Registered Number 04222545

Laing O'Rourke Plc

Annual Report and Financial Statements

for the year ended 31 March 2023

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DIRECTORS, OFFICERS, AND ADVISORS

DIRECTORS	R G O'Rourke KBE H D O'Rourke R C Baker C H O'Rourke (appointed 30 June 2023) S T Chatwin (appointed 3 August 2023) M Loughrey-Grant J J Murray (resigned 30 June 2023) 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	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 2023

The Directors present their Strategic Report on the Laing O'Rourke Plc Group ('Laing O'Rourke' or 'Group') for the year ended 31 March 2023.

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; and
- Building operations management.

A list of all subsidiaries, joint ventures, and joint operations can be found in note 37 to the financial statements.

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

FINANCIAL REVIEW

During the year ended 31 March 2023, the Group achieved continued growth in revenue but made a loss before tax of £(188.3)m (FY22: profit of £16.2m) driven by continued inflationary pressures, challenging delivery on projects experiencing significant change, and delays to capital investment in UK public-sector work.

The key results can be summarised as follows:

- The Group's pre-exceptional EBIT decreased by £198.2m to a loss of £(169.2)m (FY22: profit of £29.0m). The post-exceptional EBIT loss of £(171.6)m (FY22: profit of £29.0m) reflects the impact of a write-down of intangible assets of £2.4m (FY22: £nil); and
- Subsequent to the year end, the Group's unsecured revolving credit facility with HSBC was extended to 3 April 2026. See following core debt section for further details.
- Group revenue has increased by 11.1 per cent to £2.0bn; and at the year end the Group had an order book of £6.6bn (FY22: £6.1bn) which represents approximately three years' revenue (order book is defined as the value of work outstanding on secured, anticipated, and preferred bidder contracts). The year-on-year increase is partly driven by continuing to work closely with the UK government as a strategic supplier to deliver much needed hospitals and infrastructure in support of its investment agenda. Our key focus has been on converting our pipeline to secured work, which stood at £4.6bn (66.1 per cent of total order book) at the year end (FY22: £4.6bn and 80.6 per cent of total order book). This will remain a priority for the remainder of FY24.

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

EXCEPTIONAL ITEMS

The Group delivered a pre-exceptional EBIT loss of £(169.2)m (FY22: profit of £29.0m) before incurring exceptional items of £2.4m (FY22: £nil) relating to the write down of intangible assets.

FUNDING

The Group's net cash position (cash less debt but excluding bank arrangement fees and the impact of IFRS 16 leases) decreased from £43.5m at 31 March 2022 to £4.4m at 31 March 2023. See note 36 to the financial statements.

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

The Group complied with all banking covenants during FY23 and did not require any waivers or relaxation of its covenants. Since the year end the Group has received a waiver for exceeding the loan-to-value covenant related to a property loan (resulting from a lower vacant possession valuation due to a change in market conditions since the original loan was entered into). On 30 June 2023, the Group agreed a reset of its future covenants and, in October 2023, the Group extended its unsecured revolving credit facility and property loan with HSBC to 3 April 2026, which included resolving the property loan covenant breach; further details are provided under the core debt section below. The covenants related to the credit facility are also detailed in note 29.4 to the financial statements.

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

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

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

The Group does not employ supplier payment facilities.

CORE DEBT

	FY23 (£m)	FY22 (£m)
RCF/Term Debt	**–**	–
Property loan	**13.0**	13.0
Intercompany loan	**48.0**	48.0
Other loans	**86.7**	80.0

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

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

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

BONDS AND GUARANTEES

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

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

SIGNIFICANT ASSET ACQUISITIONS AND DISPOSALS

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

See note 14 to the financial statements for the full list of disposals and dissolutions.

FINANCE AND TREASURY POLICY

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

UK CONSTRUCTION WORKING CAPITAL AND SUPPLY CHAIN PAYMENTS

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

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

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

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

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

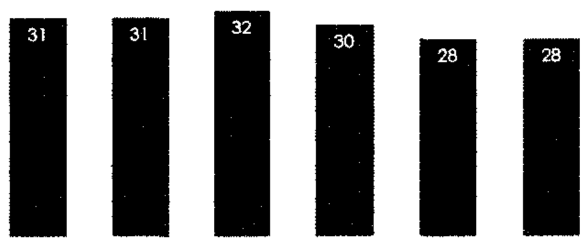
During this period, invoice payment timing has continued to be predominantly impacted by the wider inflationary environment, including rapidly escalating prices of certain commodities leading to advance payments being made ahead of terms in order to fix pricing. The business has also been operating with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

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

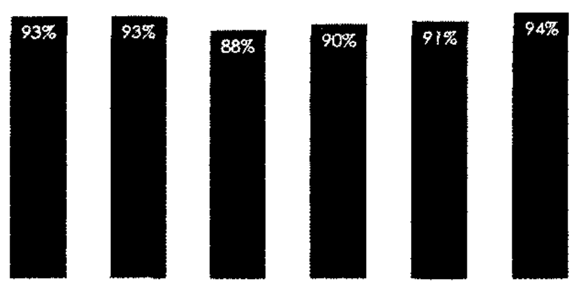
The graphs below show Laing O'Rourke Delivery Ltd's payment performance for the three years to 30 September 2023. Laing O'Rourke Delivery Ltd is the main trading entity in the UK, a wholly owned subsidiary of Laing O'Rourke Plc, and the main entity subject to the PPC.

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

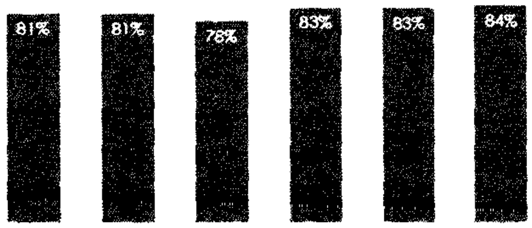
AVERAGE DAYS TO PAY INVOICES



ALL SUPPLIERS AND SUBCONTRACTORS, % INVOICES PAID UNDER 60 DAYS



ALL SUPPLIERS AND SUBCONTRACTORS, % INVOICES PAID TO TERMS



RISK AND ACCOUNTING POLICIES

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

The Board regularly assesses and monitors risks affecting the Group. Further details of how the Group has managed key financial and operational risks, such as credit and liquidity risks, are set out on pages 61 to 66 of the Laing O'Rourke Corporation Ltd Annual Report and Accounts in the audit and risk management section.

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

IMPACT OF THE WAR IN UKRAINE

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

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

OUTLOOK

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

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

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

The Board remains confident that the strategic plan can be delivered but will continue to closely monitor any further impacts of inflation, exacerbated by the war in Ukraine, together with any changes to key judgements and estimations including contingent liabilities. This has been explained in our going concern note on pages 21 to 23 and the impact of climate change on our forecasts and future performance has also been explained in note 2.27b) to the financial statements.

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

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

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

The Group now has all of its expected FY24 revenue either secured or anticipated and 82 per cent of its expected FY25 revenue is at the secured, anticipated or preferred bidder stage and the Group Order Book currently stands at £6.6bn as at 30 September 2023.

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

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

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

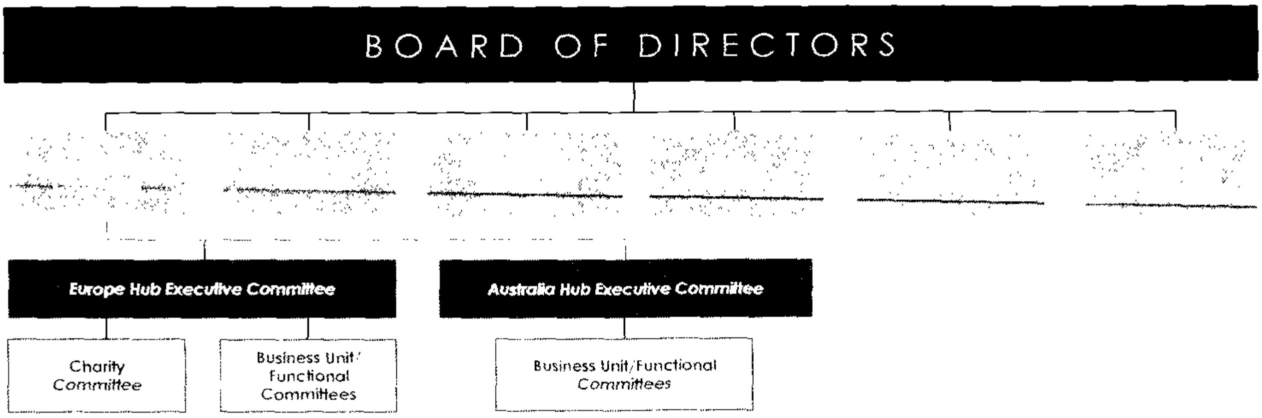
During the year ended 31 March 2023, our relevant UK companies in the Laing O'Rourke Corporation Ltd Group ('the Group') have considered the Companies (Miscellaneous Reporting) Regulations 2018 and elected to apply the Wates Corporate Governance Principles for Large Companies, as published in December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

Laing O'Rourke Plc sits within the Corporate Governance Framework of the overall Laing O'Rourke Corporation Ltd Group. Decisions that impact Laing O'Rourke Plc are made at both the Europe Hub Executive Committee and Group Executive Committee levels. The Directors of Laing O'Rourke Plc are members of the Europe Hub Executive 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 20, relate to the Laing O'Rourke Corporation Ltd Group.

GROUP CORPORATE GOVERNANCE FRAMEWORK

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

BOARD STRUCTURE



LAING O'ROURKE CORPORATION LTD DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

PRINCIPLE ONE PURPOSE AND LEADERSHIP

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

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

Further details of our strategy and integrated business model are set out on pages 10 and 11 of the Laing O'Rourke Corporation Ltd Annual Report and Accounts.

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

The process of consulting on purpose and values emphasised the importance of engagement and dialogue with employees and wider stakeholders when communicating the Group's strategy, governance, and culture. The year under review has been spent embedding the purpose and values in our processes. Details of how and why we engage are set out on pages 17 to 19 in our reporting against Principle Six (Stakeholder Relationships and Engagement) of the Wates Principles.

CONDUCT AND ETHICS

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

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

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

HIGHLIGHTS

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

PRINCIPLE TWO BOARD COMPOSITION

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

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

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

The Group is confident that the Board has the right skills and experience to discharge its duties effectively. The directors are clear on the amount of time required for their role and are careful to balance this with the requirements of other roles (see biographies on pages 7 and 8).

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

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

Our aspiration to increase diversity across the business is a key focus of our Group Chair, Sir John Parker, and we are proud that, upon the expected return of Rebecca Hanley from parental leave, we will return to 45 per cent of our Board positions being held by women. For the first time, in FY23, the top 50 private companies in the UK were invited to take part in the FTSE 350 Women in Leadership review and we achieved sixth place among the largest private companies in the UK for women in leadership positions and third place for the proportion of women on our Board. Within our sector we achieved first place for women both in leadership and on boards. Our commitment to continue to drive diversity is set out on page 28.

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

GROUP EXECUTIVE COMMITTEE

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

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

The Group Executive Committee performs its responsibilities with regard to Laing O'Rourke Plc with the assistance of a sub-committee – the Europe Hub Executive Committee.

Hub Executive Committees

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

AUDIT AND RISK COMMITTEE

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

REMUNERATION, NOMINATION, AND GOVERNANCE COMMITTEE

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

FINANCE COMMITTEE

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

GROUP COMPLIANCE COMMITTEE

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

GROUP SUSTAINABILITY COMMITTEE

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

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

PRINCIPLE THREE
DIRECTOR RESPONSIBILITIES

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

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

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

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

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

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

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

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

PROJECT DELEGATION OF AUTHORITY FRAMEWORK

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

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

PRINCIPLE FOUR OPPORTUNITY AND RISK

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

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

RISK AND INTERNAL AUDIT

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

During the year, a review was performed of the Europe Hub internal audit function delivery model. The decision was taken to move from a fully insourced internal audit model to a model that combines a bolstered second line of defence with external, independent, assurance where required, giving access to a wider range of expertise.

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

PROJECT GATEWAYS

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

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

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

Other recent enhancements have focused on:

- Managing material change in projects during the delivery phase to ensure that proposed material changes are properly scrutinised and are signed off by the appropriate hub's executive teams;
- Introduction of greater rigour into monthly contract review meetings, supported by the introduction of the Lunar digilised platform. This has also resulted in clearer reporting for contract review meetings across both hubs meaning that issues are flagged early and escalated accordingly;
- Introduction of stronger scrutiny for the early bid stages of projects to ensure better alignment of the business in its approach to bids and full consideration of the strategic objectives of the business so as to ensure that the right opportunities and contracts are pursued; and
- Ensuring that bid settlement meetings better enable our executive members to review and assess key risks associated with bids through clearer reporting.

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

BID SETTLEMENT MEETINGS

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

INTEGRATED GROUP MANAGEMENT SYSTEM

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

Part of our long-term strategy is to have simple and seamless structures, processes, systems, and tools to enable smarter working. Through our transformation agenda (see page 17) we continue to focus on resilience and certainty to deliver against promises encompassing quality, cost, and time. To achieve this, we have embedded a culture of delivering what has been promised and complying with core business processes.

