_2 reduction guidance (including use of welfare accommodation) and continuing to raise staff awareness;
- Continue to promote and build capability in utilising energy and carbon data to inform improvements on sites. Financial as well as environmental metrics have been included in reporting to further increase engagement and commitment to meeting sustainability targets;
- Raise profile of guidance to ensure timely connection to grid, and optimise efficiency of on-site power generation when required;

- Continue to review plant fleet for upgrade opportunities and continue to increase plant driver awareness;
- Seek opportunities to continue to improve energy efficiency of Explore Manufacturing (and its kiln in particular);
- Improve energy governance across permanent and temporary sites to reduce overall energy consumption, through the implementation of ISO 50001:2018; and
- Support all sites with implementing specific energy reduction targets and objectives, as required under ISO 50001:2018.

REDUCE ELECTRICITY CONSUMPTION

- Continue with compulsory installation of AMR (Automated Meter Reading) meters on all projects; and
- Continue to review property portfolio for upgrade opportunities and support efficiency improvements.

REDUCE EMISSIONS FROM TRAVEL

- Programme to improve driver behaviour;
- Promote advantages of longer lead-time order placements with projects to improve delivery loads and co-ordination;
- Promote the use of video conferencing technology to displace business travel;
- Fleet replacement programme to improve vehicle efficiency; and
- Proactive review of telemetric data for company vans, to identify and address operational bad-practice and improve driver-awareness

GHG EMISSIONS AND ENERGY USE FOR THE YEAR ENDED 31 MARCH 2021

	FY21	FY20
Energy consumption used to calculate emissions (kWh)	**71,730,161**	103,112,048
Gas (kWh)	**6,991,955**	5,810,762
Electricity (kWh)	**17,873,000**	21,875,702
Transport fuels (kWh)	**20,238,946**	31,697,587
Other energy sources (Scope 1 & 2) kWh	**26,626,259**	43,727,997
Emissions from combustion of gas tCO^2e (Scope 1)	**1,392**	1,070
Emissions from combustion of fuel for transport purposes tCO^2e (Scope 1)	**3,604**	5,383
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing of the fuel tCO^2e (Scope 3)	**1,217**	2,312
Emissions from purchased electricity tCO^2e (Scope 2, location-based)	**4,167**	5,469
Total gross emissions tCO^2e based on the above	**10,380**	14,234
Total gross emissions from above by unit turnover/revenue (tCO^2e/£M)	**7.45**	13.93
Methodology	ISO14064 Part 1 2018 and CEMARS	
Emissions from other activities which the company owns or controls including operation of facilities tCO^2e (Scope 1)	**6,835**	11,428
Emissions from heat, steam and cooling purchased for own use tCO^2e (Scope 2)	**N/A**	N/A
Emissions from other activities tCO^2e (Scope 3): Transport - other	**251**	1,024
Emissions from other activities tCO^2e (Scope 3): Electricity	**358**	466
Emissions from other activities tCO^2e (Scope 3): Waste	**758**	113
Emissions from other activities tCO^2e (Scope 3): Water & Wastewater	**299**	315
Total other emissions tCO^2e	**8,501**	13,346
Total gross Scope 1, Scope 2 & Scope 3 emissions tCO^2e	**18,881**	27,580
Total gross GHG emissions per unit turnover/revenue (tCO^2e/£M)	**13.56**	26.99
Third Party verification	Verified to ISO14064 Part 1 2018 and CEMARS	

The revenue used to calculate the intensity ratios is not that of the total Group; only UK subsidiaries have been included

Emissions have reduced significantly compared to FY20 due to the impacts associated with Covid-19; predominantly working from home and less employee travel.

ENGAGEMENT WITH STAKEHOLDERS

An explanation of how the Group has regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is set out within principle 6 of the corporate governance statement on pages 16 to 18.

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' CONFIRMATIONS

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution for their appointment will be proposed at the Annual General Meeting.

APPROVAL

This report was approved by the Board on 2 November 2021 and signed on behalf of the Board by:

R C BAKER
DIRECTOR

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAING O'ROURKE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Laing O'Rourke Plc's group financial statements and company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

BASIS FOR OPINION

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

INDEPENDENCE

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, 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.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

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 and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental legislation, health and safety legislation, data protection legislation, anti-bribery and corruption legislation, tax legislation, employment laws and construction laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

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

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

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

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

SIMON MORLEY (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS

LONDON, 2 November 2021

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2021

	Note	Total 2021[1] £m	Pre-exceptional items 2020 £m	Exceptional items (note 4) 2020 £m	Total 2020 £m
Revenue	3	**1,515.4**	1,651.9	–	1,651.9
Cost of sales		**(1,395.7)**	(1,488.8)	–	(1,488.8)
Gross profit		**119.7**	163.1	–	163.1
Administrative expenses		**(105.5)**	(121.3)	(6.3)	(127.6)
Other operating income	7	**7.4**	0.5	–	0.5
Profit/(loss) from operations		**21.6**	42.3	(6.3)	36.0
Profit on disposal of joint ventures	13	**2.5**	–	–	–
Profit on disposal of property		**5.8**	–	–	–
Share of post-tax losses of joint ventures	14	**(5.2)**	(5.9)	–	(5.9)
Profit/(loss) before interest and tax	5	**24.7**	36.4	(6.3)	30.1
Finance income	8	**0.3**	0.9	–	0.9
Finance expense	9	**(20.1)**	(20.5)	–	(20.5)
Net financing expense		**(19.8)**	(19.6)	–	(19.6)
Profit/(loss) before tax		**4.9**	16.8	(6.3)	10.5
Tax	10	**(3.9)**	(4.1)	1.2	(2.9)
Profit/(loss) for the year		**1.0**	12.7	(5.1)	7.6
Attributable to:					
Owners of the Parent		**1.0**	12.7	(5.1)	7.6
Non-controlling interests		**–**	–	–	–
		1.0	12.7	(5.1)	7.6

1. There were no exceptional items in the year ended 31 March 2021.

The notes on pages 33 to 72 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	*Total* **2021**[1] **£m**	*Re-presented*[2] Pre-exceptional items 2020 £m	Exceptional items (note 4) 2020 £m	Re-presented[2] *Total* 2020 £m
Profit/(loss) for the year		**1.0**	12.7	(5.1)	7.6
Other comprehensive (expense)/income:					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations[2]		**(1.2)**	3.1	–	3.1
Movement in fair value of financial assets	14	**(0.8)**	(1.0)	–	(1.0)
Other comprehensive (expense)/income for the year, net of tax	10	**(2.0)**	2.1	–	2.1
Total comprehensive (expense)/income for the year		**(1.0)**	14.8	(5.1)	9.7
Attributable to:					
Owners of the Parent	25	**(1.0)**	14.8	(5.1)	9.7
Non-controlling interests	25	**–**	–	–	–
		(1.0)	14.8	(5.1)	9.7

1. There were no exceptional items in the year ended 31 March 2021.
2. Exchange differences on translating foreign operations has been re-presented to include £1.0m previously presented as share of other comprehensive expense of investments accounted for using the equity method.

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 10.

The notes on pages 33 to 72 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Note	2021 £m	Re-presented[1] & Restated[3] 2020 £m
Assets			
Non-current assets			
Intangible assets	11	**35.0**	39.2
Investments in joint ventures	14	**6.9**	9.1
Loans to joint ventures	14	**8.0**	15.3
Property, plant and equipment[1]	15	**68.2**	61.1
Right-of-use assets[1]	16	**157.6**	177.3
Deferred tax assets	23	**31.2**	36.0
Trade and other receivables[2]	19	**0.1**	–
Contract assets[2]	18	**30.2**	44.3
Total non-current assets		**337.2**	382.3
Current assets			
Inventories	17	**9.9**	9.5
Contract assets[2,3]	18	**67.5**	67.8
Trade and other receivables[2]	19	**100.9**	100.5
Current tax assets		**9.6**	5.0
Cash and cash equivalents		**261.5**	241.5
Total current assets		**449.4**	424.3
Total assets		**786.6**	806.6
Liabilities			
Current liabilities			
Borrowings	20	**(177.4)**	(78.4)
Contract liabilities[2,3]	18	**(254.7)**	(209.3)
Trade and other payables[2]	21	**(410.7)**	(421.0)
Provisions	22	**(7.0)**	(1.6)
Current tax liabilities		**(0.3)**	(1.3)
Total current liabilities		**(850.1)**	(711.6)
Non-current liabilities			
Borrowings	20	**(97.6)**	(259.6)
Contract liabilities[2]	18	**(9.6)**	–
Trade and other payables[2]	21	**(9.6)**	(14.7)
Total non-current liabilities		**(116.8)**	(274.3)
Total liabilities		**(966.9)**	(985.9)
Net liabilities		**(180.3)**	(179.3)
Equity			
Share capital	24	**0.2**	0.2
Foreign currency translation reserve	25	**(19.6)**	(18.4)
Fair value reserve	25	**0.7**	1.5
Accumulated losses	25	**(161.6)**	(162.6)
Total equity attributable to owners of the Parent		**(180.3)**	(179.3)
Non-controlling interests	25	**–**	–
Total equity		**(180.3)**	(179.3)

1. Right-of-use assets were disclosed as property, plant and equipment in FY20 and have therefore been re-presented for consistency with the presentation in FY21 which provides additional visibility
2. Contract assets and contract liabilities were previously disclosed within trade and other receivables and trade and other payables respectively. They have been re-presented in FY20 for consistency with the presentation in FY21 which provides additional visibility
3. See note 2.1 for details of amounts restated in FY20 .

The financial statements were approved and authorised for issue by the Board of Directors on 2 November 2021 and were signed on its behalf by:

R C BAKER
DIRECTOR

The notes on pages 33 to 72 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Note	2021 £m	Re-presented¹ 2020 £m
Assets			
Non-current assets			
Investments in subsidiaries	12	**218.2**	218.2
Investments in joint ventures	14	**0.7**	1.5
Loans to joint ventures	14	**8.0**	15.3
Right-of-use assets[1]	16	**72.8**	81.3
Deferred tax assets		**4.6**	4.5
Total non-current assets		**304.3**	320.8
Current assets			
Trade and other receivables	19	**242.3**	241.1
Cash and cash equivalents		**0.1**	0.1
Total current assets		**242.4**	241.2
Total assets		**546.7**	562.0
Liabilities			
Current liabilities			
Borrowings	20	**(146.5)**	(52.8)
Trade and other payables	21	**(383.2)**	(334.2)
Total current liabilities		**(529.7)**	(387.0)
Non-current liabilities			
Borrowings	20	**(65.3)**	(212.3)
Trade and other payables	21	**(0.1)**	(0.1)
Total non-current liabilities		**(65.4)**	(212.4)
Total liabilities		**(595.1)**	(599.4)
Net liabilities		**(48.4)**	(37.4)
Equity			
Share capital	24	**0.2**	0.2
Fair value reserve	25	**0.7**	1.5
Accumulated losses and other reserves	25	**(49.3)**	(39.1)
Total equity		**(48.4)**	(37.4)

1. Right-of-use assets were disclosed as property, plant and equipment in FY20 and have therefore been re-presented for consistency with the presentation in FY21 *which provides additional visibility. There is no property, plant and equipment in either FY20 or FY21 in the Company.*

The Company loss for the financial year was £10.2m (FY20: loss of £13.2m).

The financial statements were approved and authorised for issue by the Board of Directors on 2 November 2021 and were signed on its behalf by:

R C BAKER
DIRECTOR

The notes on pages 33 to 72 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	2021 £m	Re-presented[1] Restated[1] 2020 £m
Cash flows from operating activities			
Profit before tax		**4.9**	10.5
Adjustments for:			
Depreciation and amortisation	5	**31.3**	32.9
Impairment of assets	15	**1.6**	–
Profit on disposal of property, plant and equipment	5	**(7.8)**	(0.4)
Profit on disposal of joint ventures	13	**(2.5)**	–
Net financing costs		**19.8**	19.6
Research and development expenditure credit		**(7.2)**	–
Share of post-tax loss of joint ventures	14	**5.2**	5.9
Increase in trade and other receivables[1]		**(0.2)**	(11.2)
Decrease in contract assets[1]		**14.3**	88.3
(Increase)/decrease in inventories		**(0.4)**	0.8
Decrease in trade and other payables and provisions[1]		**(15.3)**	(120.7)
Increase in contract liabilities[1]		**54.9**	20.0
Other		**(1.8)**	2.4
Cash generated from operations		**96.8**	48.1
Interest paid		**(11.4)**	(11.6)
Tax paid		**2.5**	2.0
Net cash generated from operating activities		**87.9**	38.5
Cash flows generated from/(used in) investing activities			
Purchase of property, plant and equipment and right-of-use assets		**(7.0)**	(6.3)
Purchase of intangible assets	11	**(2.3)**	(7.2)
Capital injections in equity investments	14	**–**	(6.0)
Proceeds from sale of property, plant and equipment and right-of-use assets		**19.7**	2.7
Proceeds from disposal of joint ventures		**2.5**	–
Loans to joint ventures	14	**–**	(1.4)
Loans repaid by joint ventures	14	**7.3**	0.2
Interest received on financial assets held as investments		**0.3**	0.9
Net cash generated from/(used in) investing activities		**20.5**	(17.1)
Cash flows from financing activities			
Proceeds from borrowings		**–**	5.6
Repayments of bank loans		**(56.8)**	(10.0)
Lease principal repayments		**(31.6)**	(30.1)
Net cash used in financing activities		**(88.4)**	(34.5)
Net increase/(decrease) in cash and cash equivalents		**20.0**	(13.1)
Cash and cash equivalents at beginning of year		**241.5**	254.6
Cash and cash equivalents at end of year		**261.5**	241.5
Cash and cash equivalents comprise:			
Cash at bank and on hand		**233.8**	213.0
Restricted cash deposits[2]		**27.7**	28.5
		261.5	241.5

1. Movement in trade and other receivables and trade and other payables and provisions has been re-presented in FY20 to split out the movement in contract assets and contract liabilities for additional visibility. They have also been restated to correct for amounts which were incorrectly classified as contract assets. See note 2.1.

2. Restricted cash deposits include £11.0m (FY20: £13.5m) relating to project bank accounts where amounts due to subcontractors are ring fenced. Payments to subcontractors were made after the year end. There was also £16.7m (FY20: £15.0m) of collateralised cash which is not immediately accessible.

The notes on pages 33 to 72 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Note	Share capital £m	Foreign currency translation reserve £m	Fair value reserve £m	Accumulated losses £m	**Total share-holders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2019		0.2	(21.5)	2.5	(170.2)	(189.0)	–	(189.0)
Profit for the year		–	–	–	7.6	7.6	–	7.6
Other comprehensive income/(expense) for the year, net of tax		–	3.1	(1.0)	–	2.1	–	2.1
Total comprehensive income/(expense) for the year		–	3.1	(1.0)	7.6	9.7	–	9.7
At 31 March 2020		**0.2**	**(18.4)**	**1.5**	**(162.6)**	**(179.3)**	**–**	**(179.3)**
Profit for the year		**–**	**–**	**–**	**1.0**	**1.0**	**–**	**1.0**
Other comprehensive expense for the year, net of tax		**–**	**(1.2)**	**(0.8)**	**–**	**(2.0)**	**–**	**(2.0)**
Total comprehensive (expense)/income for the year		**–**	**(1.2)**	**(0.8)**	**1.0**	**(1.0)**	**–**	**(1.0)**
At 31 March 2021		**0.2**	**(19.6)**	**0.7**	**(161.6)**	**(180.3)**	**–**	**(180.3)**

Additional disclosure and details are provided in note 25.

The notes on pages 33 to 72 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Note	Share capital £m	Fair value reserve £m	Accumulated losses and other reserves £m	**Total equity £m**
At 1 April 2019		0.2	2.5	(25.9)	(23.2)
Loss for the year and total comprehensive expense		–	(1.0)	(13.2)	(14.2)
At 31 March 2020		**0.2**	**1.5**	**(39.1)**	**(37.4)**
Loss for the year and total comprehensive expense		**–**	**(0.8)**	**(10.2)**	**(11.0)**
At 31 March 2021		**0.2**	**0.7**	**(49.3)**	**(48.4)**

Additional disclosure and details are provided in note 25.

The notes on pages 33 to 72 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Laing O'Rourke Plc (the 'Company') is a company incorporated and domiciled in England & Wales. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in note 34 and in the Strategic Report on pages 3 to 18. The consolidated financial statements of the Group for the year ended 31 March 2021 comprise the Company and its subsidiaries and the Group's interest in joint arrangements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 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 for the year ended 31 March 2021. 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). The principal accounting policies, which have been consistently applied (see re-presentation statement below) for all consolidated and equity accounted entities including subsidiaries and joint arrangements are set out below.

The Group prepares consolidated financial statements in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, related party transactions and comparative information.

In addition to the application of FRS 101, the Company has taken advantage of Section 408 of the Act and consequently its statement of comprehensive income (including the income statement) is not presented as part of these accounts.

Representation of prior year comparatives

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

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

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

- Note 16 Right-of-use assets; and
- Note 18 Contract balances.

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

In the Statement of Other Comprehensive Income, exchange differences on translating foreign operations has been re-presented in FY20 to include amounts previously presented as share of other comprehensive expense of investments accounted for using the equity method.

In note 30 the FY20 balances for subsidiaries outside the Laing O'Rourke Plc Group have been included for comparative purposes.

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

Restatement of prior year comparatives

The following have been restated in FY20:

- Prepayments and accrued income balances previously shown as contract assets (notes 18 and 19);
- Contract assets and contract liabilities were incorrectly grossed up (notes 18, 19 and 21); and
- Financial instruments (note 27).

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

Contract assets have been reduced in FY20 by £53.8m due to a £40.0m adjustment between contract liabilities and a £13.8m adjustment between prepayments and accrued income and contract assets. Financial instruments have been restated to exclude contract assets and prepayments from trade and other receivables and to exclude government taxes and contract liabilities from trade and other payables.

Going concern

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

Refer to note 2.24(e) and pages 19 to 21 of the Directors' Report.

Accounting Standards

The following standards, amendments and interpretations became effective in the year ended 31 March 2021 and have been adopted:

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

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

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

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

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

The effect on the consolidated financial statements of adopting these new standards has been determined to be minimal.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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

a) IFRS 17, Insurance Contracts

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

c) Reference to the Conceptual Framework (Amendments to IFRS 3)2 Significant Accounting Policies (continued)

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

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

f) Annual Improvements to IFRS Standards 2018-2020

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

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

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

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

2.2 BASIS OF CONSOLIDATION

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

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

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company has taken advantage of Section 408 of the Companies Act, and consequently its income statement and statement of other comprehensive income are not presented as part of these financial statements.

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

c) Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of each joint arrangement and has determined some to be joint operations and some to be joint ventures, as detailed in note 34.

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

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

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

2.3 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FOREIGN CURRENCY TRANSLATION (CONTINUED)

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 such as equities classified as held for collect and for sale are included in the fair value reserve in equity.

Group companies

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

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

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

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

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

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

2.4 PROPERTY, PLANT AND EQUIPMENT

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

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

Plant, equipment and vehicles include tower cranes, crawler cranes and other specialist assets that are depreciated over a useful life of up to 15 years as well as small tools and vehicles that are depreciated over two to five 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 profit on disposal of property in the income statement based on the nature of the assets disposed of.

2.5 LEASES

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

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

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

2.6 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 or joint venture at the date of acquisition. Goodwill on acquisitions prior to 1 April 2014 (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 joint ventures since that date is included within the carrying value of these investments. Negative goodwill arising on or after 1 April 2014 is recognised immediately within profit from operations in the income statement. Separately recognised goodwill is tested annually for impairment and carried at cost less impairment losses. Goodwill is included when determining the profit or loss on subsequent disposal of the business to which it relates. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Other intangible assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment or reversal of prior impairments when circumstances or events indicate there may be a change in the 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.

2.7 FINANCIAL INVESTMENTS

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

Under the terms of a PFI or similar project, where the risks and rewards of ownership remain largely with the purchaser of the associated services, the Group's interest in the asset is classified within 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

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

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

2.9 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.

2.10 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.

2.11 TRADE AND OTHER RECEIVABLES

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

2.12 TRADE AND OTHER PAYABLES

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

2.13 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.

2.14 REVENUE RECOGNITION

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 REVENUE RECOGNITION (CONTINUED)

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.

2.15 CONSTRUCTION AND SERVICE CONTRACTS

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

Provision is made for all known or expected losses on individual contracts once such losses are foreseen. Incremental costs required to satisfy contract obligations are considered in this assessment. As noted in note 2.1 amendments to IAS 37, which are applicable for the Group from 1 April 2022, require an assessment of other costs directly relating to fulfilling contracts to be included in the provision for all known or expected losses.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is recognised as a contract asset. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is recognised as a contract liability.

Estimates of the final outcome on each contract may include cost contingencies to take account of specific risks within each contract. Cost contingencies are reviewed on a regular basis throughout the life of the contract and are adjusted where appropriate. However, the nature of the risks on projects is such that 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.

2.16 FULFILMENT COSTS

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.

2.17 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.