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

To further provide our people with a clear understanding of iGMS, a mandatory iGMS corporate induction and eLearning module has been implemented Group-wide. This ensures our people are aware of the governance framework and standard processes, guidance, and templates that support the way we go to work. In addition, when change occurs on iGMS, we ensure people are made aware of the changes through our internal social media channel Viva Engage (formerly Yammer), targeted emails to specific functions, general updates through our business unit leaders, team townhall meetings, iGate posts, and pop-ups on iGMS project tabs. Furthermore, where there is a significant change, it is publicised at our LOR Live sessions (see page 18)

DIGITAL

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

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

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

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

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

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

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

PRINCIPLE FIVE REMUNERATION

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

SUBSIDIARY COMPANIES

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

GENDER PAY GAP REPORTING

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

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

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

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

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

PRINCIPLE SIX
STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

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

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

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

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR PEOPLE	Connecting effectively with our people during the year to understand their experience and to communicate our strategy has been as important as ever. We prioritised communication, engagement, and support for our workforce through many different channels including: – Daily, weekly, or monthly employee communications and meetings from leaders; – Making toolkits available to managers to ensure that they could cascade consistent information to their teams in a personal way; and – Increased interactive communication through LOR Live (live broadcasts by our leadership teams) to all of our staff, facilitating real time question and answer sessions with thoughts and opinions encouraged from both the live and online audiences. Communication was both proactive and interactive via LOR Live, our internal social media channel Viva Engage (formerly Yammer), our intranet, townhall sessions across the business and project visits (where possible) with leadership briefings. The primary focus was ensuring that all colleagues understood our purpose and values, the importance we place on safety, the direction in which the business is going, and how this impacts them and their careers. There has also been a renewed focus on learning and development through our LOR Learn platform and the appointment of learning and development representatives across all functions to help create learning pathways and competency assessment frameworks. We undertook our annual employee engagement survey in November 2022, and saw an improvement on an already strong score for overall engagement, which is a measure of how positive our people feel about their work. There were also strong scores recorded across both hubs in other areas, notably regarding confidence in leadership, pride in working for Laing O'Rourke, and trust in leadership to take action to address concerns.	Managing the safety of our people remains a key priority for the Board and our Executive Committees and remains foremost in all operational decisions regarding access to our project sites and offices. The Board and our Executive Committees identified the need to improve communication and collaboration across the business and improve the sense of connectivity between people, projects, and functions. The executive leadership teams in each hub made their expectations clear around the need to be present onsite and in offices, rather than working remotely, in order to support performance and connection. Ongoing measurement and communication continue to ensure that we have a highly collaborative and connected culture, along with our people's access to dynamic working. Other initiatives considered and endorsed by the Board and our Executive Committees during the financial year included: – Rollout of progressive parental leave policy across both hubs; – Release in the Europe Hub in March 2023 of the latest wellbeing bundle focusing on ways to help people with their finances; – The ongoing implementation of our Life at LOR portal in the Europe Hub, which is a dedicated one stop shop for health and wellbeing needs; – Continued development of diversity subcommittees empowering our people to contribute to our diversity and inclusion agenda; and – The launch of 'Knowing Our People' reviews as part of our talent and development agenda as well as our internal 'Accelerate' mentoring programme in the Europe Hub and external partnership with Mentoring Circle.
OUR SUPPLIERS	We strive for better engagement with our supply chain to improve outcomes and to address key challenges around climate change and sustainability as well as significant compliance and regulatory requirements. During the year under review, this work included launching a supply chain carbon awareness programme and working with our supply chain to assess biodiversity risk in our value chain. One of the most significant regulatory changes the Europe Hub has been dealing with in FY23 is the introduction of the Building Safety Act in the UK and its anticipated enabling regulations, which requires close collaboration with our supply chain across product regulation, duty holder obligations, competency, and information. We continue to focus on transformation through data, which enables us to gain supply chain insights and market knowledge by building deeper relationships and also to identify best practice so that we can drive for excellence, consistency, and certainty in outcomes.	The Board recognises that its supply chain partners are integral to our ability to deliver world-class projects for our clients. It is also recognised that our partners are critical in helping the Group to achieve its 2025 mission to become the recognised leader for innovation and excellence and to achieve our stretching sustainability targets. Members of the Board and our Executive Committees participate in supply chain forums. Updates on significant activities and developments within our supply chain are provided to the Board and our Executive Committees and are taken into account when setting or approving annual budgets, performance targets, and making long term strategic decisions.

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR SUPPLIERS continued	Given the challenging macro-economic climate in the UK, we are in constant dialogue with our key suppliers to collaborate on multiple mitigation headings including successful hedging of fuel, electricity, and gas prices across our portfolio of projects.	During the year the Group Executive Committee realigned some functional portfolios for greater efficiency and focus. For example, the Europe Hub procurement function moved across to be overseen by Madeleina Loughrey-Grant, Group Director – Legal, Procurement (EU), and Sustainability. Supplier payment practices are regularly reviewed and we remain a committed signatory to the UK's Prompt Payment Code.
OUR FINANCIERS	The Group operates strict controls over working capital and cash management, engaging proactively on these controls with its financiers. A regular and transparent reporting dialogue is maintained with lenders, including regular update calls and touch points, visits to our project and manufacturing sites, strategy briefings, general business updates, and reporting against agreed financial performance metrics.	All our financiers have, if needed, direct access to the Group Chief Financial Officer, who is a member of the Board and also of the Group and Hub Executive Committees. This ensures that the directors and our senior leaders are kept regularly informed of developments affecting our financiers and that their views are taken properly into account when making relevant operational and strategic decisions.
OUR COMMUNITY	At hub and project level, our social value team work to achieve our social value strategy so that we build opportunities in local communities that deliver a lasting and positive impact. We engage with a wide range of local stakeholders to keep them informed of our local initiatives and progress on projects, which deliver significant economic and social value to local communities. We use a wide range of communication channels (including social media) to maximise the effectiveness of engagement with the local community across our projects. In the UK, we also organised a series of 'Hearts and Minds' events during Mental Health Awareness Week in May 2023 where we connected our wellbeing challenge to social value, asking our people to raise money for local charities that support our social value strategy and principles. Further details of our social value work are set out within our sustainability statement (see pages 26 to 28).	The Group Executive Committee has been working on embedding the principles and decision-making mechanisms of our responsible decision-making (RDM) framework into our Group processes and culture. The RDM framework, launched in FY22, is our ethical framework underpinned by universal principles of sustainability that helps our Board, Executive Committees and people consider our values, principles and other external factors when making complex decisions.
GOVERNMENT AND REGULATORY BODIES	In the UK, through our trade bodies, the Construction Leadership Council (CLC) and Build UK, we are party to regular dialogue with officials at the Department for Business and Trade, and the Department for Energy Security and Net Zero. We also have regular dialogue with the Cabinet Office. During the financial year, this dialogue was focused on economic conditions, including the impacts of unprecedented inflationary pressures on the sector, and the persistent challenge of securing the skills and labour the sector requires. We also maintained dialogue with central UK government departments responsible for delivery of specific infrastructure projects, including the Department of Health and Social Care for hospitals, the Ministry of Justice for prisons, and the Ministry of Defence regarding modernisation of the UK defence estate. We are committed to developing and maintaining open and effective working relationships with regulatory bodies relevant to our business to ensure there is an understanding of our operating model and infrastructure delivery capabilities in the UK market. Where appropriate, these relationships are managed by senior leaders in our executive team.	Our regular dialogue with government and regulatory bodies includes members of the Group Executive Committee and ensures that the Board and our Executive Committees are briefed on the potential impact of significant developments in government policy, procurement routes, and changes to laws and regulations.

RISK

The Directors of Laing O'Rourke Corporation Ltd 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 Ltd Group. The principal risks and uncertainties of the Laing O'Rourke Corporation Ltd Group, which include those of the Laing O'Rourke Plc Group, are discussed in the Laing O'Rourke Corporation Ltd Group's annual review which does not form part of this report.

The Directors of Laing O'Rourke Corporation Ltd 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 Ltd Group. The performance, position and future development of the Europe Hub of the Laing O'Rourke Corporation Ltd Group, which include those of the Laing O'Rourke Plc Group, are discussed in the Laing O'Rourke Corporation Ltd Group's annual review which does not form part of this report. Copies of the Laing O'Rourke Corporation Ltd Annual Report and Accounts are available at www.laingorourke.com/company/governance/annual-report.

APPROVAL

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

ROB TURNER
COMPANY SECRETARY

DIRECTORS' REPORT

for the year ended 31 March 2023

The Directors present their Directors' Report together with the Audited Financial Statements of the Laing O'Rourke Plc Group and Company for the year ended 31 March 2023.

BRANCHES OUTSIDE THE UK

A branch operating in Hong Kong is consolidated into the Group's results.

PRINCIPAL ACTIVITIES

The Group's principal activities are:

CONSTRUCTION

- Programme management, construction and building, civil engineering, and infrastructure and support services.

MANUFACTURING

- Building products and manufacturing construction products.

PLANT HIRE

- Plant hire and operations.

SERVICES

- Design services, and building operations management.

RESULTS AND DIVIDENDS

The results for the financial year are set out in the Consolidated Income Statement on page 34.

Group revenue for the financial year was £2,034.9m (FY22: £1,807.3m). The loss after tax for the year was £(128.9)m (FY22: profit of £20.2m). Capital employed by the Group at 31 March 2023 was a deficit of £292.0m (FY22: deficit of £161.6m).

No dividends were declared or paid during the financial year (FY22: £nil).

GOING CONCERN

The ability of the Group to continue as a going concern is dependent on the performance of the wider Laing O'Rourke Corporation Ltd Group (the 'Laing O'Rourke Corporation Group'). The Laing O'Rourke Corporation Group continued to show growth in revenue, however delivered a pre-exceptional EBIT loss of £(78.8)m in FY23, driven by continued inflationary pressures, challenging delivery on projects experiencing significant change, and delays to capital investment in UK public-sector work.

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

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

Following the covenant reset, full covenant compliance continues to be forecast within both the Laing O'Rourke Corporation Group's 'management case' business plan and its 'severe but plausible' downside scenario over the period assessed to 31 March 2025. Details of RCF covenants are provided in note 29.4 to the financial statements.

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

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

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

The key assumptions and areas of estimation uncertainty reflected in the Laing O'Rourke 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;
- Inflationary pressures forecast to be experienced during FY24 and FY25 can be accommodated within the forecasts of future costs already made in FY23, existing project inflation allowances and general contingencies. The Laing O'Rourke 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 2025, with this risk being addressed at the tender stage for new projects;
- The 'management case' cash assumption, based on the latest arbitral timetable, forecasts for the settlement of the claim, described in note 2.26(b) and note 25 of Laing O'Rourke Corporation Ltd's Annual Report and Accounts, outside of the going concern period (June 2025, being the earliest expected settlement date), but has considered the impact of the claim on the Laing O'Rourke Corporation Group as part of this review and concluded that this claim does not adversely affect the Laing O'Rourke Corporation Group's longer term viability;

GOING CONCERN (CONTINUED)

Work winning continues to reflect current expectations and is in line with average win rates in previous years;

- Continued support of our supply chain in terms of product material, labour supply and flexibility in payment terms. Based on our detailed assessment, our supply chain management, direct delivery model and experience to date, disruption to the supply of materials to projects and shortages of labour, if experienced, can be accommodated within existing project programmes or programme contingencies;
- No imposition of a Covid-19 related lockdown on the construction sector in the Laing O'Rourke Corporation Group's main markets;
- The underlying relevant market drivers continue as expected for construction work in infrastructure, power generation, education, healthcare, justice, and residential house building; and
- The 'management case' cash assumption that there are not expected to be any adverse material cash settlements in the period to 31 March 2025 relating to the contingent liability matters disclosed in note 29 of the Laing O'Rourke Corporation Ltd's Annual Report and Accounts.

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

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

Key assumptions in the Laing O'Rourke Corporation Group's severe but plausible scenario include:

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

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

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

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

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

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

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

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

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

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

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

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

- *Laing O'Rourke's investment in developing sector-leading* modern methods of construction (MMC) capability, its proven track record against a challenging market backdrop, a lower inflationary environment and reduced Covid-19 uncertainties, integrated delivery model, strong client engagement and resilience to supply chain risk ensure that it is well positioned to continue to win work;

GOING CONCERN (CONTINUED)

- The current order book for the Laing O'Rourke Corporation Group has increased to £10.5bn (as at 30 September 2023) (£8.6bn as at 31 March 2022) as a result of continued work-winning success in both the Europe and Australia Hub. The Laing O'Rourke Corporation Group now has all of its expected FY24 revenue either secured or anticipated and 83 per cent of its expected FY25 revenue is at the secured, anticipated, or preferred bidder stage; and
- Cash performance in the six months ended 30 September 2023 is above the management case forecast for the Laing O'Rourke Corporation Group.

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

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

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

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

Refer to note 2.26 e) and pages 21 to 23 relating to going concern.

POST BALANCE SHEET EVENTS

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

DIRECTORS

Those directors who served during the year and up to the date of signing are set out on page 2, with their appointment/resignation date if applicable if after 1 April 2022.

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.

EMPLOYMENT POLICY

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

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

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.

RESEARCH AND DEVELOPMENT

The Group's research and development expenditure of £46.6m (FY22: £33.0m) supports the development of construction techniques to deliver quality, certainty, and value for our customers.

FUTURE DEVELOPMENTS

Details on future developments are presented within the strategic report on page 3 to 20.

FINANCIAL RISK MANAGEMENT

The directors of Laing O'Rourke Corporation Ltd 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 Ltd Group. The principal risks and uncertainties of Laing O'Rourke Corporation Ltd, which include those of the Company, are discussed in the Laing O'Rourke Corporation Ltd Annual Report and Accounts, which does not form part of this report.

EMPLOYEE ENGAGEMENT STATEMENT

All of the Group's UK employees are contracted by Laing O'Rourke Services Ltd. There is close interaction between the Board of the parent company, Laing O'Rourke Corporation Ltd, its executive committees, and the boards of the Group subsidiaries. The Group adopts any specific policies and procedures set on behalf of the parent Board, including the Group Governance Framework, Corporate and Project Delegations of Authority, the Code of Conduct, the Risk Management Framework, and Safety Management System and policies and procedures of the Group. The directors have delegated some of their operational management responsibilities to one or more of the Group executive committees, on which at least one director acts as a representative of the Company.

The directors pro-actively accept and seek to understand the interests of our people throughout the organisation from our site-based workforce to our project teams and functional teams. By understanding the interests of our people, we can take account of their needs and concerns, allowing for the creation of value for the Group and for its people.

The directors continue to provide employees with relevant information and to seek their views on matters of common concern through many channels, such as: employee representatives and through line managers, townhall meetings, through internal communications sent out to all employees by email, on Viva Engage (formerly Yammer – our internal social media site) and iGate, and via monthly live-streamed LOR Live sessions where our senior leaders, Board members, and executives are able to speak to our people and raise awareness on current issues or concerns and answer questions both from the floor, in person, and online. Priority is given to ensuring that employees are aware of significant matters affecting the Group's trading position and of any significant organisational changes.

Our policies and practices have been further updated this year to align with the work the Board and executives have done on our purpose statement and our underpinning core values of care, integrity, and courage. In July 2022 we launched a conflicts of interest policy which communicates our commitment to managing conflicts of interest and to protecting the business from corrupt activity. In the following month, in August 2022, our Code of Conduct 'Doing the Right Thing' was refreshed and launched to ensure we support a culture founded on integrity and supported by ethical actions.

The Code of Conduct defines our commitment to operating globally in accordance with ethical standards and behaviours expected of all our people, 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. At the same time, we launched a new whistleblower policy to encourage a culture that supports disclosure of wrongdoing as soon as possible, that reassures staff they are able to raise concerns in confidence and without fear, and that provides our people with guidance on how to raise concerns.