2.18 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 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 enacted or substantively enacted at the balance sheet date and 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 BORROWINGS AND BORROWING COSTS

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

Borrowing costs are capitalised where the Group borrows funds specifically for the purpose of acquiring, constructing or producing a qualifying asset, in accordance with IAS 23, 'Borrowing Costs'. All other finance costs of 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.

2.20 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.

2.21 EXCEPTIONAL ITEMS

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

2.22 INTEREST INCOME

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

2.23 GOVERNMENT GRANTS

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

2.24 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 (judgement and estimate)

The Group's revenue recognition and margin recognition policies, which are set out in notes 2.14 and 2.15, 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 144 construction contracts (FY20: 142) were income generating during the year. Of these, 11 (FY20: seven) individually had an impact of £5.0m or greater on operating profit.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

- 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 forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities and changes in cost.

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

- Costs that do not contribute to the progression or completion of a performance obligation; these costs are classified as inefficiencies and are expensed in the period in which they are incurred and not reflected as part of the stage of completion revenue recognition methodology (see note 2.15);
- Costs associated with delay or additional measures required, such as those due to social distancing and additional personal protective equipment, are included in the costs to complete forecast insofar as they were reasonably foreseeable at 31 March 2021; and
- Revenue associated with additional Covid-19 costs has been recognised where it was considered highly probable of not reversing as at the balance sheet date in accordance with IFRS15 and the Group's policy on revenue and margin recognition.

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

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

Our construction business revenue for the year is £1.4bn (FY20: £1.5 bn) with an associated margin of 7.9% (FY20: 9.1%). Should margins reduce by 1% the impact of such a change across our projects in delivery at the year-end would be an impact on gross profit of £14.0m (FY20: £15.5m).

b) Disputes and claims (judgement and estimate)

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

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

c) Exceptional items presentation (judgement)

Judgement has been used to determine the presentation of exceptional items, which relate to matters arising that are unusual and not expected to reoccur; there were no exceptional items arising in FY21.

d) Accrued costs in respect of rectification of defects (estimate)

There is estimation uncertainty in assessing accrued costs in respect of the rectification of defects, which are based on management's best estimate of the cost to be incurred as at the reporting date.

In the year ended 31 March 2021, costs in respect of the rectification of defects of £26.9m (FY20: £8.9m) were incurred and debited to contract liabilities. As disclosed in note 18, as at 31 March 2021, the Group held liabilities, included in contract liabilities, of £74.2m (FY20: £56.7m) in respect of such defect rectification. Due to the nature of these defect liabilities, which can arise on projects where the construction work finished a number of years ago, and where the Group may not have access to the site to fully assess the costs of rectification, it is difficult to provide meaningful sensitivity disclosures of the range of estimation uncertainty. However, as an indication of the estimation uncertainty, a 10% movement in the balance would have an impact on the consolidated income statement of £7.4m, although actual movements may be greater.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

e) Going concern (judgement and estimate)

In preparing these consolidated financial statements using the going concern basis of accounting, management has considered the forecast future cash flows of the Group under a management case scenario and several downside scenarios (see pages 19 to 20 of the Directors' Report.). Forecast future cash flows include the following areas of judgement:

- Work winning for the Group;
- Construction activity including project margins and working capital position;
- Support of the supply chain in terms of product material, labour supply and flexibility in payment terms;
- Inflationary pressures;
- Disruption to the supply chain;
- Structural drivers for construction work; and
- Possibility of increased Covid-19 related restrictions impacting construction.

2.25 OTHER JUDGEMENTS AND ESTIMATION UNCERTAINTY

a) Tax (judgement)

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

b) Impairment of goodwill (estimate)

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit 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 test performed are included in note 11.

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

In light of Covid-19 and the impact of 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 2.24(a).

As described further in note 11, the Group has also performed an impairment test across its CGU with goodwill.

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.

d) Climate Change (judgement and estimate)

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

Specific areas considered by management included:

- Estimates of the future cash flows used in the impairment assessment of the carrying value of goodwill where the forecasts used include the impact of climate change to the extent that these can be forecast at present (see note 11);
- Long-term contract accounting assumptions, such as the forecast costs of a project, the estimated costs to complete and the allowance for rectification works (see note 2.24a);
- The appropriateness of the estimated useful economic lives of the Group's property, plant and equipment and right of use assets (see notes 15 and 16) where no significant changes are currently needed; and
- The recoverability of deferred tax assets recognised (see note 23) in respect of carried forward losses in relation to the UK operations.

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

2.26 COMPANY ACCOUNTING POLICIES

The principal accounting policies applied by the Company are the same as those presented in notes 2.1 to 2.25, to the extent that the Group's transactions and balances are applied to the Company financial statements. The main accounting policies which are not directly relevant to the Laing O'Rourke Plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill. The judgements and estimation uncertainty policies that are not relevant to the company are 2.24a, 2.24c, 2.24d, 2.25a and 2.25b.

The accounting policy that is additional to those applied by the Group is as follows:

a) Investments in subsidiaries

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

3 DISAGGREGATION OF REVENUE

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

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

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

	United Kingdom 2021 £m	Rest of World 2021 £m	Total 2021 £m
Revenue	**1,514.9**	**0.5**	**1,515.4**
Timing of revenue recognition			
At a point in time	**16.5**	**0.5**	**17.0**
Over time	**1,498.4**	**–**	**1,498.4**
Revenue	**1,514.9**	**0.5**	**1,515.4**

	Construction 2021 £m	Manufacturing 2021 £m	Plant Hire 2021 £m	Services 2021 £m	Total 2021 £m
Revenue	**1,355.8**	**12.0**	**79.2**	**68.4**	**1,515.4**
Timing of revenue recognition					
At a point in time	**–**	**12.0**	**–**	**5.0**	**17.0**
Over time	**1,355.8**	**–**	**79.2**	**63.4**	**1,498.4**
Revenue	**1,355.8**	**12.0**	**79.2**	**68.4**	**1,515.4**

	United Kingdom 2020 £m	Rest of World 2020 £m	Total 2020 £m
Revenue	1,651.6	0.3	1,651.9
Timing of revenue recognition			
At a point in time	9.4	0.3	9.7
Over time	1,642.2	–	1,642.2
Revenue	1,651.6	0.3	1,651.9

	Construction 2020 £m	Manufacturing 2020 £m	Plant Hire 2020 £m	Services 2020 £m	Total 2020 £m
Revenue	1,538.5	4.9	81.4	27.1	1,651.9
Timing of revenue recognition					
At a point in time	–	4.9	–	4.8	9.7
Over time	1,538.5	–	81.4	22.3	1,642.2
Revenue	1,538.5	4.9	81.4	27.1	1,651.9

4 EXCEPTIONAL ITEMS

	2021 £m	2020 £m
Restructuring costs	–	2.4
Loss on liquidation of Henry O'Rourke	–	3.9
Exceptional costs before tax	–	6.3
Income tax credit on exceptional items	–	(1.2)
Exceptional costs after tax	–	5.1

There were no exceptional items during the year ended 31 March 2021.

RESTRUCTURING COSTS

During the year ended 31 March 2020 the Group incurred £2.4m in relation to redundancy costs. The restructuring costs in the Europe Hub related to a redundancy programme which was a one-off, unusual event.

LOSS ON LIQUIDATION OF HENRY O'ROURKE

During the year ended 31 March 2020 the Group recognised a loss of £3.9m on the liquidation of this group entity.

5 PROFIT/(LOSS) BEFORE INTEREST AND TAX

Profit/(loss) before interest and tax is stated after charging/(crediting):	Note	2021 £m	2020 £m
Staff costs	6	**383.3**	417.4
Depreciation of property, plant and equipment	15	**10.9**	12.1
Depreciation of right-of-use assets	16	**17.6**	17.9
Short-term lease rentals and short term hires:			
Property, plant and equipment		**3.0**	–
Amortisation of other intangible assets	11	**2.8**	2.9
Profit on disposal of plant and equipment		**(2.0)**	(0.4)
Profit on disposal of land and buildings		**(5.8)**	–
Foreign exchange losses /(gains)		**0.2**	(0.2)
Amount of inventories recognised as an expense		**20.5**	14.6
Accrued costs in respect of rectification of defective works		**26.9**	8.9
Auditors' remuneration (see below)		**3.1**	2.4

Auditors' remuneration	2021 £m	2020 £m
Fees payable to the Company's auditors for the audit of:		
The Company's annual financial statements and consolidated financial statements	**2.8**	2.2
The Company's subsidiaries pursuant to legislation	**0.3**	0.2
Total audit fees	**3.1**	2.4
Fees payable to the Company's auditors and its associates for other services:		
Services relating to taxation	–	–
All other services	–	–
Total non-audit fees	–	–
Total fees	**3.1**	2.4

Included within the FY21 Group audit fee of £2.8m is £0.9m of Group audit fee overruns in respect of FY20.

6 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	**2021 Number**	2020 Number
The average monthly number of employees (including Directors) during the year was:		
Executives	**90**	88
Salaried staff	**3,388**	3,512
Operatives	**2,854**	3,104
	6,332	6,704

Aggregate remuneration and related costs, including Directors	**2021 £m**	2020 £m
Wages and salaries[1]	**333.3**	360.3
Social security costs	**36.2**	39.5
Other pension costs	**13.8**	17.6
	383.3	417.4

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

At 31 March 2021 £2.8m (FY20: £2.7m) was payable in respect of defined contribution schemes and included in other payables (note 21).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel during the year include the six Directors and ten other members (FY20: eight Directors and thirteen other members) who served on the European board during the year or are directors of entities within the Group.

The compensation of key management personnel is as follows:

	2021 £m	2020 £m
Salaries and other short-term employee benefits	**6.3**	4.8

DIRECTORS' REMUNERATION

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

	2021 £m	2020 £m
Salaries and other short-term benefits	**5.4**	3.7

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

HIGHEST-PAID DIRECTOR

Amounts included above:

	2021 £m	2020 £m
Aggregate emoluments and other benefits	**1.0**	0.9

7 OTHER OPERATING INCOME

	2021 £m	2020 £m
Research and development expenditure credit	**7.2**	0.4
Rents received	**0.1**	0.1
Other operating income	**0.1**	–
	7.4	0.5

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

8 FINANCE INCOME

	2021 £m	2020 £m
Bank interest	**0.2**	0.7
Other interest and similar income	**0.1**	0.2
	0.3	0.9

9 FINANCE EXPENSE

	2021 £m	2020 £m
Interest payable on bank loans and overdrafts	**14.4**	15.2
Interest payable on lease liabilities	**4.6**	4.6
Other interest payable and similar charges	**1.1**	0.7
	20.1	20.5

10 TAXATION

	2021 £m	2020 £m
Current corporation tax		
Current tax on income for the year	**–**	–
Foreign tax		
Current tax on income for the year	**0.7**	2.4
Adjustments in respect of prior years	**(1.6)**	0.7
Total current tax	**(0.9)**	3.1
Net origination of temporary differences – current year	**2.3**	4.1
Adjustments in respect of prior years	**2.5**	(0.5)
Impact of change in tax rate	**–**	(3.8)
Total deferred tax	**4.8**	(0.2)
Tax charge	**3.9**	2.9

10 TAXATION (CONTINUED)

The overall charge (FY20: charge) for the year of £3.9m (FY20: £2.9m) is explained relative to the UK statutory rate of 19% (FY20: 19%) below:

	2021 £m	2020 £m
Total tax reconciliation		
Profit before tax	**4.9**	10.5
Tax at the UK corporation tax rate of 19% (FY20: UK 19%)	**0.9**	2.0
Effects of		
– lower overseas tax rates	**(0.3)**	(0.5)
– other expenditure that is not tax deductible	**1.2**	1.3
– adjustments in respect of prior years	**0.9**	0.2
– tax effect of joint ventures	**-**	0.1
– *impact of change in UK tax rate*	**-**	(3.8)
– non-recognised deferred tax asset	**1.2**	2.7
– other adjustments	**-**	0.9
Total tax charge	**3.9**	2.9

A total group tax charge of £3.9m (FY20: £2.9m) arises for the year on the total group profit of £4.9m (FY20: £10.5m), giving an effective tax rate of 79.6% (FY20: 27.6%). The total tax charge for the year of £3.9m does not include any exceptional tax credit or charge (FY20: net exceptional tax credit of £1.2m in relation to restructuring costs) (see note 4).

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

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

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2021			2020		
	Before-tax amount £m	**Tax expense £m**	**Net-of-tax amount £m**	Before-tax amount £m	Tax expense £m	Net-of-tax amount £m
Exchange differences on translating foreign operations	**(1.2)**	**-**	**(1.2)**	3.1	–	3.1
Fair value of held to collect and to sell financial assets	**(0.8)**	**-**	**(0.8)**	(1.0)	–	(1.0)
	(2.0)	**-**	**(2.0)**	2.1	–	2.1

11 INTANGIBLE ASSETS

Group	Goodwill £m	Computer software and licences £m	Development costs £m	Total £m
Cost				
At 1 April 2020	**24.7**	**35.4**	**5.0**	**65.1**
Additions	**–**	**2.2**	**0.1**	**2.3**
Transfer to property, plant and equipment	**–**	**(3.7)**	**–**	**(3.7)**
Exchange differences	**–**	**(0.5)**	**–**	**(0.5)**
At 31 March 2021	**24.7**	**33.4**	**5.1**	**63.2**
Accumulated amortisation and impairment				
At 1 April 2020	**–**	**22.5**	**3.4**	**25.9**
Amortisation for the year	**–**	**2.8**	**–**	**2.8**
Exchange differences	**–**	**(0.5)**	**–**	**(0.5)**
At 31 March 2021	**–**	**24.8**	**3.4**	**28.2**
Net book value at 31 March 2021	**24.7**	**8.6**	**1.7**	**35.0**
Cost				
At 1 April 2019	24.7	32.2	3.4	60.3
Additions	–	5.6	1.6	7.2
Disposals	–	(2.6)	–	(2.6)
Exchange differences	–	0.2	–	0.2
At 31 March 2020	24.7	35.4	5.0	65.1
Accumulated amortisation and impairment				
At 1 April 2019	–	22.9	2.4	25.3
Amortisation for the year	–	1.9	1.0	2.9
Disposals	–	(2.6)	–	(2.6)
Exchange differences	–	0.3	–	0.3
At 31 March 2020	–	22.5	3.4	25.9
Net book value at 31 March 2020	24.7	12.9	1.6	39.2

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have goodwill

	2021 £m	2020 £m
United Kingdom	**24.7**	24.7
	24.7	24.7

The recoverable amount of goodwill attached to the cash generating unit is based on value in use calculations in accordance with IAS 36, Impairment of Assets. The calculation uses cash flow projections based on four-year financial budgets approved by management and a perpetual growth rate of 2% based on industry data (FY20: 3%), discounted at the Group's estimated pre-tax weighted average cost of capital of 12.9% (FY20: 14.1%). Budgeted gross margins are based on past performance and management's market expectations. The weighted average cost of capital is an estimate based on that of listed industry competitors, adjusted for changes in capital structures and specific considerations.

Sensitivity analysis, including the potential impact of Covid-19, Brexit and climate change, has been performed on the goodwill in relation to the CGU by changing the key assumptions applicable. In the view of the Directors there is not a reasonably foreseeable change in a key assumption that would trigger an impairment charge.

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

11 INTANGIBLE ASSETS (CONTINUED)

AMORTISATION CHARGE

The amortisation charge in respect of computer software and licences and development costs is recognised in the following line item in the consolidated income statement:

	2021 £m	2020 £m
Administrative expenses	**2.8**	2.9

12 INVESTMENTS IN SUBSIDIARIES

Company	Subsidiary Undertakings Shares £m
Cost	
At 1 April 2020	**288.3**
Disposal	**-**
At 31 March 2020 and 31 March 2021	**288.3**
Impairment	
At 1 April 2020	**(70.1)**
Disposal	**-**
At 31 March 2020 and 31 March 2021	**(70.1)**
Net book value	
At 31 March 2021	**218.2**
At 31 March 2020	218.2

SUBSIDIARY UNDERTAKINGS SHARES

The Directors believe that the carrying value of the individual investments is supported by their underlying net assets.

All of the subsidiary companies have been included in the consolidated financial statements.

Certain subsidiaries of the Group have opted to take advantage of a statutory exemption from having an audit in respect of their individual statutory accounts. Strict criteria must be met for this exemption to be taken and it must be agreed to by the directors of those subsidiary entities. Listed in note 34 are subsidiaries controlled and consolidated by the Group where the directors have taken advantage of the exemption from having an audit of the entities' individual financial statements for the year ended 31 March 2021 in accordance with Section 479A of the Companies Act 2006.

In order to facilitate the adoption of this exemption, Laing O'Rourke Plc, the parent company of the subsidiaries concerned, undertakes to provide a guarantee under Section 479C of the Companies Act 2006 in respect of those subsidiaries.

13 ACQUISITIONS AND DISPOSALS

YORKSHIRE LEARNING PARTNERSHIP PSP LIMITED

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

PRIOR YEAR DISPOSALS

There were no acquisitions or disposals in the prior year.

14 INVESTMENTS IN JOINT VENTURES

Group	Joint ventures equity investments £m	Loans to joint ventures £m	Total £m
At 1 April 2020	**(27.6)**	**50.4**	**22.8**
Disposals	**(1.4)**	**(7.3)**	**(8.7)**
Fair value revaluation of financial assets	**(0.8)**	**–**	**(0.8)**
Exchange differences	**1.3**	**(1.5)**	**(0.2)**
At 31 March 2021	**(28.5)**	**41.6**	**13.1**
Share of results for the year after tax	**(5.2)**	**–**	**(5.2)**
Net book value at 31 March 2021	**(33.7)**	**41.6**	**7.9**
At 1 April 2019	(25.7)	48.0	22.3
Equity investment purchases	6.0	–	6.0
Loans advanced	–	1.4	1.4
Loans repaid	–	(0.2)	(0.2)
Fair value revaluation of financial assets	(1.0)	–	(1.0)
Exchange differences	(1.0)	1.2	0.2
At 31 March 2020	(21.7)	50.4	28.7
Share of results for the year after tax	(5.9)	–	(5.9)
Net book value at 31 March 2020	**(27.6)**	**50.4**	**22.8**

The Group's share of joint venture investments and loans to joint ventures is presented above. IFRS 11, Joint Arrangements, and IAS 28, Investments in Associates, require the following presentation adjustments:

- where the Group has already accounted for an obligation to fund net liabilities of a joint venture this is deducted from loans made to the joint venture; and
- where the Group's obligation to fund net liabilities of a joint venture exceeds the amount loaned, a provision is recorded (see note 22).

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

	2021 £m	2020 £m
Investments in joint ventures	**6.9**	9.1
Loans to joint ventures	**8.0**	15.3
Provisions (note 22)	**(7.0)**	(1.6)
	7.9	22.8

No impairments of equity investments were brought forward at 31 March 2020 or charged in the year (FY20: £nil).

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The joint ventures are shown in note 34. Each joint venture has share capital consisting solely of ordinary shares, which is held 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 Plc's share of these amounts. They have been amended to reflect adjustments made by the entity when using the equity method including fair value adjustments and modifications for differences in accounting policies.

	Health Montreal Collective CJV Limited Partnership 2021 £m	Private Finance Initiatives (PFIs) 2021 £m	Explore Transport Limited 2021 £m	BYLOR Services Limited 2021 £m	Other 2021 £m	Total 2021 £m
Revenue	2.6	4.0	56.7	168.8	-	232.1
Depreciation and amortisation	-	-	(7.5)	-	-	(7.5)
Other expenses	(13.5)	(3.5)	(47.3)	(168.8)	-	(233.1)
Operating (loss)/profit	(10.9)	0.5	1.9	-	-	(8.5)
Net finance costs	-	-	(0.9)	-	-	(0.9)
(Loss)/profit before tax	(10.9)	0.5	1.0	-	-	(9.4)
Tax expense	-	-	(0.9)	-	-	(0.9)
(Loss)/profit after tax	(10.9)	0.5	0.1	-	-	(10.3)
Other comprehensive result	-	-	-	-	-	-
Total comprehensive (expense)/income	(10.9)	0.5	0.1	-	-	(10.3)
Dividends received from joint ventures	-	-	-	-	-	-
Non-current assets						
Intangibles	-	-	0.3	-	-	0.3
Property, plant and equipment	-	-	37.8	-	-	37.8
Other non-current assets	-	166.9	-	-	-	166.9
Current assets						
Cash and cash equivalents	3.9	9.7	4.1	19.8	-	37.5
Other current assets	13.9	7.0	12.8	7.3	0.1	41.1
Total assets	17.8	183.6	55.0	27.1	0.1	283.6
Current liabilities						
Borrowings	-	-	(3.0)	-	-	(3.0)
Other current liabilities	(29.7)	(6.9)	(17.9)	(27.1)	(1.1)	(82.7)
Non-current liabilities						
Borrowings	-	(172.0)	(22.4)	-	-	(194.4)
Other non-current liabilities	-	-	(3.1)	-	(68.3)	(71.4)
Total liabilities	(29.7)	(178.9)	(46.4)	(27.1)	(69.4)	(351.5)
Net (liabilities)/assets	(11.9)	4.7	8.6	-	(69.3)	(67.9)
Financial commitments	-	-	-	-	-	-
Capital commitments	-	-	-	-	-	-

* PFIs relates to investments in joint ventures in Alder Hey and Yorkshire Learning Partnerships. Yorkshire Learning Partnerships was disposed of in the year (see note 13)

Please refer to note 34 for details of the place of business for material joint ventures.