We remain committed to driving transformation through our diversity and inclusion agenda. This work is undertaken by the Group Diversity and Inclusion council chaired by non-executive director Charlotte Valeur and made up of operational executive members. The Council has clear terms of reference and is tasked with facilitating the creation of a diverse and inclusive organisation that leaves a positive legacy. In the Europe Hub we also appointed a new Europe Hub Head of Diversity and Inclusion, Emma Shakespeare, who took up her post in June 2022. The work of the Group Diversity and Inclusion council is underpinned by a number of subcommittees which are tasked with considering and recommending actions to the council. We have ten employee led subcommittees spanning the following areas of interest: carers; gender; disability; ethnicity, religion and cultural heritage; LGBTQ+; families who live abroad; single parents; part-time workers; working parents; *and menopause. The purpose of the subcommittees is to* provide employees with a forum to be heard, an opportunity to influence work being done in the area of diversity and inclusion, and to drive change.

In the course of FY23 we have developed a diversity and inclusion strategy focussed on five pillars: attraction and retention, progression, leadership accountability, inclusive culture, and operational excellence. We have established gender-based targets with a number of initiatives in place that sit under the five pillars to accelerate progress in meeting those gender targets. For example, through balanced shortlists, diverse interview panels, and advertising flexibility of roles. We have also partnered with Mentoring Circle to set up mentoring schemes from the start of 2023 as well as setting up our own internal mentoring scheme focused on accelerating the progression of our female talent.

Last year we undertook a piece of work to listen to the voices of women working across all levels of our business to better understand their true, lived experiences. Women spoke up – their true stories were compiled into a piece of performance narrative that was then played back to our senior leaders and has since been cascaded across our business, encouraging a wider discussion around inclusion to better understand what the experience is for all working across our business and to help identify opportunities for greater inclusion.

Another significant achievement in FY23 has been the launch of our industry-leading global equal parenthood leave, opening up parental leave on equal terms to all expectant parents regardless of gender or how they become a parent. This is a significant step towards levelling the playing field for all. We were also invited in FY23 to take part in the FTSE350 Women in Leadership review. For the first time the top 50 private companies in the UK were invited to take part and we came out in sixth place amongst the largest private companies in the UK for women leadership positions and third for women on boards. Within our sector we came out in first place for both women in leadership and on boards.

We have reported on our gender pay gap annually since 2017 and on 30 March 2023 we published our gender pay gap *report (available from our website). When our first report was* published in 2017 we acknowledged that our gender pay gap was largely driven by under-representation of women in senior management positions and we made a commitment to do more to attract, develop, and retain women within the organisation. We are pleased to see that the pay gap has narrowed. Upon the expected return of Rebecca Hanley from

EMPLOYEE ENGAGEMENT STATEMENT (CONTINUED)

parental leave, we will return to 45 per cent of our Corporation Board members being women. In addition to this, 43 per cent of our UK leadership roles are held by women. We are driven by our longer-term goal to achieve 50:50 gender representation in staff roles by 2033 and improve the quality of employment of all colleagues across construction which we are confident will open-up careers to more women and other under-represented groups in our sector. There was also significant improvement in our early talent recruitment which we see as part of our stepping-stones to success in our longer-term diversity goals.

Through concerted efforts to attract and recruit more female candidates at graduate level, 55 per cent of our 2022 graduate intake were women. In addition, 46 per cent of professional apprentices are women; we had 47 per cent women join our summer and industrial placements and a 54 per cent intake of women into our trade apprenticeship programme, made possible through our partnership with Women in Construction.

We are also working hard to ensure we support women's career development through our talent programmes so that women move up the ranks from entry into the industry up into senior management. We also use events such as International Women in Engineering Day as an opportunity to provide visibility to role models in our business and to inspire women into the industry. As a result, we have increased female appointments by 44 per cent year on year and we have seen a 12 per cent increase in the proportion of women in senior project roles.

Furthermore, we are confident that the engineering and construction sector provides an exciting and rewarding profession. We are leading the way with our investment in our Design for Manufacture and Assembly (DfMA) 70:60:30 operating model of manufacturing 70 per cent of a project offsite, so improving productivity by 60 per cent, and achieving a 30 per cent reduction in programme, which supports a transition from trades to technicians. These advancements will help pave the way for a new generation of men and women to view the industry as attractive, welcoming, and fair.

Whilst gender has been our starting point, we are also very much focused on creating a diverse and inclusive environment more broadly.

In 2022 we signed up to the Business in the Community Race at Work Charter which outlines a number of commitments that are shaping our ethnicity action plan. As part of those commitments, we will be publishing an ethnicity pay gap report for FY23. We have been working with the 10,000 Black Interns programme and the Association for BME Engineers in the UK (AFBE-UK) which promotes higher achievements in education and engineering particularly among people from black and minority ethnicity backgrounds, in order to attract more people from diverse ethnic backgrounds into the industry and to Laing O'Rourke.

Our Pride Network seeks to support all aspects of inclusion within the business, including our commitment that our LGBTQ+ colleagues feel they can be the best version of themselves within our organisation. Over the year we have had an ambitious and successful programme of activities, driven and supported by the network, and backed up by the global leadership team. We have run a series of awareness sessions on LGBTQ+ issues and we continue to partner with Stonewall, also taking part in the annual Stonewall index.

We have also launched our Inclusion Ally network. The role of the ally is to help embed diversity and inclusion initiatives at a local level and also feedback on what they are seeing and hearing as well as being a source of support for anyone who has experienced or observed an act of exclusion. Our intention is to have one to two allies in every team.

Another highlight this year was achieving a disability confident level 3 in December 2022 which is the first time this has been achieved in the UK construction sector.

Our north star in all of our work on diversity and inclusion is our commitment that when we go to work, we should feel we are going to a place where we are accepted, understood, and valued, and that we should all go to work committed to making others feel the same way.

For the third year, we conducted a Group-wide employee engagement survey of all our employees which is one of our biggest listening exercises where peoples' survey responses and feedback directly feed into our strategy and business plan. In the Europe Hub the response rate was an impressive 74 per cent. The two significant highlights from the survey were:

- Our overall engagement score, which is a measure of how positive people feel about their work, increased from an already above average percentage the previous year. We believe this indicates the discretionary effort our people are willing to put into their work which leads to higher overall satisfaction for our people and increased productivity and business success; and
- Our biggest gain was in the number of people who believe that action will take place as a result of the survey which demonstrates our people are invested in providing feedback and that they trust in our leadership team to take action.

Following analysis of the survey results in November 2022 by our leadership, leaders are working on action plans to address particular issues identified in their teams and also to celebrate the successes with actions driven by employee engagement champions nominated from different areas of the business. In addition, corporate action plans have been produced for each hub with signoff from each hub's executive committee.

Given that our workforce is diverse and spread across many different locations, we also support and enable exchange of views with leadership through town halls, breakfast briefings, roadshows, our intranet, Viva Engage (formerly Yammer - our internal social media site), away days, Human Capital Broadcasts, and the Project Leaders Conference. Directors also visit project sites, as a Board or individually, on a regular basis.

We continue to engage with our employees' welfare needs through our 'Life at LOR' which is an approach to wellbeing based on five themes: financial, social, workplace, mental, and physical. It is supported by our Life at LOR wellbeing hub which is our one-stop-shop for a wealth of information, resources, and services to support the wellbeing of everyone at Laing O'Rourke. Our mental health champions have had a considerable positive impact in supporting employees and raising general awareness of the importance of mental health.

In respect of remuneration, we seek to set fair and reasonable policies for remuneration both at senior level and in the broader operating context and a Remuneration, Nomination, and Governance Committee, chaired by an independent Non-Executive Director, is in place to consider remuneration policies. In practice, the commercial headwinds we (and the industry generally) are facing due to the wider economic and political context of Brexit and the war in Ukraine, causing supply

EMPLOYEE ENGAGEMENT STATEMENT (CONTINUED)
issues and cost inflation, have constrained the ability to review remuneration levels in FY23. Even so, we were able to undertake an overall salary benchmarking exercise and pay review for our staff and workforce and to make pay awards as appropriate. We do not operate an employee share scheme.

We are incredibly proud of our internal executive 'GUNS' two-year development programme, which is the talent programme designed to nurture and support our future and current key leaders and is aligned to our mission to be the recognised leader for innovation and excellence in the construction industry. The selective and highly competitive programme develops our high potential people to become the next generation of leaders with the ability to operate effectively as part of the Group executive committees or be leaders of business units, major capital projects, or functions. Our latest GUNS cohort of talented people recently completed their two-year programme.

In addition, we operate a 'Young GUNS' programme which is designed to nurture and develop our brightest and best early talent. The programme challenges participants to think creatively and develop their own leadership styles. The 18 month programme builds leadership skills, equipping participants to take on senior project roles.

Our development programmes are not separated from operations but are run in close connection with the wider business and colleagues; for example, through GUNS participants presenting individual TED-style talks on topics of personal interest to them.

In addition, we are running an ongoing Rethinking Safety through Inclusion and Wellbeing training course for all people in leadership and management positions in the UK to ensure that we are embedding and supporting consistent principles of inclusive leadership and operational excellence in health and safety.

The directors believe that employee interests and needs are always evolving and changing, and they pride themselves on continuous engagement with our valued people.

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

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

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

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

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

One of the biggest contributors to our carbon footprint is concrete and we have taken direct, targeted action to reduce the impact of this essential material. Our UK business was a founding member of the ConcreteZero initiative in 2022. On 1 April 2023, we became the first contractor to mandate the use of only low carbon concrete across our new UK projects. This required significant work by colleagues across our business and is an achievement we are particularly proud of. It's an important first step for us in accelerating the decarbonisation of concrete, with our research teams now focused on ultra-low carbon options, as well as tackling overall reduction of materials used through innovative design.

Our technical research programme is working on a range of low carbon material initiatives across our high-emitting material items: low carbon concrete is its primary focus, and learnings are being shared across the Group.

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

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

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

Sustainability (continued)

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

OUR APPROACH

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

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

For our clients

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

For our people

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

For society

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

For the environment

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

PROGRESS TOWARDS OUR 2030 TARGET

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

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

PROGRESS TOWARDS OUR 2050 TARGET

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

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

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

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

Key initiatives include:

- We moved to mandate only low carbon concrete on our new UK projects from 1 April 2023 – and to continue our research and development programme into ultra-low carbon alternatives;
- Founding member of the Climate Group's ConcreteZero initiative, working collaboratively towards a net zero concrete target before 2050;
- Supporting supply chain partners by providing training and education, directly and via our partnership with the Supply Chain Sustainability School. We hold board positions in the Australian and UK branches of the School; and
- Working directly with supply chain partners, trade associations, and other industry stakeholders to develop a standardised blueprint for reporting, improving data integrity, reducing the burden for suppliers, and removing barriers for smaller businesses.

OUR NATURE-POSITIVE APPROACH

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

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

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

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

SOCIAL VALUE

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

In the UK, our goal is to generate £2bn in social impact and enrich the lives of two million people by 2030. We have implemented specialist, third-party software (Thrive) to help capture and measure our social value impact. FY23 represents our first full year of data, with highlights including:

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

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

DIVERSITY AND INCLUSION

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

We are making progress towards our target of a 50:50 staff gender split by 2033. Our proportion of female staff has increased and now stands at 25 per cent. We ranked highest in *our sector within the FTSE Women Leaders Review for both* private companies and FTSE 350. We also ranked third in the top 50 private companies for females on our Board at 57 per cent, and sixth for women in leadership.

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

EMPLOYEE WELLBEING

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

SUSTAINABILITY GOVERNANCE

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

GHG EMISSIONS AND ENERGY USE FOR THE YEAR ENDED 31 MARCH 2023

The data below excludes operations in Canada and joint arrangements.

	FY23	FY22
Energy consumption used to calculate emissions (kWh)	**77,924,689**	69,850,486
Gas (kWh)	**3,976,116**	3,730,420
Electricity (kWh)	**15,877,209**	16,043,357
Transport fuels (kWh)	**13,503,222**	14,609,946
Other energy sources (Scope 1 and 2) (kWh)	**36,740,197**	29,373,542
Transport fuels (scope 3) (kWh)	**7,827,945**	*6,093,221*
Emissions from combustion of gas tCO_2e (Scope 1)	**726**	683
Emissions from combustion of fuel for transport purposes tCO_2e (Scope 1)	**3,375**	3,626
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel tCO_2e (Scope 3)	**1,920**	1,504
Emissions from purchased electricity tCO_2e (Scope 2, location-based)	**3,070**	3,406
Total gross emissions tCO_2e based on the above	**9,091**	9,219
Total gross emissions from above by unit turnover/revenue (tCO_2e/£M)	**4.18**	4.97

Methodology	ISO14064 Part 1 2018 and Carbon Reduce	
Emissions from other activities which the company owns or controls including operation of facilities tCO_2e (Scope 1)	**2,354**	6,958
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) (restated[1])	**357,499**	484,251
Total other emissions tCO_2e (restated[1])	**364,457**	486,605
Total gross Scope 1, Scope 2 and Scope 3 emissions tCO_2e (restated[1])	**373,676**	495,696
Total gross GHG emissions per unit turnover/revenue (tCO_2e/£M)	**201**	228
Third Party verification	Verified to ISO14064 Part 1 2018 and Carbon Reduce	

[1]Restated emissions balances for FY22 now include a wider range of Scope 3 emissions, as identified during the FY23 verification.

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

Revenue is largely used as the industry benchmark for emissions intensity ratios. It is also the most accurate representation of business activity, due to revenue being recognised over time and in relation to works complete to date, it fairly represents the level of activity in the business. Energy (KWh) for the last reporting period has decreased slightly. Additionally, due to the implementation of our carbon abatement projects, we have seen a decrease in absolute emissions and emissions intensity by unit of turnover.

BIODIVERSITY

Wherever possible on our projects, we work to protect nature and biodiversity. In the UK, we have implemented what's recognised as an industry leading approach to delivering biodiversity net gain (BNG). On major infrastructure projects like East West Rail and HS2, we have implemented plans to deliver biodiversity net gain targets. We have learned from these schemes and will apply the learnings on future projects.

Our East West Rail (EWR) Alliance team has taken a strategic, holistic approach to ecological management, considering permanent and temporary works requirements, licensing, mitigation and BNG. Working with Natural England, the project has tested multiple iterations of the Biodiversity Metric and been a Beta tester for the new Environmental Benefits from Nature tool, which was developed by Natural England and the University of Oxford in partnership with DEFRA.

In addition, the team is creating Ecological Compensation Sites at 20 locations along the new railway's route as part of the project's protected species mitigation plan. The locations were established, in some cases up to two years prior to the start of construction works, to provide high quality habitat for a wide variety of fauna and flora. These sites, which total 100 hectares in size include 45 ponds, 12 artificial badger setts, and a bat house and 70 bat boxes. Within them 150,000 plants and trees have been planted.

And our team at The Centre of Excellence for Modern Construction have installed ten beehives at the site, recognising the important role bees play in the ecosystem as pollinators. The raw honey produced by the bees is sold to employees on site and the money raised is donated to a local charity.

HUMAN AND SOCIAL SUSTAINABILITY

As a family-owned business, we have always sought to care for our people and support the communities our projects serve, and we continued to focus on this through FY23.

Our projects provide skills, education, and employment opportunities for local people, including apprenticeships, and we seek to find supply chain partners in the local community.

Our new Everton stadium project is a good example. Our team there have partnered with leading training providers The Learning Foundry and The Skills Centre to launch exciting opportunities for local people to work on the 52,000-capacity stadium and begin a career in construction. The programme is available to people living across the Liverpool City Region.

During the pre-employment part of the training programme, participants will be taught basic formwork carpentry or steel fixer skills, plus health and safety requirements of the industry, and gain their Construction Skills Certification Scheme (CSCS) card, which will grant them access to work on any construction site in the UK.

On completion of the pre-employment part of the course the participants will be assessed and if successful will be become a formwork carpenter or steel fixer apprentice for Laing O'Rourke. They will then join the new Everton stadium project team and work alongside some of the most experienced tradespeople and technicians in the industry.

In FY23, we will implement a new social value strategy in the Europe Hub to ensure more consistent action across all our projects and to ensure people and communities are at the heart of what we do. Our goal is simple: to maximise the socio-economic benefits of our projects and so help people thrive.

RETHINKING SAFETY THROUGH INCLUSION AND WELLBEING

In FY22, we developed a new, business-wide strategy to completely reset how everyone in the business thinks about wellbeing – our own and that of colleagues.

Called 'Rethinking Safety Through Inclusion and Wellbeing' the new strategy ensures our approach to wellbeing considers both the physical and psychological, and the unique risk factors in construction. It promotes a culture where everyone is included no matter what role they play. Everyone has a voice, at every stage of our projects, and in planning how we will go to work for each activity. The aim is for everyone to feel empowered to speak up.

The programme is setting a new standard for safety and leadership through three core areas of focus:

- **ENGINEERED SAFETY**
  Through a preconstruction focus, we will work with designers, clients, and suppliers to 'engineer out risk' and 'engineer in health' at every stage of a project's lifecycle;

  DELIVERY EXCELLENCE
  During delivery, we will ensure that there is strong safety leadership through clear lines of operational accountability and competence, beginning with the project leader and his/her direct reports. Through clear leadership we will better understand risks, verify controls, embed learning, and share successes; and

  HUMAN PERFORMANCE
  We will invest in advanced concepts around holistic wellbeing and our people's need to recover to thrive. In so doing, we will provide a supportive and psychologically enriching work environment that allows our people to perform consistently at their best.

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 UK-adopted international accounting standards 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 the 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 UK-adopted international accounting standards 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 the Company will continue in business.

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the 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 the 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 the 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 31 October 2023 and signed on behalf of the Board by:

ROWAN 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 2023 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions 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, including 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 2023; 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 2023 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.

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 and the Group's internal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported to 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, 31 October 2023

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2023

	Note	**Pre-exceptional items 2023 £m**	**Exceptional items (note 5) 2023 £m**	**Total 2023 £m**	Pre exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
Revenue including share of joint ventures		**2,289.9**	**–**	**2,289.9**	1,993.0	–	1,993.0
Share of revenue of joint ventures		**(255.0)**	**–**	**(255.0)**	(185.7)	–	(185.7)
Group revenue[1]	3	**2,034.9**	**–**	**2,034.9**	1,807.3	–	1,807.3
Cost of sales		**(2,092.6)**	**–**	**(2,092.6)**	(1,651.0)	–	(1,651.0)
Gross (loss)/profit		**(57.7)**	**–**	**(57.7)**	156.3	–	156.3
Administrative expenses		**(124.6)**	**(2.4)**	**(127.0)**	(126.0)	–	(126.0)
Other operating income	8	**10.3**	**–**	**10.3**	4.8	–	4.8
Group operating (loss)/profit		**(172.0)**	**(2.4)**	**(174.4)**	35.1	–	35.1
Share of post-tax profits/(losses) of joint ventures	15	**2.8**	**–**	**2.8**	(6.1)	–	(6.1)
(Loss)/profit from operations	6	**(169.2)**	**(2.4)**	**(171.6)**	29.0	–	29.0
Finance income	9	**0.6**	**–**	**0.6**	0.1	–	0.1
Finance expense	10	**(17.3)**	**–**	**(17.3)**	(12.9)	–	(12.9)
Net finance expense		**(16.7)**	**–**	**(16.7)**	(12.8)	–	(12.8)
(Loss)/profit before tax		**(185.9)**	**(2.4)**	**(188.3)**	16.2	–	16.2
Tax	11	**58.9**	**0.5**	**59.4**	4.0	–	4.0
(Loss)/profit for the year		**(127.0)**	**(1.9)**	**(128.9)**	20.2	–	20.2

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

The notes on pages 41 to 81 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Note	**Pre-exceptional items 2023 £m**	**Exceptional items (note 5) 2023 £m**	**Total 2023 £m**	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
(Loss)/profit for the year		**(127.0)**	**(1.9)**	**(128.9)**	20.2	–	20.2
Other comprehensive expense:							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translating foreign operations		**(1.5)**	**–**	**(1.5)**	(0.8)	–	(0.8)
Movement in fair value of financial assets	15	**–**	**–**	**–**	(0.7)	–	(0.7)
Other comprehensive expense for the year, net of tax	11	**(1.5)**	**–**	**(1.5)**	(1.5)	–	(1.5)
Total comprehensive (expense)/income for the year		**(128.5)**	**(1.9)**	**(130.4)**	18.7	–	18.7

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 11.

The notes on pages 41 to 81 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	2023 £m	Restated[1] 2022 £m
Assets			
Non-current assets			
Intangible assets	12	**41.4**	40.6
Investments in joint ventures	15	**8.3**	5.5
Loans to joint ventures	15	**8.0**	8.0
Property, plant, and equipment	16	**62.0**	63.0
Right-of-use assets	17	**200.7**	194.2
Deferred tax assets	25	**96.4**	35.8
Trade and other receivables	20	**–**	0.4
Contract assets	19	**36.6**	51.1
Total non-current assets		**453.4**	398.6
Current assets			
Inventories	18	**18.1**	16.4
Contract assets	19	**123.0**	78.7
Trade and other receivables	20	**83.0**	97.7
Current tax assets		**12.3**	8.8
Cash and cash equivalents	21	**152.2**	184.6
Total current assets		**388.6**	386.2
Total assets		**842.0**	784.8
Liabilities			
Current liabilities			
Borrowings	22	**(38.7)**	(34.9)
Contract liabilities	19	**(263.7)**	(230.1)
Trade and other payables	23	**(483.0)**	(396.7)
Provisions	24	**(125.6)**	(65.3)
Total current liabilities		**(911.0)**	(727.0)
Non-current liabilities			
Borrowings	22	**(185.7)**	(190.7)
Contract liabilities	19	**(0.1)**	(0.5)
Trade and other payables	23	**(37.0)**	(27.9)
Provisions	24	**(0.2)**	(0.3)
Total non-current liabilities		**(223.0)**	(219.4)
Total liabilities		**(1,134.0)**	(946.4)
Net liabilities		**(292.0)**	(161.6)
Equity			
Share capital	26	**0.2**	0.2
Foreign currency translation reserve[1]	27	**3.6**	5.1
Accumulated losses[1]	27	**(295.8)**	(166.9)
Total equity		**(292.0)**	(161.6)

2. Management has restated the financial statements to correct a prior year error. The foreign currency translation reserve have increased by £25.5m from £(20.4)m to £5.1m. Accumulated losses have increased by £25.5m from £141.4m to £166.9m. These restatements are to recycle the foreign currency translation reserve to accumulated losses for foreign operations that were disposed of prior to FY20.

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

ROWAN BAKER
DIRECTOR

RAY O'ROURKE KBE
DIRECTOR

The notes on pages 41 to 81 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investments in subsidiaries	13	**220.6**	221.3
Investments in joint ventures	15	**–**	–
Loans to joint ventures	15	**8.0**	8.0
Right-of-use assets	17	**58.8**	64.7
Deferred tax assets		**7.2**	6.7
Trade and other receivables	20	**250.9**	246.6
Total non current assets		**545.5**	547.3
Current assets			
Trade and other receivables	20	**1.8**	1.6
Cash and cash equivalents		**2.0**	0.3
Total current assets		**3.8**	1.9
Total assets		**549.3**	549.2
Liabilities			
Current liabilities			
Borrowings	22	**(6.6)**	(6.9)
Trade and other payables	23	**(387.6)**	(352.8)
Total current liabilities		**(394.2)**	(359.7)
Non-current liabilities			
Borrowings	22	**(53.3)**	(58.4)
Trade and other payables	23	**(0.3)**	(0.4)
Provisions	24	**(0.2)**	(0.1)
Total non-current liabilities		**(53.8)**	(58.9)
Total liabilities		**(448.0)**	(418.6)
Net assets		**101.3**	130.6
Equity			
Share capital	26	**0.2**	0.2
Retained earnings	27	**101.1**	130.4
Total equity		**101.3**	130.6

The Company loss for the financial year was £29.3m (FY22: £0.2m).

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

ROWAN BAKER
DIRECTOR

RAY O'ROURKE KBE
DIRECTOR

The notes on pages 41 to 81 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/profit before tax		**(188.3)**	16.2
Adjustments for:			
Depreciation and amortisation	6	**35.8**	33.3
Profit on disposal of property, plant, and equipment	6	**(1.7)**	(1.2)
Loss on disposal of intangible assets		**2.3**	–
Net finance costs		**16.7**	12.8
Research and development expenditure credit	8	**(9.7)**	(4.7)
Share of post-tax (profit)/loss of joint ventures	15	**(2.8)**	6.1
Decrease in trade and other receivables		**15.6**	3.6
Increase in contract assets		**(29.7)**	(32.2)
Increase in inventories		**(1.6)**	(6.5)
Increase in trade and other payables		**92.3**	4.1
Increase/(decrease) in provisions		**64.6**	(23.6)
Increase in contract liabilities		**33.1**	44.6
Other		**–**	(1.3)
Cash generated from operations		**26.6**	51.2
Interest paid		**(17.3)**	(43.6)
Tax received		**4.9**	4.5
Net cash generated from operating activities		**14.2**	12.1
Cash flows from investing activities			
Purchase of property, plant, and equipment and right-of-use assets	16	**(8.1)**	(6.7)
Purchase of intangible assets	12	**(6.4)**	(8.8)
Capital injections in equity investments	15	**(4.2)**	(0.8)
Proceeds from sale of property, plant, and equipment, and right-of-use assets		**5.6**	3.3
Interest received on financial assets held as investments		**0.6**	0.1
Net cash used in investing activities		**(12.5)**	(12.9)
Cash flows from financing activities			
Proceeds from borrowings		**0.1**	48.0
Repayments of bank loans		**(0.2)**	(109.5)
Proceeds from re-financing existing property, plant, and equipment		**5.4**	22.1
Finance lease principal repayments		**(39.4)**	(36.7)
Net cash used in financing activities		**(34.1)**	(76.1)
Net decrease in cash and cash equivalents		**(32.4)**	(76.9)
Cash and cash equivalents at beginning of year		**184.6**	261.5
Cash and cash equivalents at end of year	21	**152.2**	184.6

The notes on pages 41 to 81 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Share capital £m	Foreign currency translation reserve £m	Fair value reserve £m	Accumulated losses £m	**Total equity £m**
At 1 April 2021 as previously presented	0.2	(19.6)	0.7	(161.6)	(180.3)
Restatement[1]	–	25.5	–	(25.5)	–
At 1 April 2021 restated	0.2	5.9	0.7	(187.1)	(180.3)
Profit for the year	–	–	–	20.2	20.2
Other comprehensive expense after tax	–	(0.8)	(0.7)	–	(1.5)
Total comprehensive (expense)/income for the year	–	(0.8)	(0.7)	20.2	18.7
At 31 March 2022 as restated	**0.2**	**5.1**	**–**	**(166.9)**	**(161.6)**
Loss for the year	**–**	**–**	**–**	**(128.9)**	**(128.9)**
Other comprehensive expense after tax	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Total comprehensive expense for the year	**–**	**(1.5)**	**–**	**(128.9)**	**(130.4)**
At 31 March 2023	**0.2**	**3.6**	**–**	**(295.8)**	**(292.0)**

3. Management has restated the financial statements to correct a prior year error.

Additional disclosure and details are provided in note 27.

The notes on pages 41 to 81 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Note	Share capital £m	Fair value reserve £m	(Accumulated losses)/retained earnings £m	**Total equity £m**
At 1 April 2021		0.2	0.7	(49.3)	(48.4)
Loss for the year and total comprehensive expense		–	(0.7)	(0.2)	(0.9)
Capital contribution	27	–	–	179.9	179.9
At 31 March 2022		**0.2**	**–**	**130.4**	**130.6**
Loss for the year and total comprehensive expense		**–**	**–**	**(29.3)**	**(29.3)**
At 31 March 2023		**0.2**	**–**	**101.1**	**101.3**

Additional disclosure and details are provided in note 27.

The notes on pages 41 to 81 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Laing O'Rourke Plc (the 'Company') is a private company, limited by shares, incorporated, and domiciled in England and Wales. The Company's registered number and registered office address can be found on page 2. The nature of the Group's operations and its principal activities are set out in note 37 and in the Strategic Report on pages 3 to 20. The consolidated financial statements of the Group for the year ended 31 March 2023 comprise the Company and its subsidiaries and the Group's interest in joint arrangements.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.01 STATEMENT ON COMPLIANCE

The consolidated and Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted international financial reporting standards.