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

	Health Montreal Collective CJV Limited Partnership 2020 £m	Private Finance Initiatives (PFIs) 2020 £m	Explore Transport Limited 2020 £m	BYLOR Services Limited 2020 £m	Other 2020 £m	Total 2020 £m
Revenue	2.2	5.9	57.8	109.2	–	175.1
Depreciation and amortisation	–	–	(9.0)	–	–	(9.0)
Other expenses	(14.0)	(5.7)	(48.8)	(109.2)	–	(177.7)
Operating (loss)/profit	(11.8)	0.2	–	–	–	(11.6)
Net finance income/(costs)	1.0	0.2	(1.7)	–	–	(0.5)
(Loss)/profit before tax	(10.8)	0.4	(1.7)	–	–	(12.1)
Tax credit	–	–	0.3	–	–	0.3
(Loss)/profit after tax	(10.8)	0.4	(1.4)	–	–	(11.8)
Other comprehensive result	–	–	–	–	–	–
Total comprehensive (expense)/income	(10.8)	0.4	(1.4)	–	–	(11.8)
Dividends received from joint ventures	–	–	0.2	–	–	0.2
Non-current assets						
Intangibles	–	–	0.7	–	–	0.7
Property, plant and equipment	–	–	50.5	–	–	50.5
Other non-current assets	–	278.9	–	–	–	278.9
Current assets						
Cash and cash equivalents	10.2	14.6	3.1	9.8	–	37.7
Other current assets	20.4	1.0	11.4	6.7	0.7	40.2
Total assets	30.6	294.5	65.7	16.5	0.7	408.0
Current liabilities						
Borrowings	–	(5.3)	(3.6)	–	–	(8.9)
Other current liabilities	(31.6)	(1.9)	(15.4)	(16.5)	(0.8)	(66.2)
Non-current liabilities						
Borrowings	–	(281.1)	(35.5)	–	–	(316.6)
Other non-current liabilities	–	–	(2.3)	–	(51.0)	(53.3)
Total liabilities	(31.6)	(288.3)	(56.8)	(16.5)	(51.8)	(445.0)
Net (liabilities)/assets	(1.0)	6.2	8.9	–	(51.1)	(37.0)
Financial commitments	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Company	Joint ventures equity investments £m	Loans to joint ventures £m	Total £m
At 1 April 2020	**1.5**	**15.3**	**16.8**
Disposals	**–**	**(7.3)**	**(7.3)**
Fair value revaluation of financial assets	**(0.8)**	**–**	**(0.8)**
Net book value at 31 March 2021	**0.7**	**8.0**	**8.7**
At 1 April 2019	2.5	14.1	16.6
Loans advanced	–	1.4	1.4
Loans repaid	–	(0.2)	(0.2)
Fair value revaluation of financial assets	(1.0)	–	(1.0)
Net book value at 31 March 2020	**1.5**	**15.3**	**16.8**

The Company's investment in joint ventures and loans to joint ventures is presented above. IFRS 11, Joint Arrangements, and IAS 28, Investments in Associates, require the following presentation adjustments:

- where the Group has already accounted for an obligation to fund net liabilities of a joint venture this is deducted from loans made to the joint venture; and
- where the Company's obligation to fund net liabilities of a joint venture exceeds the amount loaned, a provision is recorded (see note 22).

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

	2021 £m	2020 £m
Investments in joint ventures	**0.7**	1.5
Loans to joint ventures	**8.0**	15.3
	8.7	16.8

No impairments of equity investments were brought forward at 31 March 2020 or charged in the year (FY20 £nil).

15 PROPERTY, PLANT AND EQUIPMENT

Group	Group owner occupied property £m	Other land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
At 1 April 2020	**21.2**	**12.6**	**129.6**	**163.4**
Additions	**–**	**0.2**	**6.8**	**7.0**
Disposals	**(0.8)**	**(0.6)**	**(11.8)**	**(13.2)**
Transfer from intangible assets	**–**	**–**	**3.7**	**3.7**
Transfer from right-of-use assets	**–**	**–**	**22.9**	**22.9**
At 31 March 2021	**20.4**	**12.2**	**151.2**	**183.8**
Accumulated depreciation				
At 1 April 2020	**2.1**	**9.6**	**90.6**	**102.3**
Depreciation charge for the year	**0.3**	**0.4**	**10.2**	**10.9**
Impairment	**–**	**–**	**1.6**	**1.6**
Disposals	**–**	**(0.6)**	**(9.5)**	**(10.1)**
Transfer from right-of-use assets	**–**	**–**	**10.9**	**10.9**
At 31 March 2021	**2.4**	**9.4**	**103.8**	**115.6**
Net book value at 31 March 2021	**18.0**	**2.8**	**47.4**	**68.2**
Cost				
At 1 April 2019	20.8	12.8	122.5	156.1
Additions	–	0.2	6.1	6.3
Disposals	–	–	(6.9)	(6.9)
Transfer to right-of-use assets	–	–	(12.0)	(12.0)
Transfer from right-of-use assets	–	–	20.1	20.1
Exchange differences	0.4	(0.4)	(0.2)	(0.2)
At 31 March 2020	21.2	12.6	129.6	163.4
Accumulated depreciation				
At 1 April 2019	1.2	9.6	85.8	96.6
Depreciation charge for the year	0.3	0.5	11.3	12.1
Disposals	–	–	(5.4)	(5.4)
Transfer to right-of-use assets	–	–	(6.3)	(6.3)
Transfer from right-of-use assets	–	–	8.9	8.9
Other	–	–	(3.4)	(3.4)
Exchange differences	0.6	(0.5)	(0.3)	(0.2)
At 31 March 2020	2.1	9.6	90.6	102.3
Net book value at 31 March 2020	**19.1**	**3.0**	**39.0**	**61.1**

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

16 RIGHT-OF-USE ASSETS

Group	Land and buildings £m	Plant & equipment £m	Vehicles £m	Total £m
Cost				
At 1 April 2020	**102.6**	**132.1**	**3.8**	**238.5**
Additions	**0.3**	**17.0**	**1.4**	**18.7**
Disposals	**(11.1)**	**(4.6)**	**-**	**(15.7)**
Transfer to property, plant and equipment	**-**	**(22.9)**	**-**	**(22.9)**
At 31 March 2021	**91.8**	**121.6**	**5.2**	**218.6**
Accumulated depreciation				
At 1 April 2020	**10.5**	**49.1**	**1.6**	**61.2**
Depreciation charge for the year	**8.4**	**7.8**	**1.4**	**17.6**
Disposals	**(3.7)**	**(3.2)**	**-**	**(6.9)**
Transfer to property, plant and equipment	**-**	**(10.9)**	**-**	**(10.9)**
At 31 March 2021	**15.2**	**42.8**	**3.0**	**61.0**
Net book value at 31 March 2021	**76.6**	**78.8**	**2.2**	**157.6**
Cost				
At 31 March 2019	–	129.9	0.8	130.7
Adjustment on adoption of IFRS 16	82.1	2.8	0.3	85.2
At 1 April 2019	82.1	132.7	1.1	215.9
Additions	20.5	11.6	3.4	35.5
Disposals	–	(4.5)	(0.3)	(4.8)
Transfer from property, plant and equipment	–	12.0	–	12.0
Transfer to property, plant and equipment	–	(19.7)	(0.4)	(20.1)
At 31 March 2020	102.6	132.1	3.8	238.5
Accumulated depreciation				
At 1 April 2019	–	46.0	0.6	46.6
Depreciation charge for the year	10.5	5.7	1.7	17.9
Disposals	–	(3.8)	(0.2)	(4.0)
Transfer from property, plant and equipment	–	6.3	–	6.3
Transfer to property, plant and equipment	–	(8.4)	(0.5)	(8.9)
Other	–	3.4	–	3.4
Exchange differences	–	(0.1)	–	(0.1)
At 31 March 2020	10.5	49.1	1.6	61.2
Net book value at 31 March 2020	92.1	83.0	2.2	177.3

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

Company	Land and buildings £m
Cost	
At 1 April 2020	89.7
Other	(1.7)
At 31 March 2021	88.0
Accumulated depreciation	
At 1 April 2020	8.4
Depreciation charge for the year	6.8
At 31 March 2021	15.2
Net book value at 31 March 2021	72.8

16 RIGHT-OF-USE ASSETS (CONTINUED)

Company	Land and buildings £m
Cost	
At 31 March 2019	–
Adjustment on adoption of IFRS 16	75.2
At 1 April 2019	75.2
Additions	14.5
At 31 March 2020	89.7
Accumulated depreciation	
At 1 April 2019	–
Depreciation charge for the year	8.4
At 31 March 2020	8.4
Net book value at 31 March 2020	81.3

17 INVENTORIES

Group	2021 £m	2020 £m
Development land and work in progress	**2.3**	4.4
Raw materials and consumables	**7.5**	5.0
Finished goods and goods for resale	**0.1**	0.1
	9.9	9.5

Development land and work in progress at 31 March 2021 includes assets to a value of £0.8m (FY20: £0.9m) expected to be consumed after more than one year which, given the nature of these assets, is part of the normal operating cycle. Inventories carried at net realisable value at 31 March 2021 had a carrying value of £nil (FY20: £2.8m).

Capitalised specific borrowing costs attributable to qualifying assets and included in development land and work in progress were £nil (FY20: £0.4m).

18 CONTRACT BALANCES

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

Contract assets are made up of a portfolio of contracts and represent unbilled amounts and include 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.