2.02 BASIS OF PREPARATION

The consolidated and Company financial statements are presented in pounds sterling, rounded to the nearest £100,000. The consolidated financial statements include the results of the holding company, its subsidiary undertakings, and the Group's interest in joint arrangements for the year ended 31 March 2023. The consolidated and Company financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings (prior to the adoption of IFRS), and financial assets, and financial liabilities (including derivative instruments) at fair value through profit or loss. The principal accounting policies which have been consistently applied for all consolidated and equity accounted entities including subsidiaries and joint arrangements are set out below.

The Group prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards). 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. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions. 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 Companies Act 2006 and consequently its statement of comprehensive income (including the income statement) is not presented as part of these accounts.

Going concern

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

Refer to note 2.26 e) and pages 21 to 23 of the Directors' Report relating to going concern.

Accounting Standards

The following standards, amendments, and interpretations became effective in the year ended 31 March 2023 and have been adopted:

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

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

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

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

a) IFRS 17, Insurance Contracts;
b) Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12);
d) Leases on sale and leaseback (Amendment to IAS 16); and
e) Non-current liabilities with covenants (Amendments to IAS 1).

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

2.03 BASIS OF CONSOLIDATION

a) The consolidated financial statements include the financial statements of 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 for the acquisition of a subsidiary is the fair values of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.03 BASIS OF CONSOLIDATION (CONTINUED)

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. When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between the fair value of the consideration received and the carrying amount of the assets less liabilities of the subsidiary.

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) 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 37.

   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.

c) 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.

2.04 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

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

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

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

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

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

2.05 PROPERTY, PLANT, AND EQUIPMENT

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

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

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 year period.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.05 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

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

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

2.06 LEASES

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated over the lease term. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, at the Group's incremental borrowing rate. The Group has elected 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.07 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate, or joint venture at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less impairment losses.

Goodwill is included when determining the profit or loss on subsequent disposal of the business to which it relates. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Other intangible assets

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

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

Development costs

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

Impairment of non-financial assets

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

2.08 FINANCIAL INVESTMENTS

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

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

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

2.09 DERIVATIVE FINANCIAL INSTRUMENTS

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

2.10 INVENTORIES

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

2.11 CASH AND CASH EQUIVALENTS

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 TRADE AND OTHER RECEIVABLES

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

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

Other receivables are stated at cost.

2.13 TRADE AND OTHER PAYABLES

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

2.14 PROVISIONS

Provisions for legal claims, defects and onerous contract costs, dilapidation provisions, and other onerous commitments are recognised at the best estimate of the present value of the expenditures expected to be required to settle the liability.

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

2.15 REVENUE RECOGNITION

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

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

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

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

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

Revenue on a Group basis is recognised as follows:

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

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

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

2.16 CONSTRUCTION AND SERVICE CONTRACTS

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 CONSTRUCTION AND SERVICE CONTRACTS (CONTINUED)

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

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

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

2.17 PRE-CONTRACT BID COSTS

Pre-contract costs are expensed as incurred.

2.18 PENSION COSTS

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

2.19 TAX

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

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

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

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

2.20 BORROWINGS AND BORROWING COSTS

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

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

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

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

2.21 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.22 EXCEPTIONAL ITEMS

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

2.23 TRADING ANALYSIS

Trading analysis information is based on the Group's internal reporting structure. Further information on the business trading activities is set out in the Strategic Report. Trading analysis results present the directly attributable contribution of the different business trading activities to the results of the Group. Transactions are conducted at arm's length market prices.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 INTEREST INCOME/(EXPENSE)

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

2.25 GOVERNMENT GRANTS

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

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

a) Revenue and margin recognition (judgement and estimate)

The Group's revenue recognition and margin recognition policies, which are set out in notes 2.15 and below, 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, 191 construction contracts (FY22: 188) were revenue generating during the year. Of these 9 (FY22: 9) individually had an impact of £5.0m or greater on operating (loss)/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, with specific attention being paid to the estimates of:
  - Recoverability of claims and variations from clients for changes in condition/scope;
  - Revenue receivable in relation to achievement of gain-share (or pain-share), milestones, and other incentive arrangements; and
  - Deductions for any damages levied by a client, e.g. for late handover.
- Percentage of completion of the project versus the planned cost programme;
- Achievability of the planned build programme;
- Forecast cost to complete (including contingencies); and
- Allowances for post-practical completion works (including rectification of defects).

Each contract is treated on its merits and subject to a regular review of the revenue and costs to complete by the project team and senior management. The level of estimation uncertainty in the Group's construction business is mitigated by:

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

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

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

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

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

The Group estimates that the possible outcomes impacting the revenue recognised in the financial year ended 31 March 2023 range from a potential gain of up to £76.3m to a potential risk of up to £14.4m, with a corresponding impact on gross margin of a potential gain of up to £104.2m and a potential risk of up to £38.9m.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

a) Revenue and margin recognition (judgement and estimate) (continued)

The Group estimates that the possible outcomes over the life of the contracts, which is particularly relevant when considering the extent to which any contract is onerous, range from a potential gain of up to £126.2m to a potential risk of up to £47.0m. These changes in outcomes may require reassessment of the cumulative gross margin recognised or judgement as to whether an onerous provision is required. The directors have assessed the range of possible outcomes based on information available to them at the date of approving the financial statements to the extent it provides evidence of conditions that existed at the balance sheet date. As with any judgement related to long-term contract accounting, these contracts are affected by uncertainties that are influenced by future events, and, therefore, it may require revision as the contracts progress.

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

Our construction and services business revenue for the year was £1.9bn (FY22: £1.7 bn) with an associated negative margin of 2.3 per cent (FY22: margin of 7.7 per cent). Should margins reduce by 1 per cent the impact of such a change across the Group's projects in delivery at the year-end would be an impact on gross loss of £19.0m (FY22: on gross profit £17.5m). Should revenues reduce by 1 per cent and the associated costs reduce by 1 per cent, the impact on gross loss would be £0.5m (FY22: on gross profit £1.3m).

b) Disputes and claims (judgement and estimate)

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

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

c) Exceptional items presentation (judgement and estimate)

Judgement has been used to determine the presentation of exceptional items, which relate to matters arising that are unusual and generally not expected to recur. The exceptional item arising in the year was a one-off write down of intangible assets of £2.4m (FY22: £nil).

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

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

In the year ended 31 March 2023, costs in respect of the rectification of defects of £25.3m (FY22: £15.5m) were incurred. As disclosed in note 24, as at 31 March 2023, the Group held liabilities, included in provisions, of £51.1m, (FY22: £46.3m) in respect of such defect rectification. Defect liabilities can arise on projects where the construction work finished a number of years ago and where the Group may not have access to the site to fully assess the costs of rectification or where the likely settlement amount for defects when a claim has been received may be hard to determine. Therefore, it is difficult to provide meaningful sensitivity disclosures of the range of estimation uncertainty. However, as an indication of the estimation uncertainty associated with this balance, a 10 per cent movement in the balance would have an impact on the consolidated income statement of £5.1m (FY22: £4.6m), although actual movements may be greater and the final outcome materially different to the amounts provided.

e) Going concern (judgement and estimate)

In preparing these consolidated financial statements using the going concern basis of accounting, management has considered the forecast future cash flows of the Group under a management case scenario and several downside scenarios (see pages 21 to 23 of the Directors' Report). Forecast future cash flows include the following areas of estimation uncertainty:

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

In order to form a conclusion on going concern and in determining that there is no material uncertainty that may cast significant doubt on the Group's going concern status, management has exercised judgement by analysing the past performance of the business, its existing portfolio of projects and order book, and its expectation of work winning. In addition it has drawn on its knowledge and expertise of key drivers of cash flow performance in the construction sector in the markets in which it operates to assess the forecast liquidity and covenant headroom under its committed financing facilities based on its severe but plausible downside scenario. Further details of this assessment and the key assumptions made are set out on pages 21 to 23.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

f) Tax (judgement and estimate)

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

The recognised deferred tax assets include £96.4m (FY22: £35.8m) which relate to carried forward tax losses in relation to UK operations. The Group has concluded that these deferred tax assets will be recovered using the estimated future taxable income, which is based on the approved forecasts prepared by management. These forecasts fully reflect current UK tax laws that, in broad terms, restrict the offset of the carried forward tax losses to 50 per cent of the forecast period's profit and that the tax losses do not have an expiry date.

Deferred tax assets will be utilised over a period of up to 15 years from the balance sheet date. Should the approved forecast profits increase/reduce by 30 per cent in each year used in the utilisation calculation, it would take -/+ 3 years to utilise the deferred tax asset.

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

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

2.27 OTHER JUDGEMENTS AND ESTIMATION UNCERTAINTY

a) Impairment of goodwill (estimate)

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

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

b) Climate change (judgement and estimate)

In preparing the 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 operationally net zero by 2030 and developing plans to achieve net zero Scope 3 emissions by 2050 to the extent these can be forecast at present. These considerations did not have a material impact on the financial reporting judgements and estimates and climate change is not expected to have a significant impact on the Group's going concern assessment to March 2025.

Specific areas considered by management included:

- Estimates of the future cash flows used in the impairment assessment of the carrying value of goodwill where the forecasts used include the impact of climate change to the extent that these can be forecast at present (see note 12);
- Long-term contract accounting assumptions, such as the forecast costs of a project and as these progress, the estimated costs to complete and the allowance for rectification works (see note 2.26a);
- The appropriateness of the estimated useful economic lives of the Group's property, plant, and equipment and right-of-use assets (see notes 16 and 17) where no significant changes are currently needed; and
- The recoverability of deferred tax assets recognised (see note 25) in respect of carried forward losses in relation to the UK operations.

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

2.28 COMPANY ACCOUNTING POLICIES

The principal accounting policies applied by the Company are the same as those presented in notes 2.01 to 2.24, 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 2.26a), 2.26b), 2.26c), 2.26d).

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

a) Investments in subsidiaries

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

2.28 COMPANY ACCOUNTING POLICIES (CONTINUED)

b) Other judgements and estimation uncertainty

i) Impairment of investments in subsidiaries (estimate)

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

ii) Service arrangement with a fellow Group undertaking (judgement)

The Company has a right-of-use asset which is utilised as a manufacturing facility by a fellow Group undertaking. There is no written contract regarding the terms of the arrangement, however the arrangement is such that the fellow Group undertaking must obtain permission from the Company if they want to sell its products to parties outside of the Group. The directors have considered the guidance in Appendix B of IFRS 16 'Leases' and have concluded that in the opinion of the directors, the manufacturing facility is controlled by the Company and hence the arrangement does not a constitute a lease.

3 REVENUE

The Group presents a disaggregation of its revenue according to the primary geographical markets and sectors in which it operates. There is no material difference between revenue by origin and revenue by destination.

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

	United Kingdom[1] 2023 £m	Rest of World 2023 £m	Total 2023 £m
Timing of revenue recognition			
At a point in time	**228.7**	**0.4**	**229.1**
Over time	**2,060.8**	**–**	**2,060.8**
Revenue including share of joint ventures	**2,289.5**	**0.4**	**2,289.9**
At a point in time	**13.0**	**0.4**	**13.4**
Over time	**2,021.5**	**–**	**2,021.5**
Group revenue	**2,034.5**	**0.4**	**2,034.9**

	Construction[1] 2023 £m	Manufacturing 2023 £m	Plant Hire 2023 £m	Services 2023 £m	Total 2023 £m
Timing of revenue recognition					
At a point in time	**–**	**10.6**	**–**	**218.5**	**229.1**
Over time	**1,879.8**	**–**	**117.5**	**63.5**	**2,060.8**
Revenue including share of joint ventures	**1,879.8**	**10.6**	**117.5**	**282.0**	**2,289.9**
At a point in time	**–**	**10.6**	**–**	**2.8**	**13.4**
Over time	**1,879.8**	**–**	**78.2**	**63.5**	**2,021.5**
Group revenue	**1,879.8**	**10.6**	**78.2**	**66.3**	**2,034.9**

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

	United Kingdom[1] 2022 £m	Rest of World 2022 £m	Total 2022 £m
Timing of revenue recognition			
At a point in time	166.6	0.3	166.9
Over time	1,826.1	–	1,826.1
Revenue including share of joint ventures	1,992.7	0.3	1,993.0
At a point in time	15.3	0.3	15.6
Over time	1,791.7	–	1,791.7
Group revenue	1,807.0	0.3	1,807.3

	Construction[1] 2022 £m	Manufacturing 2022 £m	Plant Hire 2022 £m	Services 2022 £m	Total 2022 £m
Timing of revenue recognition					
At a point in time	–	12.3	–	154.6	166.9
Over time	1,629.9	–	114.5	81.7	1,826.1
Revenue including share of joint ventures	1,629.9	12.3	114.5	236.3	1,993.0
At a point in time	–	12.3	–	3.3	15.6
Over time	1,629.9	–	80.0	81.8	1,791.7
Group Revenue	1,629.9	12.3	80.0	85.1	1,807.3

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

4 TRADING ANALYSIS

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

	2023 £m	2022 £m
Managed revenue*	**2,530.8**	2,229.2
Less: Inter-segment revenue*	**(240.9)**	(236.2)
Total revenue including share of joint ventures*	**2,289.9**	1,993.0
Less: Share of joint ventures revenue	**(255.0)**	(185.7)
Group revenue	**2,034.9**	1,807.3
(Loss)/profit before tax post-exceptional items	**(188.3)**	16.2
EBIT* post-exceptional items	**(171.6)**	29.0
EBITDA* post-exceptional items	**(135.8)**	62.3
(Loss)/profit before tax and exceptional items	**(185.9)**	16.2
EBIT* pre-exceptional items	**(169.2)**	29.0
EBITDA* pre-exceptional items	**(133.4)**	62.3

* These are non-statutory disclosures. EBIT is defined as profit/(loss) from operations and EBITDA is defined as profit/(loss) from operations and adding back depreciation and amortisation. See note 31 for more details.