	£m
Contract assets	
At 1 April 2019	200.3
Transfers from contract assets recognised at the beginning of the year to receivables	(123.4)
Performance obligations satisfied in the year that have yet to be transferred to receivables	35.2
At 31 March 2020	112.1
Transfers from contract assets recognised at the beginning of the year to receivables	(43.9)
Performance obligations satisfied in the year that have yet to be transferred to receivables	29.5
At 31 March 2021	**97.7**
Contract liabilities	
At 1 April 2019	(189.4)
Revenue recognised against contract liabilities at the beginning of the year	135.1
Increase due to cash received, excluding amounts recognised as revenue during the year	(155.0)
At 31 March 2020	(209.3)
Revenue recognised against contract liabilities at the beginning of the year	113.6
Increase due to cash received, excluding amounts recognised as revenue during the year	(168.6)
At 31 March 2021	**(264.3)**

	Assets 2021 £m	Restated (see note 2.1) Assets 2020 £m	**Liabilities 2021 £m**	Restated (see note 2.1) Liabilities 2020 £m	**Net 2021 £m**	Net 2020 £m
The ageing of contract assets/(liabilities) at the year end was:						
Less than one year	**67.5**	67.8	**(254.7)**	(209.3)	**(187.2)**	(141.5)
More than one year	**30.2**	44.3	**(9.6)**	–	**20.6**	44.3
	97.7	112.1	**(264.3)**	(209.3)	**(166.6)**	(97.2)

At 31 March 2021, contract assets include customer retentions of £62.9m (FY20: £73.7m) relating to construction contracts of which £30.2m (FY20: £44.3m) are non-current assets.

At 31 March 2021, contract liabilities included liabilities across a number of legacy projects related to rectification works of £74.2m (FY20: £56.7m), of which £9.6m (FY20: £nil) are non-current liabilities. During the year £9.3m of the liability as at 1 April 2020 was utilised for rectification works performed on legacy projects. Since year end, full and final settlement has been reached on £24.0m of these liabilities at amounts consistent with the provisions held at 31 March 2021. Of these remaining liabilities of £50.2m (FY20: £56.7m), the Group does not in all cases have access to the site to fully assess the costs of rectification and, therefore, there is no *certainty as to the level of costs that will ultimately be incurred to settle them. As described in note 2.24, these liabilities are* therefore considered a major source of estimation uncertainty. Unless the timing of the rectification works is known and will occur *more than 12 months after the balance sheet date, these liabilities are shown as current.*

18 CONTRACT BALANCES (CONTINUED)

CONTRACT FULFILMENT COSTS

The Group has no fulfilment costs within contract assets.

REMAINING PERFORMANCE OBLIGATIONS

Contracts which have remaining performance obligations expected to be settled through to contract completion are set out below:

	2021 £m	2020 £m
Construction work in hand	**4,517.4**	3,123.0

Management expects that £2,066.5m (FY20: £1,280m) in relation to contracts in place as at 31 March 2021 will be recognised as revenue in the next financial year.

19 TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	2021 £m	Re-presented Restated (see note 2 1) 2020 £m
Group		
Trade receivables	**46.1**	62.7
Less: allowances for expected credit losses	**(1.0)**	(1.7)
Amounts owed by Laing O'Rourke Corporation Limited Group undertakings	**13.7**	13.3
Prepayments and accrued income	**19.1**	23.6
Other receivables	**23.0**	2.6
	100.9	100.5
Company		
Amounts owed by Group undertakings*	**241.5**	239.8
Prepayments and accrued income	**0.5**	0.9
Other receivables	**0.3**	0.4
	242.3	241.1

*The Directors have assessed the recoverability of the balance, including by reference to the financial support the counterparty has received from Laing O'Rourke Corporation Limited, the ultimate parent company, and on this basis the Directors are satisfied that no provision for expected credit losses is required in relation to this amount for the year ended 31 March 2021.

Amounts expected to be recovered after more than one year:		
Group		
Trade receivables	**0.1**	-
Company		
Amounts owed by Group undertakings	**-**	-
Total trade and other receivables – Group	**101.0**	100.5
Total trade and other receivables – Company	**242.3**	241.1

Group		
Comprising		
Financial assets (Note 27)	**82.9**	78.6
Other financial assets outside the scope of IFRS 7	**18.1**	21.9
	101.0	100.5

Amounts owed by Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)
Movement in the provision for impairment of trade receivables

	2021 £m	2020 £m
Opening balance	**1.7**	0.9
Additional provisions recognised	**0.1**	0.8
Utilised during the year	**(0.1)**	–
Unused amounts reversed	**(0.7)**	–
Closing balance	**1.0**	1.7

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

	Carrying *amount* 2021 £m	Allowance for expected *credit losses* 2021 £m
Not past due	**32.7**	**–**
Past due 0-30 days	**3.9**	**–**
Past due 31-120 days	**1.0**	**–**
Past due 121-365 days	**1.4**	**0.1**
More than one year	**7.2**	**0.9**
	46.2	**1.0**

	Carrying amount 2020 £m	Allowance for expected credit losses 2020 £m
Not past due	45.3	(0.5)
Past due 0-30 days	10.4	–
Past due 31-120 days	1.2	(0.1)
Past due 121-365 days	0.7	(0.2)
More than one year	5.1	(0.9)
	62.7	(1.7)

20 BORROWINGS

	2021 £m	2020 £m
Amounts expected to be settled within one year:		
Group		
Bank loans	**153.2**	50.4
Lease liabilities	**24.2**	28.0
	177.4	78.4
Company		
Bank loans	**139.5**	50.0
Lease liabilities	**7.0**	2.8
	146.5	52.8
Amounts expected to be settled after more than one year:		
Group		
Bank loans	**0.2**	151.1
Lease liabilities	**97.4**	108.5
	97.6	259.6
Company		
Bank loans	**-**	137.1
Lease liabilities	**65.3**	75.2
	65.3	212.3
Total borrowings – Group	**275.0**	338.0
Total borrowings – Company	**211.8**	265.1

Obligations under leases are secured on certain non-current assets of the Group with an original cost of £177.3m (FY20: £208.9m) and total net book value of £139.3m (FY20: £154.1m).

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

21 TRADE AND OTHER PAYABLES

	2021 £m	Re-presented (see note 2.1) 2020 £m
Amounts expected to be settled within one year:		
Group		
Trade payables	**129.5**	150.0
Amounts owed to Laing O'Rourke Corporation Limited Group undertakings	**41.4**	50.2
Other tax and social security	**57.1**	39.3
Other payables	**25.4**	26.5
Accruals and deferred income	**157.3**	155.0
	410.7	421.0
Company		
Amounts owed to Group undertakings	**381.6**	329.6
Other payables	**0.3**	2.2
Accruals and deferred income	**1.3**	2.4
	383.2	334.2
Amounts expected to be settled after more than one year:		
Group		
Trade payables	**8.1**	13.0
Accruals and deferred income	**1.5**	1.7
	9.6	14.7
Company		
Accruals and deferred income	**0.1**	0.1
	0.1	0.1
Total trade and other payables – Group	**420.3**	435.7
Total trade and other payables – Company	**383.3**	334.3

Group		
Comprising		
Financial liabilities (Note 27)	**356.5**	387.3
Other financial liabilities outside the scope of IFRS 7	**63.8**	48.4
	420.3	435.7

At 31 March 2021, trade payables include subcontractor retentions of £41.0m (FY20: £45.3m) relating to construction contracts, of which £8.1m (FY20: £13.0m) are non-current liabilities.

Amounts owed to Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

22 PROVISIONS

Group	2021 £m	2020 £m
Joint venture provisions		
At 1 April	**(1.6)**	(2.3)
Provisions created	**(5.4)**	–
Provisions utilised	**–**	0.7
At 31 March	**(7.0)**	(1.6)
Disclosed within:		
Current liabilities	**(7.0)**	(1.6)
Non-current liabilities	**–**	–
	(7.0)	(1.6)

The Group provides in full for obligations to remedy net liabilities of jointly controlled entities in excess of amounts already loaned. At 31 March 2021 these provisions amounted to £7.0m (FY20: £1.6m) which were measured in accordance with the Group's accounting policies. Amounts provided are assessed based on judgements of contract costs, contract programmes and maintenance liabilities and are expected to be paid within one year.

23 DEFERRED TAX

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

	2021 £m	2020 £m
Net deferred tax position at 31 March 2021		
Deferred tax assets	**31.2**	36.0

	Assets 2021 £m	Assets 2020 £m	Liabilities 2021 £m	Liabilities 2020 £m	Net 2021 £m	Net 2020 £m
Recognised deferred tax assets and liabilities						
Group						
Property, plant and equipment	**1.9**	2.5	**(4.1)**	(2.2)	**(2.2)**	0.3
Other temporary differences	**0.2**	0.5	**–**	–	**0.2**	0.5
Tax losses carried forward	**33.2**	35.2	**–**	–	**33.2**	35.2
Deferred tax assets/(liabilities)	**35.3**	38.2	**(4.1)**	(2.2)	**31.2**	36.0
The ageing of deferred tax assets/(liabilities) at the year end was:						
Less than one year	**3.2**	10.3	**–**	(2.2)	**3.2**	8.1
More than one year	**32.1**	27.9	**(4.1)**	–	**28.0**	27.9
	35.3	38.2	**(4.1)**	(2.2)	**31.2**	36.0

23 DEFERRED TAX (CONTINUED)

	At 1 April 2020 £m	Exchange and other movement £m	Recognised in income £m	Recognised in equity £m	**At 31 March 2021 £m**
Movements in deferred tax assets and liabilities in the year					
Property, plant and equipment	0.3	–	(2.5)	–	**(2.2)**
Other temporary differences	0.5	–	(0.3)	–	**0.2**
Tax losses carried forward	35.2	–	(2.0)	–	**33.2**
	36.0	–	(4.8)	–	**31.2**

	At 1 April 2020 £m	Exchange and other movement £m	Recognised in income £m	Recognised in equity £m	**At 31 March 2020 £m**
Property, plant and equipment	2.1	–	(1.8)	–	**0.3**
Other temporary differences	–	–	0.5	–	**0.5**
Tax losses carried forward	33.7	0.4	1.1	–	**35.2**
	35.8	0.4	(0.2)	–	**36.0**

The recognised deferred tax assets include £33.2m 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.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

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

	2021 £m	2020 £m
Tax losses	**60.7**	56.7

The Group has unrecognised deferred tax assets of £60.7m (FY20: £56.7m) relating to unused tax losses of £233.0m (FY20: £221.7m), predominantly generated from Canadian operations which are equity accounted. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. The losses can be carried forward indefinitely and have no expiry date. No deferred tax asset has been recognised in respect of these amounts as the future taxable profits are not probable and the constraints in using the losses.

The group does not have undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient.

24 SHARE CAPITAL

	Number of £1 shares issued	Share capital £m
At 1 April 2020 and at 31 March 2021	167,108	0.2

All issued share capital is fully paid.

25 RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY

	Share capital £m	Foreign currency translation reserve £m	*Fair Value* Reserve £m	Retained earnings/ *(Accumulated* losses) £m	**Total shareholders' equity £m**	*Non-controlling* interests £m	**Total equity £m**
Group							
At 1 April 2019	0.2	(21.5)	2.5	(170.2)	**(189.0)**	–	**(189.0)**
Profit for the year	–	–	–	7.6	**7.6**	–	**7.6**
Other comprehensive income/(expense) for the year, net of tax	–	3.1	(1.0)	–	**2.1**	–	**2.1**
Total comprehensive income/(expense) for the year	–	3.1	(1.0)	7.6	**9.7**	–	**9.7**
At 31 March 2020	**0.2**	**(18.4)**	**1.5**	**(162.6)**	**(179.3)**	**–**	**(179.3)**
Profit for the year	**–**	**–**	**–**	**1.0**	1.0	**–**	**1.0**
Other comprehensive expense for the year, net of tax	**–**	**(1.2)**	**(0.8)**	**–**	**(2.0)**	**–**	**(2.0)**
Total comprehensive (expense)/income for the year	**–**	**(1.2)**	**(0.8)**	**1.0**	**(1.0)**	**–**	**(1.0)**
At 31 March 2021	**0.2**	**(19.6)**	**0.7**	**(161.6)**	**(180.3)**	**–**	**(180.3)**

FAIR VALUE RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

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

RETAINED EARNINGS/(ACCUMULATED LOSSES)

Retained earnings/(accumulated losses) relate to the proportion of net income retained by the Parent Company less distributions.

	Share capital £m	Foreign currency translation £m	Fair Value Reserve £m	Accumulated losses and other reserves £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
Company							
At 1 April 2019	0.2	–	2.5	(25.9)	**(23.2)**	–	**(23.2)**
Loss for the year and other comprehensive expense	–	–	(1.0)	(13.2)	**(14.2)**	–	**(14.2)**
At 31 March 2020	**0.2**	**–**	**1.5**	**(39.1)**	**(37.4)**	**–**	**(37.4)**
Loss for the year and other comprehensive expense	**–**	**–**	**(0.8)**	**(10.2)**	**(11.0)**	**–**	**(11.0)**
At 31 March 2021	**0.2**	**–**	**0.7**	**(49.3)**	**(48.4)**	**–**	**(48.4)**

26 GUARANTEES AND CONTINGENT LIABILITIES

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

GUARANTEES

	2021 £m	2020 £m
Surety Bonds	**52.2**	55.4
Bank Guarantees	**39.8**	39.7
	92.0	95.1

£25.9m of the above guarantees were collateralised at 31 March 2021. As at 4 October 2021, following the refinancing of the UK facilities, £8.0m were collateralised with the balance of collateral released and no longer restricted. 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.

CLAIMS

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

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.

27 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.

27.1 FOREIGN CURRENCY RISK

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

	Pound sterling value of equivalent currency (£m)					
	2021 GBP	2021 EUR	2021 CAD	2021 HKD	2021 Other	2021 Total £m
Loans to joint ventures	8.0	33.6	–	–	–	**41.6**
Trade and other receivables	62.7	–	6.3	0.2	13.7	**82.9**
Cash and cash equivalents	261.2	0.1	–	–	0.2	**261.5**
Total financial assets	331.9	33.7	6.3	0.2	13.9	**386.0**
Borrowings	(274.7)	–	–	(0.3)	–	**(275.0)**
Trade and other payables	(352.9)	(3.4)	(0.1)	(0.1)	–	**(356.5)**
Net financial (liabilities)/assets	(295.7)	30.3	6.2	(0.2)	13.9	**(245.5)**

27 FINANCIAL INSTRUMENTS (CONTINUED)

27.1 FOREIGN CURRENCY RISK (CONTINUED)

	Pound sterling value of equivalent currency (£m)					
	2020 GBP	2020 EUR	2020 CAD	2020 HKD	2020 Other	2020 Total £m
Loans to joint ventures	15.3	35.1	–	–	–	50.4
Trade and other receivables (restated[1])	59.5	–	5.6	0.2	13.3	78.6
Cash and cash equivalents	236.4	4.7	–	0.1	0.3	241.5
Total financial assets	311.2	39.8	5.6	0.3	13.6	370.5
Borrowings	(338.0)	–	–	–	–	(338.0)
Trade and other payables (restated[1])	(383.5)	(3.6)	(0.2)	–	–	(387.3)
Net financial (liabilities)/assets	(410.3)	36.2	5.4	0.3	13.6	(354.8)

1. Trade and other receivables and trade and other payables balances for FY20 have been restated by £165.0m and £259.1m respectively to remove assets and liabilities that do not meet the definition of a financial instrument per IFRS 7. This has therefore reduced our exposure to the risks associated with financial instruments compared with the disclosure in the prior year.

If the foreign exchange rates that the Group is exposed to had changed adversely by 10% at the balance sheet date, the results for the year and equity would have decreased by £0.1m (FY20: £0.3m). This sensitivity analysis takes into account the tax impact and the forward exchange contracts in place.

27.2 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 2021					
Bank loans	**153.4**	**153.2**	**0.2**	**–**	**2.44%**
Lease obligations	**121.6**	**24.2**	**19.4**	**78.0**	**3.67%**
	275.0	**177.4**	**19.6**	**78.0**	**–**
At 31 March 2020					
Bank loans	201.5	50.4	137.4	13.7	7.97%
Lease obligations	136.5	28.0	22.9	85.6	4.24%
	338.0	78.4	160.3	99.3	–

If interest rates had been 1 percent higher during the year, the results and equity would have reduced by £5.3m (FY20: £2.5m). This sensitivity analysis takes into account the tax impact.

27 FINANCIAL INSTRUMENTS (CONTINUED)

27.3 LIQUIDITY RISK

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

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

Maturity of financial liabilities

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

	Trade and other payables (restated[1]) £m	Bank loans (restated[1]) £m	Leases (restated[1]) £m	Total (restated[1]) £m
At 31 March 2021				
Within one year	**410.7**	**157.0**	**25.4**	**593.1**
Between one and less than two years	**4.7**	**0.2**	**20.4**	**25.3**
Between two and less than five years	**3.8**	**–**	**36.2**	**40.0**
Five or more years	**1.1**	**–**	**42.0**	**43.1**
	420.3	**157.2**	**124.0**	**701.5**
At 31 March 2020				
Within one year	421.0	54.4	29.3	504.7
Between one and less than two years	6.8	148.3	23.6	178.7
Between two and less than five years	6.2	14.8	36.5	57.5
Five or more years	1.7	–	49.6	51.3
	435.7	217.5	139.0	792.2

1. Trade and other payables balances for FY20 have been restated by £420.9m to include balances within one year and remove contract liabilities. This has therefore reduced our exposure to the risks associated with financial instruments compared with the disclosure in the prior year. Bank loans and leases balances for FY20 have also been restated by £54.5m and £29.3m respectively to include balances within one year.

27.4 FAIR VALUES

Financial instruments carried at fair value in the statement of financial position are other investments 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 2021.

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

The fair value movements on held to collect and to sell financial assets are recognised in the consolidated statement of comprehensive income. The Group recognised a £0.8m loss (FY20: £1.0m loss) in financial assets held to collect and to sell in relation to PFI investments in joint ventures in the year.

27 FINANCIAL INSTRUMENTS (CONTINUED)

27.4 FAIR VALUES (CONTINUED)

The carrying and fair values of the Group's financial instruments at 31 March 2021 and 31 March 2020 are as follows:

	Fair value 2021 £m	Carrying amount 2021 £m	Restated Fair value 2020 £m	Restated Carrying amount 2020 £m
Loans and receivables	**124.5**	**124.5**	129.0	129.0
Financial liabilities measured at amortised cost	**(634.5)**	**(631.5)**	(725.3)	(725.3)

1. Loans and receivables and financial liabilities measured at amortised cost for FY20 have been restated from £259.0m to £129.0m and from £984.4m to £725.3m to remove assets and liabilities that do not meet the definition of a financial instrument per IFRS 7. This has therefore reduced our exposure to the risks associated with financial instruments compared with the disclosure in the prior year.

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

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

27.5 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 and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group regularly forecasts its cash position 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 (comprising 'current and non-current borrowings' as shown in the consolidated statement of financial position).

At 31 March 2021 the Group had net cash of £96.9m (FY20: net cash of £24.6m); see note 33.

28 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 £16.7m (FY20: £15.0m).

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

29 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 £13.2m (FY20: £nil) in the Group.

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

30 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

	2021		2020	
	Income earned in year £m	**Receivable at year-end £m**	Income earned in year £m	Receivable at year-end £m
Subsidiaries outside the LOR Plc Group (note 19)	**14.9**	**13.7**	6.4	13.3
Joint ventures	**2.8**	**0.3**	1.6	0.4

Income earned in the year from subsidiaries outside the LOR Plc Group relates mainly to the management charges issued by Laing O'Rourke Services Limited. The FY20 balances for subsidiaries outside the LOR Plc Group have been included in FY21 for comparative purposes.

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

30 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2021		2020	
	Expenses paid in year £m	**Payable at year-end £m**	Expenses paid in year £m	Payable at year-end £m
Subsidiaries outside the LOR Plc Group (note 21)	**8.1**	**41.4**	8.2	50.2
Joint ventures	**34.7**	**4.4**	29.3	5.4

The FY20 balances for subsidiaries outside the Laing O'Rourke Plc Group have been included in FY21 for comparative purposes.

PROPERTY LEASES

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

LOAN

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

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

LOANS TO AND FROM JOINT VENTURES

At 31 March 2021 loans to joint ventures amounted to £41.6m (FY20: £50.4m) and loans from joint ventures amounted to £nil (FY20: £nil). During the normal course of business the Group provided services to, and received management fees from, certain joint ventures amounting to £nil (FY20: £nil). Amounts due to and from joint ventures and associates at 31 March 2021 are disclosed within investments in joint ventures, trade and other receivables and trade and other payables in notes 14, 19 and 21 respectively.

DIRECTORS' REMUNERATION

During the year the total remuneration of the Directors was £5.4m (FY20: £3.7m) of which pension costs amounted to £nil (FY20: £nil), see note 6.

OISIN

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

SELECT PLANT HIRE COMPANY LIMITED

During the year, R G O'Rourke KBE and H D O'Rourke made no payment to Select Plant Hire Company Limited (FY20: £1.9m) for the beneficial use of Company assets. Amounts owed as at 31 March 2021 are £nil (FY20: £nil).

31 ULTIMATE PARENT COMPANY

The immediate parent undertaking of Laing O'Rourke Plc is O'Rourke Investments Limited, a company registered in England and Wales.

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

Laing O'Rourke Corporation Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2021. The Laing O'Rourke Corporation Limited consolidated financial statements are available at www.laingorourke.com

32 POST BALANCE SHEET REVIEW

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

On 4 October 2021, the Group refinanced its UK facilities, resulting in full repayment of its RCF, Term Loan and Arrangement Fee and the availability of a new unsecured RCF with an expiry date of 3 October 2023. A £13.7m property loan was also refinanced with an expiry date of 3 October 2023.