EBIT and EBITDA:	Note	Pre-exceptional items 2023 £m	Exceptional items (note 5) 2023 £m	Total 2023 £m	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m
EBIT		**(169.2)**	**(2.4)**	**(171.6)**	29.0	–	29.0
Depreciation	6	**32.5**	**–**	**32.5**	30.1	–	30.1
Amortisation	6	**3.3**	**–**	**3.3**	3.2	–	3.2
EBITDA		**(133.4)**	**(2.4)**	**(135.8)**	62.3	–	62.3

5 EXCEPTIONAL ITEMS

	2023 £m	2022 £m
Write off of intangibles	**2.4**	–
Exceptional costs before tax	**2.4**	–
Income tax credit on exceptional items	**(0.5)**	–
Exceptional costs after tax	**1.9**	–

WRITE OFF OF INTANGIBLE ASSETS

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

6 (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging/(crediting):	Note	2023 £m	2022 £m
Staff costs[1]	7	**529.4**	492.9
Depreciation of property, plant, and equipment	16	**8.9**	9.5
Depreciation of right-of-use assets	17	**23.6**	20.6
Short-term lease rentals and short-term hires:			
Property, plant, and equipment		**0.9**	3.0
Amortisation of other intangible assets	12	**3.3**	3.2
Profit on disposal of plant and equipment, and right-of-use assets		**(1.7)**	(1.2)
Foreign exchange losses/(gains)		**0.5**	(0.1)
Amount of inventories recognised as an expense		**33.5**	35.3
Research and development recognised as an expense		**46.6**	33.0
Accrued costs in respect of rectification of defective works		**25.3**	15.5
Intercompany balances waived by the other Group entities		**(3.2)**	–
Government grants		**(0.9)**	(1.6)
Auditors' remuneration (see below)		**3.7**	3.1

1. Staff costs for FY22 have been restated in the table above to correct a prior year error. Staff costs have increased by £4.9m from £488.0m to £492.9m.

Auditors' remuneration	2023 £m	2022 £m
Fees payable to the Company's auditors for the audit of:		
The Company's subsidiaries pursuant to legislation	**3.2**	2.8
The Company's annual financial statements and consolidated financial statements	**0.5**	0.3
Total audit fees	**3.7**	3.1
Fees payable to the Company's auditors and its associates for other services	**–**	–
Total non-audit fees	–	–
Total fees	**3.7**	3.1

Included within the FY23 Group audit fee of £3.7m is £0.7m of Group audit fee overruns in respect of FY22 (FY22: £0.6m in respect of FY21).

7 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	2023 Number	2022 Number
The average monthly number of employees (including Directors) during the year was:		
Executives	**114**	95
Salaried staff	**3,738**	3,506
Operatives	**3,132**	2,980
	6,984	6,581

Aggregate remuneration and related costs, including Directors	2023 £m	2022 £m
Wages and salaries[1]	**452.8**	426.4
Social security costs[1]	**54.6**	47.6
Other pension costs	**22.0**	18.9
	529.4	492.9

1. Salaries and social security costs for FY22 have been restated in the table above to correct a prior year error. Salaries have increased by £4.8m from £421.6m to £426.4m. Social security costs have increased by £0.1m from £47.5m to £47.6m.

At 31 March 2023 £3.5m (FY22: £3.1m) was payable in respect of defined contribution schemes and included in other payables (note 23).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel during the year include the six Directors and eighteen other members (FY22: six Directors and fifteen 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 (excluding Directors) is as follows:

	2023 £m	2022 £m
Salaries and other short-term employee benefits[1]	**7.0**	7.6

1. Compensation of key management personnel for FY22 has been represented in the table above to correct a prior year error. Costs have increased by £1.7m from £5.9m to £7.6m.

DIRECTORS' REMUNERATION

The total remuneration of the Directors was as follows:

	2023 £m	2022 £m
Salaries and other short-term benefits[1]	**4.3**	6.6

1. Directors' remuneration for FY22 has been restated in the table above to correct a prior year error. Costs have increased by £1.5m from £5.1m to £6.6m.

One of the Directors is accruing benefits under a defined contribution scheme (FY22: one). No post-retirement benefits were paid on behalf of Directors (FY22: £nil). The total compensation for all key management personnel (including Directors) is £12.6m (FY22: £11.0m). The remuneration for some of the Directors of the Company is borne by Laing O'Rourke Services Limited, a subsidiary undertaking of the Company.

HIGHEST-PAID DIRECTOR

Amounts included above:

	2023 £m	2022 £m
Aggregate emoluments and other benefits[1]	**1.0**	1.3

1. Aggregate emoluments and other benefits for FY22 has been restated in the table above to correct a prior year error. Costs have increased by £0.3m from £1.0m to £1.3m.

8 OTHER OPERATING INCOME

	2023 £m	2022 £m
Research and development expenditure credit	**9.7**	4.7
Rents received	**0.1**	0.1
Other operating income	**0.5**	–
	10.3	4.8

The research and development expenditure credit is based on an assessment of recoverability from HMRC.

9 FINANCE INCOME

	2023 £m	2022 £m
Bank interest	**0.6**	–
Other interest and similar income	–	0.1
	0.6	0.1

10 FINANCE EXPENSE

	2023 £m	2022 £m
Interest payable on bank loans and overdrafts	**2.1**	2.4
Interest payable on lease liabilities	**7.4**	3.1
Interest payable to other Laing O'Rourke Corporation Group entities	**2.1**	1.6
Other interest payable and similar charges	**5.7**	5.8
	17.3	12.9

11 TAXATION

	2023 £m	2022 £m
Current corporation tax		
Current tax on income for the year	–	–
Foreign tax		
Current tax on income for the year	–	0.7
Adjustments in respect of prior years	**1.2**	(0.1)
Total current tax charge	**1.2**	0.6
Net origination of temporary differences – current year	**(49.1)**	2.3
Adjustments in respect of prior years	**(5.0)**	(0.5)
Impact of change in tax rate	**(6.5)**	(6.4)
Total deferred tax credit	**(60.6)**	(4.6)
Tax credit	**(59.4)**	(4.0)

The overall credit (FY22: credit) for the year of £59.4m (FY22: credit of £4.0m) is explained relative to the UK statutory rate of 19 per cent (FY22: 19 per cent) below:

	2023 £m	2022 £m
Total tax reconciliation		
(Loss)/profit before tax	**(188.3)**	16.2
Tax at the UK corporation tax rate of 19% (FY22:19%)	**(35.8)**	3.1
Effects of:		
- (lower)/higher overseas tax rates	**(0.1)**	0.7
- (income not subject to tax)/other expenditure that is not tax deductible	**(5.7)**	1.1
- adjustments in respect of prior years	**(3.8)**	(0.6)
- impact of change in UK tax rate	**(15.4)**	(6.5)
- unrecognised deferred tax asset	**1.4**	(2.1)
- other adjustments	–	0.3
Total tax credit	**(59.4)**	(4.0)

A total Group tax credit (FY22: credit) of £59.4m (FY22: £4.0m) arises for the year on the total Group loss of £188.3m (FY22: profit of £16.2m). The total tax credit for the year includes an exceptional tax credit of £0.5m (FY22: £nil) in relation to tax-allowable exceptional expenditure for the write down of costs (see note 5).

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

11 TAXATION (CONTINUED)

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

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

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

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2023			2022		
	Before-tax amount £m	**Tax credit £m**	**Net-of-tax amount £m**	Before-tax amount £m	Tax expense £m	Net-of-tax amount £m
Exchange differences on translating foreign operations	**(1.5)**	**–**	**(1.5)**	(0.8)	–	(0.8)
Movement in fair value of financial assets	**–**	**–**	**–**	(0.7)	–	(0.7)
	(1.5)	**–**	**(1.5)**	(1.5)	–	(1.5)

12 INTANGIBLE ASSETS

Group	Goodwill £m	Computer software and licences £m	Development costs £m	Total £m
Cost				
At 1 April 2022	**24.7**	**41.3**	**6.2**	**72.2**
Additions	**–**	**5.3**	**1.1**	**6.4**
Disposals	–	**(2.1)**	**(4.4)**	**(6.5)**
Transfers	**–**	**(7.0)**	**7.0**	**–**
Exchange differences	–	**0.3**	**–**	**0.3**
At 31 March 2023	**24.7**	**37.8**	**9.9**	**72.4**
Accumulated amortisation and impairment				
At 1 April 2022	–	**28.2**	**3.4**	**31.6**
Amortisation for the year	**–**	**3.3**	**–**	**3.3**
Disposals	**–**	**(0.8)**	**(3.4)**	**(4.2)**
Exchange differences	**–**	**0.3**	**–**	**0.3**
At 31 March 2023	**–**	**31.0**	**–**	**31.0**
Net book value at 31 March 2023	**24.7**	**6.8**	**9.9**	**41.4**
Cost				
At 1 April 2021	24.7	33.4	5.1	63.2
Additions	–	7.7	1.1	8.8
Exchange differences	–	0.2	–	0.2
At 31 March 2022	24.7	41.3	6.2	72.2
Accumulated amortisation and impairment				
At 1 April 2021	–	24.8	3.4	28.2
Amortisation for the year	–	3.2	–	3.2
Exchange differences	–	0.2	–	0.2
At 31 March 2022	–	28.2	3.4	31.6
Net book value at 31 March 2022	24.7	13.1	2.8	40.6

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

	2023 £m	2022 £m
United Kingdom	**24.7**	24.7

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

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

Sensitivity analysis, including the potential impact of inflation, supply chain disruption and climate change, has been performed on the goodwill in relation to 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 9 per cent for FY24, 3 per cent for FY25, 2 per cent for FY26 and 2 per cent for FY27 and gross margin is assumed to increase from 6 per cent in FY24 to 11 per cent in FY27. Overheads are assumed to remain stable during the forecast period at approximately 3 per cent of revenue.

12 INTANGIBLE ASSETS (CONTINUED)

AMORTISATION CHARGE

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

	2023 £m	2022 £m
Administrative expenses	**3.3**	3.2

13 INVESTMENTS IN SUBSIDIARIES

Company	Subsidiary Undertakings Shares £m
Cost	
At 1 April 2022	**291.4**
Acquisitions	**0.9**
At 31 March 2023	**292.3**
Impairment	
At 1 April 2022	**(70.1)**
Provision for the year	**(1.6)**
At 31 March 2022 and 31 March 2023	**(71.7)**
Net book value	
At 31 March 2023	**220.6**
At 31 March 2022	221.3

The Directors believe that the carrying value of the individual investments are supported by their underlying net assets or forecast cash flows.

SUBSIDIARY UNDERTAKINGS SHARES

The two companies listed below were acquired from other Group entities for their book values on 1 April 2022 as part of the UK Group restructure	Subsidiary undertakings shares £m
Cellence Plus Limited	0.9
John Laing International Limited	–
Acquisitions	**0.9**

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 37 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 2023 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.

14 DISPOSALS AND DISSOLUTIONS

DISSOLUTIONS

Maravale Investments (UK) Limited and Strongforce Engineering Limited on 30 August 2022.
Canal Harbour Development Company Limited on 9 January 2023.
Sundera Holdings Limited on 8 July 2023.

DISPOSALS

New City Vision Holdings Limited on 28 March 2023.

15 INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

Group	Joint ventures equity investments £m	Loans to joint ventures £m	Total £m
At 1 April 2022	**(5.5)**	**8.0**	**2.5**
Capital injections in equity investments	**4.2**	**–**	**4.2**
Exchange differences	**0.1**	**–**	**0.1**
At 31 March 2023	**(1.2)**	**8.0**	**6.8**
Share of results for the year after tax	**2.8**	**–**	**2.8**
Net book value at 31 March 2023	**1.6**	**8.0**	**9.6**
At 1 April 2021	(33.7)	41.6	7.9
Capital injections in equity investments	0.8	–	0.8
Acquisition of the remaining shares in Canal Harbour Development Company	34.4	(34.4)	–
Fair value revaluation of financial assets	(0.7)	–	(0.7)
Exchange differences	(0.2)	0.8	0.6
At 31 March 2022	0.6	8.0	8.6
Share of results for the year after tax	(6.1)	–	(6.1)
Net book value at 31 March 2022	(5.5)	8.0	2.5

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

- Where the Group has already accounted for an obligation to fund net liabilities of a joint venture 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 24).

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

	2023 £m	2022 £m
Investments in joint ventures	**8.3**	5.5
Loans to joint ventures	**8.0**	8.0
Provisions (note 24)	**(6.7)**	(11.0)
	9.6	2.5

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

15 INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (CONTINUED)

The joint ventures are shown in note 37. 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 2023 £m	Alder Hey 2023 £m	Explore Transport Limited 2023 £m	BYLOR Services Limited 2023 £m	Other 2023 £m	Total 2023 £m
Revenue	–	2.5	78.7	429.3	–	510.5
Depreciation and amortisation	–	–	(7.7)	–	–	(7.7)
Other expenses	–	(2.1)	(64.6)	(429.3)	–	(496.0)
Operating profit	–	0.4	6.4	–	–	6.8
Net finance income/(costs)	–	0.3	(1.3)	–	–	(1.0)
Profit before tax	–	0.7	5.1	–	–	5.8
Tax expense	–	–	–	–	–	–
Profit after tax	–	0.7	5.1	–	–	5.8
Other comprehensive result	–	–	–	–	–	–
Total comprehensive income	–	0.7	5.1	–	–	5.8
Dividends received from joint ventures	–	–	–	–	–	–
Non-current assets						
Property, plant and equipment	–	–	35.0	–	–	35.0
Other non-current assets	–	109.2	–	–	–	109.2
Current assets						
Cash and cash equivalents	1.0	18.1	4.9	17.7	–	41.7
Other current assets	11.5	3.1	14.4	34.2	–	63.2
Total assets	12.5	130.4	54.3	51.9	–	249.1
Current liabilities						
Borrowings	–	–	(3.2)	–	–	(3.2)
Other current liabilities	(25.9)	(3.3)	(11.4)	(51.9)	–	(92.5)
Non-current liabilities						
Borrowings	–	(120.7)	(20.8)	–	–	(141.5)
Other non-current liabilities	–	(5.7)	(2.8)	–	–	(8.5)
Total liabilities	(25.9)	(129.7)	(38.2)	(51.9)	–	(245.7)
Net (liabilities)/assets	(13.4)	0.7	16.1	–	–	3.4
Financial commitments	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–

Please refer to note 37 for details of the place of business.

15 INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (CONTINUED)

	Health Montreal Collective CJV Limited Partnership 2022 £m	Alder Hey 2022 £m	Explore Transport Limited 2022 £m	BYLOR Services Limited 2022 £m	Other 2022 £m	Total 2022 £m
Revenue	–	3.8	68.9	299.6	–	372.3
Depreciation and amortisation	–	–	(6.4)	–	–	(6.4)
Other expenses	(10.7)	(8.6)	(59.0)	(299.6)	–	(377.9)
Operating (loss)/profit	(10.7)	(4.8)	3.5	–	–	(12.0)
Net finance income/(costs)	–	0.1	(0.8)	–	–	(0.7)
(Loss)/profit before tax	(10.7)	(4.7)	2.7	–	–	(12.7)
Tax expense	–	–	(0.5)	–	–	(0.5)
(Loss)/profit after tax	(10.7)	(4.7)	2.2	–	–	(13.2)
Other comprehensive result	–	–	–	–	–	–
Total comprehensive (expense)/income	(10.7)	(4.7)	2.2	–	–	(13.2)
Dividends received from joint ventures	–	–	–	–	–	–
Non-current assets						
Property, plant and equipment	–	–	34.2	–	–	34.2
Other non-current assets	–	114.4	–	–	–	114.4
Current assets						
Cash and cash equivalents	1.3	16.3	4.1	12.2	–	33.9
Other current assets	12.0	2.1	14.9	7.0	–	36.0
Total assets	13.3	132.8	53.2	19.2	–	218.5
Current liabilities						
Borrowings	–	–	(4.8)	–	–	(4.8)
Other current liabilities	(35.4)	(5.6)	(17.0)	(19.2)	–	(77.2)
Non-current liabilities						
Borrowings	–	(121.8)	(17.8)	–	–	(139.6)
Other non-current liabilities	–	–	(2.7)	–	–	(2.7)
Total liabilities	(35.4)	(127.4)	(42.3)	(19.2)	–	(224.3)
Net (liabilities)/assets	(22.1)	5.4	10.9	–	–	(5.8)
Financial commitments	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–

15 INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (CONTINUED)

Company	Joint ventures equity investments £m	Loans to joint ventures £m	Total £m
At 1 April 2022	**–**	**8.0**	**8.0**
Net book value at 31 March 2023	**–**	**8.0**	**8.0**
At 1 April 2021	0.7	8.0	8.7
Fair value revaluation of financial assets	(0.7)	–	(0.7)
Net book value at 31 March 2022	–	8.0	8.0

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

- Where the Company 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 24).

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

	2023 £m	2022 £m
Investments in joint ventures	**–**	–
Loans to joint ventures	**8.0**	8.0
	8.0	8.0

No impairments of equity investments were brought forward at 31 March 2022 or charged in the year (FY22 £nil).

16 PROPERTY, PLANT, AND EQUIPMENT

Group	Land and buildings[1] £m	Plant, equipment, and vehicles £m	Total £m
Cost			
At 1 April 2022	**30.2**	**127.0**	**157.2**
Additions	**1.4**	**6.7**	**8.1**
Disposals	**(0.9)**	**(9.1)**	**(10.0)**
Transfer to right-of-use assets	**–**	**(2.2)**	**(2.2)**
Other movements		**0.2**	**0.2**
At 31 March 2023	**30.7**	**122.6**	**153.3**
Accumulated depreciation			
At 31 March 2022	**9.4**	**84.8**	**94.2**
Depreciation charge for the year	**0.5**	**8.4**	**8.9**
Disposals	**(0.4)**	**(7.9)**	**(8.3)**
Transfer to right-of-use assets	**–**	**(6.2)**	**(6.2)**
Other movements	**–**	**2.7**	**2.7**
At 31 March 2023	**9.5**	**81.8**	**91.3**
Net book value at 31 March 2023	**21.2**	**40.8**	**62.0**
Cost			
At 1 April 2021	32.5	139.3	171.8
Additions	0.4	6.3	6.7
Disposals	(2.7)	(14.0)	(16.7)
Transfer to right-of-use assets	–	(4.4)	(4.4)
Other movements	–	(0.2)	(0.2)
At 31 March 2022	30.2	127.0	157.2
Accumulated depreciation			
At 1 April 2021	11.7	91.9	103.6
Depreciation charge for the year	0.5	9.0	9.5
Disposals	(2.7)	(12.7)	(15.4)
Transfer to right-of-use assets	–	0.2	0.2
Other movements	(0.1)	(3.6)	(3.7)
At 31 March 2022	9.4	84.8	94.2
Net book value at 31 March 2022	20.8	42.2	63.0

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

17 RIGHT-OF-USE ASSETS

Group	Land and buildings £m	Plant & equipment, and vehicles £m	Total £m
Cost			
At 1 April 2022	**94.5**	**179.2**	**273.7**
Additions	**2.2**	**31.6**	**33.8**
Disposals	**(2.7)**	**(9.9)**	**(12.6)**
Transfer from property, plant and equipment	**–**	**2.2**	**2.2**
Other movements	**0.1**	**(0.1)**	**–**
At 31 March 2023	**94.1**	**203.0**	**297.1**
Accumulated depreciation			
At 1 April 2022	**22.1**	**57.4**	**79.5**
Depreciation charge for the year	**8.1**	**15.5**	**23.6**
Disposals	**(2.5)**	**(7.9)**	**(10.4)**
Transfer from property, plant and equipment	**–**	**6.2**	**6.2**
Other movements	**0.1**	**(2.6)**	**(2.5)**
At 31 March 2023	**27.8**	**68.6**	**96.4**
Net book value at 31 March 2023	**66.3**	**134.4**	**200.7**
Cost			
At 1 April 2021	91.8	128.4	220.2
Additions	3.8	48.3	52.1
Disposals	(1.3)	(2.2)	(3.5)
Transfer to property, plant, and equipment	–	4.4	4.4
Other movements	0.2	0.3	0.5
At 31 March 2022	94.5	179.2	273.7
Accumulated depreciation			
At 1 April 2021	15.2	47.4	62.6
Depreciation charge for the year	8.1	12.5	20.6
Disposals	(1.3)	(2.2)	(3.5)
Transfer from property, plant, and equipment	–	(0.2)	(0.2)
Other movements	0.1	(0.1)	–
At 31 March 2022	22.1	57.4	79.5
Net book value at 31 March 2022	72.4	121.8	194.2

Company	Land and buildings £m
Cost	
At 1 April 2022	**88.0**
Additions	**0.1**
Disposals	**(1.6)**
Other	**2.1**
At 31 March 2023	**88.6**
Accumulated depreciation	
At 1 April 2022	**23.3**
Depreciation charge for the year	**8.1**
Disposals	**(1.6)**
At 31 March 2023	**29.8**
Net book value at 31 March 2023	**58.8**

17 RIGHT-OF-USE ASSETS (CONTINUED)

Company	Land and buildings £m
Cost	
At 1 April 2021	88.0
At 31 March 2022	88.0
Accumulated depreciation	
At 1 April 2021	15.2
Depreciation charge for the year	8.1
At 31 March 2022	23.3
Net book value at 31 March 2022	64.7

18 INVENTORIES

Group	2023 £m	2022 £m
Work in progress	**5.7**	5.4
Raw materials and consumables	**12.4**	10.9
Finished goods and goods for resale	**-**	0.1
	18.1	16.4

Work in progress at 31 March 2023 includes assets to a value of £0.8m (FY22: £0.8m) expected to be consumed during the forthcoming year. Inventories carried at net realisable value at 31 March 2023 did not differ from their carrying value.

19 CONTRACT BALANCES

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

	£m
Contract assets	
At 1 April 2021	97.7
Transfers from contract assets recognised at the beginning of the year to receivables	(37.0)
Performance obligations satisfied in the year that have yet to be transferred to receivables	69.1
At 31 March 2022	129.8
Transfers from contract assets recognised at the beginning of the year to receivables	(74.0)
Performance obligations satisfied in the year that have yet to be transferred to receivables	103.8
At 31 March 2023	**159.6**

Contract liabilities	£m
At 1 April 2021	(186.1)
Revenue recognised against contract liabilities at the beginning of the year	179.3
Increase due to cash received, excluding amounts recognised as revenue during the year	(223.8)
At 31 March 2022	(230.6)
Revenue recognised against contract liabilities at the beginning of the year	230.0
Increase due to cash received, excluding amounts recognised as revenue during the year	(263.2)
At 31 March 2023	**(263.8)**

19 CONTRACT BALANCES (CONTINUED)

	Assets 2023 £m	Assets 2022 £m	**Liabilities 2023 £m**	Liabilities 2022 £m	**Net 2023 £m**	Net 2022 £m
The ageing of contract assets/(liabilities) at the year end was:						
Less than one year	**123.0**	78.7	**(263.7)**	(230.1)	**(140.7)**	(151.4)
More than one year	**36.6**	51.1	**(0.1)**	(0.5)	**36.5**	50.6
	159.6	129.8	**(263.8)**	(230.6)	**(104.2)**	(100.8)

At 31 March 2023, contract assets include customer retentions of £48.8m (FY22: £60.7m) relating to construction contracts of which £36.6m (FY22: £44.1m) are non-current assets. The Group manages the collection of retentions through its post completion project monitoring procedures and ongoing contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly. The Directors always estimate the loss allowance on contract assets at the end of the reporting period at an amount equal to lifetime expected credit losses. None of the contract assets at the end of the reporting period are past due, and, taking into account the historical default experience and future prospects in the industry, the Directors consider that the impact of impairment is not material. Accordingly no expected credit loss has been recognised.

At 31 March 2023, contract liabilities includes significant financing components of £2.5m (FY22: £0.6m).

CONTRACT FULFILMENT COSTS

The Group has no fulfilment costs within contract assets.

REMAINING PERFORMANCE OBLIGATIONS

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

	2023 £m	Restated[1] 2022 £m
Construction work in hand	**4,559.9**	4,448.2

Management expects that £2,320.2m (FY22: £2,097.2m1) in relation to contracts in place as at 31 March 2023 will be recognised as revenue in the next financial year, £1,295.6m (FY22: £1,359.0m) will be recognised between 2 and 3 years and £944.1m (FY22: £992.0m) will be recognised between 3 and 5 years.

1. The construction work in hand for FY22 was restated by £443.2m from £4,891.4m to £4,448.2m. The remaining performance obligation as at 31 March 2022 has been restated by £168.2m from £2,265.4m to £2,097.2m as they had incorrectly included revenue generated from a payroll services company which does not have future performance obligations.

20 TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	**2023 £m**	2022 £m
Group		
Trade receivables	**47.5**	70.0
Less: allowances for expected credit losses	**(0.5)**	(1.0)
Amounts owed by Laing O'Rourke Corporation Limited Group undertakings	**5.2**	10.9
Prepayments and accrued income	**25.2**	12.6
Other receivables	**5.6**	5.2
	83.0	97.7
Company		
Prepayments and accrued income	**1.8**	1.3
Other receivables	**–**	0.3
	1.8	1.6

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

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Amounts expected to be recovered after more than one year:	2023 £m	2022 £m
Group		
Trade receivables	–	0.1
Other receivables	–	0.3
	–	0.4
Company		
Amounts owed by Laing O'Rourke Plc Group undertakings*	**250.9**	246.2
Other receivables	–	0.4
	250.9	246.6
Total trade and other receivables – Group	**83.0**	98.1
Total trade and other receivables – Company	**252.7**	248.2

Group		
Comprising		
Financial assets (Note 29)	**58.3**	86.5
Other assets outside the scope of IFRS 7	**24.7**	11.6
	83.0	98.1

* 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 2023.

Movement in the provision for impairment of trade receivables

	2023 £m	2022 £m
Opening balance	**1.0**	1.0
Additional provisions recognised	–	0.1
Utilised during the year	**(0.5)**	–
Unused amounts reversed	–	(0.1)
Closing balance	**0.5**	1.0

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

	Carrying amount 2023 £m	Allowance for expected credit losses 2023 £m
Not overdue	**34.0**	–
0 to 3 months overdue	**3.3**	–
3 to 6 months overdue	**1.7**	–
Over 6 months overdue	**0.8**	–
More than one year	**7.7**	**0.5**
	47.5	**0.5**

	Carrying amount 2022 £m	Allowance for expected credit losses 2022 £m
Not overdue	29.9	–
0 to 3 months overdue	30.4	–
3 to 6 months overdue	1.0	–
Over 6 months overdue	1.0	–
More than one year	7.7	1.0
	70.0	1.0

21 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash at bank and in hand	**152.0**	181.6
Restricted cash	**0.2**	3.0
	152.2	184.6

Restricted cash deposits include £0.2m (FY22: £3.0m) relating to project bank accounts where amounts due to subcontractors are ringfenced but are classified as cash and cash equivalents as they are available in order to meet short-term cash commitments. Payments to subcontractors were made after the year end.

22 BORROWINGS

	2023 £m	2022 £m
Amounts expected to be settled within one year:		
Group		
Bank loans	**0.1**	0.2
Lease liabilities	**38.6**	34.7
	38.7	34.9
Company		
Lease liabilities	**6.6**	6.9
	6.6	6.9
Amounts expected to be settled after more than one year:		
Group		
Bank loans	**13.0**	13.1
Intercompany loans owed to Laing O'Rourke Corporation Limited Group undertakings	**48.0**	48.0
Lease liabilities	**124.7**	129.6
	185.7	190.7
Company		
Lease liabilities	**53.3**	58.4
	53.3	58.4
Total borrowings – Group	**224.4**	225.6
Total borrowings – Company	***59.9***	65.3

Obligations under leases are secured on certain non-current assets of the Group with an original cost of £245.7m (FY22: £240.7m) and total net book value of £177.7m (FY22: £174.6m).

On 19 October 2023, the Group extended the £35.0m revolving credit facility to 3 April 2026. The facility has been maintained at £35.0m through to 31 March 2025, at which point quarterly £2.5m step-downs commence, reducing the facility to £25.0m by 31 December 2025.

A £13.0m property loan was also extended to 3 April 2026.

23 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Amounts expected to be settled within one year:		
Group		
Trade payables	**135.3**	134.6
Amounts owed to Laing O'Rourke Corporation Limited Group undertakings	**59.7**	47.5
Other tax and social security	**55.0**	45.8
Other payables	**9.0**	20.1
Accruals and deferred income	**224.0**	148.7
	483.0	396.7
Company		
Amounts owed to Group undertakings	**387.1**	351.8
Other payables	**0.4**	0.4
Accruals and deferred income	**0.1**	0.6
	387.6	352.8
Amounts expected to be settled after more than one year:		
Group		
Trade payables	**32.3**	19.1
Accruals and deferred income	**4.7**	8.8
	37.0	27.9
Company		
Accruals and deferred income	**0.3**	0.4
	0.3	0.4
Total trade and other payables – Group	**520.0**	424.6
Total trade and other payables – Company	**387.9**	353.2

Group		
Comprising		
Financial liabilities (Note 29)	**459.6**	365.0
Other liabilities outside the scope of IFRS 7	**60.4**	59.6
	520.0	424.6

At 31 March 2023, trade payables included subcontractor retentions of £39.2m (FY22: £41.6m) relating to construction contracts, of which £32.3m (FY22: £19.1m) are non-current liabilities.