33 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Liabilities from financing activities					
	Borrowings £m	Bank arrangement fees £m	Leases £m	Sub-total £m	Cash and cash equivalents £m	Net cash £m
As at 1 April 2019	(197.0)	20.8	(45.7)	(221.9)	254.6	32.7
Cash flow	(5.6)	–	–	(5.6)	27.0	21.4
New lease arrangements	–	–	(35.6)	(35.6)	–	(35.6)
Repayments	*10.0*	–	*30.1*	*40.1*	*(40.1)*	–
Impact of IFRS 16 adoption at 1 April 2019	–	–	(85.2)	(85.2)	–	(85.2)
Impact of IFRS 16 at 31 March 2020	–	–	92.6	92.6	–	92.6
Other changes*	(8.9)	7.6	–	(1.3)	–	(1.3)
As at 31 March 2020	(201.5)	28.4	(43.8)	(216.9)	241.5	24.6
Cash flow	**-**	**–**	**–**	**–**	**102.2**	**102.2**
New lease arrangements	**-**	**–**	**(16.2)**	**(16.2)**	**–**	**(16.2)**
Repayments[1]	**56.8**	**(6.2)**	**31.6**	**82.2**	**(82.2)**	**-**
Impact of IFRS 16 at 31 March 2020	**-**	**–**	**(92.6)**	**(92.6)**	**–**	**(92.6)**
Impact of IFRS 16 at 31 March 2021	**-**	**–**	**79.6**	**79.6**	**–**	**79.6**
Other changes*	**(8.7)**	**8.6**	**(0.6)**	**(0.7)**	**–**	**(0.7)**
As at 31 March 2021	**(153.4)**	**30.8**	**(42.0)**	**(164.6)**	**261.5**	**96.9**

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

1. Repayments of £56.8m in FY21 include £56.5m related to core debt and fees.

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

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

34 SUBSIDIARIES AND JOINT ARRANGEMENTS

The Company has an interest either directly or indirectly in the share capital of the following companies:

Subsidiary undertaking	Principal activity	Group interest in ordinary voting shares	Country of incorporation or registration
Anchor Boulevard Limited	Property investment company	100%	England and Wales
Birley Fields Limited	Dissolved 12 July 2021	100%	British Virgin Islands
Cellence Plus Limited	Recruitment company	100%	England and Wales
Coventry Urban Regeneration Limited	Development management	100%	England and Wales
Crown House Technologies Limited	Mechanical and electrical contracting	100%	England and Wales
Ellis Mechanical Services Limited	Non-trading	100%	England and Wales
Expanded Demolition Limited	Dissolved 6 October 2020	100%	England and Wales
Expanded Limited	Civil and structural engineering, piling and demolition	100%	England and Wales
Expanded Piling Limited	Non-trading	100%	England and Wales
Expanded Structures Limited	Civil and structural engineering	100%	England and Wales
Explore Capital Limited	Holding company	100%	England and Wales
Explore Investments Limited	Holding company	100%	England and Wales
Explore Investments (No.1) Limited	Holding company	100%	England and Wales
Explore Living Balls Park Limited	Residential development	100%	England and Wales
Explore Living Limited	Residential development	100%	England and Wales
Explore Living Property Management Limited	Residential property management	100%	England and Wales
Explore Manufacturing Limited	*Manufacture of construction products*	100%	England and Wales
Glass Reinforced Concrete UK Limited	Manufacture and supply of glass reinforced concrete building products	100%	England and Wales
Irishtown Developments Limited	Residential development	100%	Ireland
John Laing Construction Limited	Building contracting and civil engineering	100%	England and Wales
John Laing International Limited	Overseas contracting	100%	England and Wales
John Laing (Malaysia) Sdn Bhd	*Overseas contracting*	100%	Malaysia
Laing Abu Dhabi LLC	Building contracting and civil engineering	49%	UAE
Laing Construction Limited	*Holding company*	*100%*	*England and Wales*
Laing Engineering Limited	Non-trading	100%	England and Wales

34 SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

Subsidiary undertaking	Principal activity	Interest in ordinary voting shares	Country of incorporation or registration
Laing International Nigeria Limited	Dormant company	100%	Nigeria
Laing Limited	Building and civil engineering	100%	England and Wales
Laing O'Rourke Canada Limited	Building contracting and civil engineering	100%	Canada
Laing O'Rourke Construction Limited	Building contracting, civil engineering and infrastructure	100%	England and Wales
Laing O'Rourke Construction South Limited	Building contracting	100%	England and Wales
Laing O'Rourke Group Services Limited	Dissolved 29 September 2020	100%	England and Wales
Laing O'Rourke Holdings Limited	Holding company	100%	England and Wales
Laing O'Rourke Infrastructure Limited	Civil engineering and infrastructure	100%	England and Wales
Laing O'Rourke Manufacturing Holdings Limited	Holding company	100%	England and Wales
Laing O'Rourke Manufacturing Limited	Manufacture of precast concrete	100%	England and Wales
Laing O'Rourke Midlands Limited	Construction of commercial buildings	100%	England and Wales
Laing O'Rourke Properties (Erith) Limited	Investment property management	100%	England and Wales
Laing O'Rourke Scotland Limited	Building contracting	100%	England and Wales
Laing O'Rourke Services Limited	Service company	100%	England and Wales
Laing O'Rourke Utilities Limited	Civil, mechanical and electrical engineering contracting	100%	England and Wales
Laing O'Rourke Wales & West Limited	Building contracting	100%	England and Wales
Maravale Investments (UK) Limited	Managing investments in commercial property	100%	England and Wales
O C Summers Limited	Non-trading	100%	England and Wales
O'Rourke Civil & Structural Engineering Limited	Non-trading	100%	England and Wales
O'Rourke Civil Engineering Limited	Civil and structural engineering	100%	England and Wales
R O'Rourke & Son Maynooth Limited	Residential development	100%	Ireland
R O'Rourke & Son Limited	Holding company	100%	England and Wales
Select Plant Hire Company Limited	Plant hire and operations	100%	England and Wales
Strongforce Engineering Limited	Specialist concrete contracting	100%	England and Wales
Sundera Holdings Limited	Residential development	100%	Ireland
Sycamore Properties Limited	Property holding company	100%	Bahamas
Vetter UK Limited	Finished stone products	100%	England and Wales

34 SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

Joint venture	Principal activity	Interest in ordinary voting shares	Country of incorporation or registration
Alder Hey (Special Purpose Vehicle) Limited	PFI accommodation operator hospital	40%	England and Wales
Alder Hey Holdco 1 Limited	PFI accommodation operator hospital	40%	England and Wales
Alder Hey Holdco 2 Limited	PFI accommodation operator hospital	40%	England and Wales
Alder Hey Holdco 3 Limited	PFI accommodation operator hospital	40%	England and Wales
BYLOR Services Limited	Construction of utility projects	50%	England and Wales
Canal Harbour Development Company Limited	Property development	50%**	Ireland
CLM Delivery Partner Limited	Non-trading	38%	England and Wales
Explore Transport Limited	Logistics	50%	England and Wales
Health Montreal Collective CJV Limited Partnership	PFI accommodation operator hospital	50%	Canada
New City Vision Holdings Limited*	Holding company	5%	England and Wales
Yorkshire Learning Partnership (PSP) Limited	Disposed 6 October 2020	50%	England and Wales
Yorkshire Learning Partnership HoldCo Limited	Disposed 6 October 2020	50%	England and Wales
Yorkshire Learning Partnership ProjectCo Limited	Disposed 6 October 2020	50%	England and Wales
9231-9243 Quebec Inc	PFI accommodation operator hospital	50%	Canada

* Treated as a joint venture as a result of equal voting rights.

** On 25 August 2021, the Group acquired the non-controlling interest, see note 32.

34 SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

Joint arrangement	Principal activity	Participation	Country of incorporation or registration
BYLOR	Civil engineering	50%	England and Wales
COLOR Bond Street	Civil engineering	50%	England and Wales
East West Alliance	Civil engineering	33%	England and Wales
FLO – Northern Line	Civil engineering	50%	England and Wales
FLO – Thames Tideway Tunnel	Civil engineering	50%	England and Wales
Heathrow East Terminal Project	Civil engineering	50%	England and Wales
LM	Civil engineering	50%	England and Wales
M-Pact Manchester	Civil engineering	60%	England and Wales
SAIP Alliance	Civil engineering	33%	England and Wales

The registered address of those registered in England and Wales is Bridge Place, Anchor Boulevard, Admirals Park, Dartford, Kent DA2 6SN except New City Vision Holdings Limited whose registered address is 13 Newton Place, Glasgow G3 7PR and Alder Hey (Special Purpose Vehicle) Limited, Alder Hey Holdco 1 Limited, Alder Hey Holdco 2 Limited and Alder Hey Holdco 3 Limited whose registered address is 1 Kingsway, London WC2 6AN.

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

The registered address of Laing Abu Dhabi LLC is Sheikh Khalifa Street, Abu Dhabi, United Arab Emirates.

The registered address of John Laing (Malaysia) Sdn Bhd is c/o Signet & Co Sdn Bhd, 10th Floor Tower Block, Komple Jalan Sultan Ismail, Kuala Lumpur, Malaysia.

The registered address of Laing International Nigeria Limited is 98 Awolowo Road, P.O. Box 53756, Ikoyi, Lagos, Nigeria.

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

The registered address of Sycamore Properties Limited is Suite 200b, 2nd Floor, Centre of Commerce, One Bay Street, P.O. Box N-3944 Nassau, Bahamas.

Listed below are subsidiaries controlled and consolidated by the Group, where the directors have taken the exemption from having an audit of their financial statements for the year ended 31 March 2021. This exemption is taken in accordance with Companies Act Section 479A.

Subsidiary undertaking	Company Registration Number
Cellence Plus Limited	6726412
Coventry Urban Regeneration Limited	6371949
Expanded Structures Limited	5407121
Explore Capital Limited	5258424
Explore Investments (No. 1) Limited	5835462
Explore Investments Limited	5490297
Explore Living Property Management Limited	5597437
Glass Reinforced Concrete UK Limited	6795454
Laing Construction Limited	3074000
Laing Engineering Limited	1541508
Laing Ltd	3637584
Laing O'Rourke Manufacturing Holdings Limited	6725938
Laing O'Rourke Properties (Erith) Limited	4531115
Laing O'Rourke Utilities Limited	4309417
Maravale Investments (UK) Limited	2632144
O C Summers Limited	0969372
O'Rourke Civil & Structural Engineering Limited	1323856
O'Rourke Civil Engineering Limited	2810023
R O'Rourke & Son Limited	2671992
Strongforce Engineering Limited	3342392