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

24 PROVISIONS

Group	Joint ventures provisions £m	Contract provisions £m	Other provisions £m	Total provisions £m
At 1 April 2022	**11.0**	**53.9**	**0.7**	**65.6**
Provisions created	**–**	**90.6**	**–**	**90.6**
Provisions utilised	**(4.3)**	**(26.1)**	**–**	**(30.4)**
At 31 March 2023	**6.7**	**118.4**	**0.7**	**125.8**
Disclosed within:				
Current liabilities	**6.7**	**118.4**	**0.5**	**125.6**
Non-current liabilities	**–**	**–**	**0.2**	**0.2**
	6.7	**118.4**	**0.7**	**125.8**
At 1 April 2021	7.0	78.2	–	85.2
Provisions created	5.1	9.0	0.7	14.8
Provisions utilised	–	(33.3)	–	(33.3)
Acquisition of non-controlling interest	(1.1)	–	–	(1.1)
At 31 March 2022	11.0	53.9	0.7	65.6
Disclosed within:				
Current liabilities	11.0	53.9	0.4	65.3
Non-current liabilities	–	–	0.3	0.3
	11.0	53.9	0.7	65.6

The Group provides in full for obligations to remedy net liabilities of jointly controlled entities in excess of amounts already loaned. At 31 March 2023, these provisions amounted to £6.7m (FY22: £11.0m) and were measured in accordance with the Group's accounting policies. Amounts provided are assessed based on judgements of contract costs, contract programmes and maintenance liabilities and are expected to be paid within one year.

At 31 March 2023, contract provisions included liabilities across a number of legacy projects related to rectification works of £51.1m (FY22: £46.3m), of which £nil (FY22: £nil) are non-current liabilities. During the year, £20.6m of the liability as at 1 April 2022 was utilised for rectification works performed on legacy projects. Of these liabilities of £51.1m (FY22: £46.3m), the Group does not in all cases have access to the site to fully assess the costs of rectification and, therefore, there is no certainty as to the level of costs that will ultimately be incurred to settle them. As described further in note 2.26, these liabilities are therefore considered a key source of estimation uncertainty. Unless the timing of the rectification works is known and will occur more than 12 months after the balance sheet date, these liabilities are shown as current. Contract provisions also includes £67.3m (FY22: £7.6m) relating to onerous contract provisions.

Company	2023 £m	2022 £m
At 1 March	**0.1**	–
Additional provisions recognised	**0.2**	0.1
Utilised during the year	**(0.1)**	–
Closing balance	**0.2**	0.1

The provision relates to a right-of-use asset for remedial works on leased properties to bring the asset back to the original condition. The amount payable is subject to commercial negotiations once the lease is surrendered. At 31 March 2023, the cash outflow was expected to occur in the following year.

25 DEFERRED TAX

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

A summary table reconciling the deferred tax assets and deferred tax liabilities in the statement of financial position to the remainder of this note is also set out below:

	2023 £m	2022 £m
Net deferred tax position at 31 March		
Deferred tax assets	**96.4**	35.8

25 DEFERRED TAX (CONTINUED)

	Assets 2023 £m	Assets 2022 £m	**Liabilities 2023 £m**	Liabilities 2022 £m	**Net 2023 £m**	Net 2022 £m
Recognised deferred tax assets and liabilities						
Group						
Property, plant, and equipment	**27.6**	25.3	**(40.3)**	(31.5)	**(12.7)**	(6.2)
Intangible items	–	–	**(2.7)**	(1.3)	**(2.7)**	(1.3)
Other temporary differences	**0.3**	0.1	**(0.2)**	–	**0.1**	0.1
Tax losses carried forward	**111.7**	43.2	**–**	–	**111.7**	43.2
Deferred tax assets/(liabilities)	**139.6**	68.6	**(43.2)**	(32.8)	**96.4**	35.8
The ageing of deferred tax assets/(liabilities) at the year end was:						
Less than one year	**–**	12.4	**–**	–	**–**	12.4
More than one year	**139.6**	56.2	**(43.2)**	(32.8)	**96.4**	23.4
	139.6	68.6	**(43.2)**	(32.8)	**96.4**	35.8

	At 1 April 2022 £m	Exchange and other movement £m	Recognised in income £m	Recognised in equity £m	**At 31 March 2023 £m**
Movements in deferred tax assets and liabilities in the year					
Property, plant, and equipment	(6.2)	–	(6.5)	–	**(12.7)**
Intangible assets	(1.3)	–	(1.4)	–	**(2.7)**
Other temporary differences	0.1	–	–	–	**0.1**
Tax losses carried forward	43.2	–	68.5	–	**111.7**
	35.8	–	60.6	–	**96.4**

	At 1 April 2021 £m	Exchange and other movement £m	Recognised in income £m	Recognised in equity £m	At 31 March 2022 £m
Property, plant, and equipment	(2.2)	–	(4.0)	–	(6.2)
Intangible assets	–	–	(1.3)	–	(1.3)
Other temporary differences	0.2	–	(0.1)	–	0.1
Tax losses carried forward	33.2	–	10.0	–	43.2
	31.2	–	4.6	–	35.8

The recognised deferred tax assets include £111.7m (FY22: £43.2m) which primarily relates to carried forward losses in relation to the UK operations. The losses arose predominantly due to a small number of contracts that became onerous during the year. The nature of contract accounting and the application of IAS 37 results in the full anticipated loss being recognised as it becomes onerous and therefore it has been recognised during FY23 on these contracts. The remaining contracts are profitable and are forecast to continue to be and the Group has concluded that these deferred tax assets will be recovered using the estimated future taxable income, which is based on the approved forecasts prepared by management. These forecasts cover future years and take into account UK tax laws that, in broad terms, restrict the offset of the carried forward tax losses to 50 per cent of the current year profits. The UK Group entities are expected to generate taxable profits in the future. The losses can be carried forward indefinitely and have no expiry date. Changes in future profits will impact the recoverability of the deferred tax assets, refer to note 2.26f) for further detail. Current forecasts indicate that the losses will be utilised over a period of up to 15 years. Refer to note 2.26e) and the going concern section in the Directors' Report for further detail around the forecast profitability as well as the key assumptions and areas of estimation uncertainty.

25 DEFERRED TAX (CONTINUED)

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

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

	2023 £m	2022 £m
Tax losses	**62.2**	67.9

The Group has unrecognised deferred tax assets of £62.2m (FY22: £67.9m) relating to unused tax losses of £233.8m (FY22: £276.3m), 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.

26 SHARE CAPITAL

	Number of £1 shares issued	Share capital £m
At 1 April 2022 and at 31 March 2023	167,108	0.2

All issued share capital is fully paid.

27 RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY

	Share capital £m	Foreign currency translation reserve £m	Fair value reserve £m	Accumulated losses £m	Total equity £m
Group					
At 1 April 2021 as previously presented	0.2	(19.6)	0.7	(161.6)	**(180.3)**
Restatement[1]	–	25.5	–	(25.5)	–
At 1 April 2021 restated	0.2	5.9	0.7	(187.1)	**(180.3)**
Profit for the year	–	–	–	20.2	**20.2**
Other comprehensive (expense)/income for the year, net of tax	–	(0.8)	(0.7)	–	**(1.5)**
Total comprehensive (expense)/income for the year	–	(0.8)	(0.7)	20.2	**18.7**
At 31 March 2022	**0.2**	**5.1**	**–**	**(166.9)**	**(161.6)**
Loss for the year	**–**	**–**	**–**	**(128.9)**	**(128.9)**
Other comprehensive expense for the year, net of tax	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Total comprehensive expense for the year	**–**	**(1.5)**	**–**	**(128.9)**	**(130.4)**
At 31 March 2023	**0.2**	**3.6**	**–**	**(295.8)**	**(292.0)**

1. Management has restated the financial statements to correct a prior year error. These restatements are to recycle the foreign currency translation reserve to accumulated losses for foreign operations that were disposed of prior to FY20.

FAIR VALUE RESERVE

The fair value reserve included the cumulative net change in the fair value of assets held to collect and to sell until the investment 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.

ACCUMULATED LOSSES

Accumulated losses relate to the proportion of net income retained by the parent company less distributions.

27 RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY (CONTINUED)

	Share capital £m	Fair value reserve £m	(Accumulated losses)/ retained earnings £m	**Total equity £m**
Company				
At 1 April 2021	0.2	0.7	(49.3)	**(48.4)**
Loss for the year and other comprehensive expense	–	(0.7)	(0.2)	**(0.9)**
Capital contribution	–	–	179.9	**179.9**
At 31 March 2022	**0.2**	**–**	**130.4**	**130.6**
Loss for the year and other comprehensive expense	**–**	**–**	**(29.3)**	**(29.3)**
At 31 March 2023	**0.2**	**–**	**101.1**	**101.3**

In the prior year, the Company benefitted from Laing O'Rourke Services Limited waiving £179.9m of an intercompany balance payable as part of the UK restructure programme carried out in FY22. As both parties are under common ownership the transaction is presented as a capital contribution.

28 GUARANTEES AND CONTINGENT LIABILITIES

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

GUARANTEES

	2023 £m	2022 £m
Surety bonds	**67.2**	58.4
Bank guarantees	**–**	–
	67.2	58.4

No guarantees were collateralised at 31 March. 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 guarantees.

CLAIMS

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

Provisions are made for the Directors' best estimate of known defects, legal claims, investigations and legal actions relating to the Group which are considered more likely than not will result in an outflow of economic benefit. If the Directors consider that an economic outflow in relation to a defect, claim, investigation or action relating to the Group is not probable, and/or consider that there is no present obligation, no provision is made. If the Directors cannot make a reliable estimate of a potential, material obligation, no provision is made but details of the claim are disclosed.

JOINT ARRANGEMENTS

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

29 FINANCIAL INSTRUMENTS

29.1 FINANCIAL RISK MANAGEMENT

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

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

29.2 FOREIGN CURRENCY RISK

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

	Pound sterling value of equivalent currency (£m)					
	2023 GBP	**2023 EUR**	**2023 CAD**	**2023 HKD**	**2023 Other**	**2023 Total £m**
Loans to joint ventures	8.0	–	–	–	–	**8.0**
Trade and other receivables	*45.7*	–	*7.1*	*0.2*	5.3	**58.3**
Cash and cash equivalents	147.1	4.9	0.1	0.1	–	**152.2**
Total financial assets	*200.8*	*4.9*	*7.2*	*0.3*	5.3	**218.5**
Borrowings	*(224.4)*	–	–	–	–	**(224.4)**
Trade and other payables	(458.0)	–	(0.1)	–	(1.5)	**(459.6)**
Net financial (liabilities)/assets	*(481.6)*	*4.9*	*7.1*	*0.3*	3.8	**(465.5)**

	Pound sterling value of equivalent currency (£m)					
	2022 GBP	2022 EUR	2022 CAD	2022 HKD	2022 Other	2022 Total £m
Loans to joint ventures	8.0	–	–	–	–	8.0
Trade and other receivables	68.1	–	7.3	0.2	10.9	86.5
Cash and cash equivalents	181.2	3.1	–	0.1	0.2	184.6
Total financial assets	257.3	3.1	7.3	0.3	11.1	279.1
Borrowings	(225.4)	–	–	(0.2)	–	(225.6)
Trade and other payables	(361.6)	(3.3)	(0.1)	–	–	(365.0)
Net financial (liabilities)/assets	(329.7)	(0.2)	7.2	0.1	11.1	(311.5)

If the foreign exchange rates that the Group is exposed to had changed adversely by 10 per cent at the balance sheet date, the results for the year and equity would have decreased by £1.5m (FY22: £1.1m). This sensitivity analysis takes into account the tax impact and the forward exchange contracts in place.

At the year end the Company had no significant balances in foreign currencies.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.3 INTEREST RATE RISK

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

		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 2023					
Bank loans	**13.1**	**0.1**	**13.0**	**–**	**6.36%**
Lease obligations	**163.3**	**38.6**	**42.0**	**82.7**	**4.51%**
Loans payable to Laing O'Rourke Corporation Limited Group entities	**48.0**	**–**	**48.0**	**–**	**2.06%**
	224.4	**38.7**	**103.0**	**82.7**	
At 31 March 2022					
Bank loans	13.3	0.2	13.1	–	4.55%
Lease obligations	164.3	34.7	30.9	98.7	3.75%
Loans payable to Laing O'Rourke Corporation Limited Group entities	48.0	–	48.0	–	2.06%
	225.6	34.9	92.0	98.7	

If interest rates on variable rate borrowings had been 1 per cent higher during the year, the results and equity would have reduced by £0.5m (FY22: £1.0m). This sensitivity analysis takes into account the tax impact.

The Company is exposed to interest rate risk in regard to one balance owed to Group undertakings; see note 22.

29.4 LIQUIDITY RISK

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

On 19 October 2023, the Group refinanced its UK facilities, extending its £35.0m revolving credit facility. The new facility has three covenants related to adjusted EBITDA, minimum liquidity, and forecast liquidity. If certain of these covenants are breached this will constitute an event of default on the Group's borrowing facilities. The Group takes a proactive stance in monitoring and ensuring compliance with covenants and reporting requirements. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with the revolving credit facility, ensures that we have an adequate availability of cash when required.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.4 LIQUIDITY RISK (CONTINUED)

Maturity of financial liabilities

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

	Trade and other payables £m	Bank loans and other loans £m	Leases £m	Total £m
At 31 March 2023				
Within one year	**483.0**	**0.1**	**42.9**	**526.0**
Between one and less than two years	**17.2**	**62.9**	**38.8**	**118.9**
Between two and less than five years	**19.8**	**–**	**57.7**	**77.5**
Five or more years	**–**	**–**	**32.9**	**32.9**
	520.0	**63.0**	**172.3**	**755.3**
At 31 March 2022				
Within one year	396.7	0.2	38.1	435.0
Between one and less than two years	20.4	66.3	33.1	119.8
Between two and less than five years	7.5	–	64.6	72.1
Five or more years	–	–	35.8	35.8
	424.6	66.5	171.6	662.7

The Company has procedures in place to minimise liquidity risk.

29.5 CREDIT RISK

The Group's credit risk is the risk of financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Group's financial assets are typically trade receivables and contract assets. Contract assets relate to unbilled work in progress and have substantially the same credit risk profile as trade receivables. The £8.0m (FY22: £8.0m) loan to joint ventures is not considered a significant debt to the Group, nor considered a higher credit risk as the counterparty continues to fulfil its contractual obligations. The funding and holding of PFIs is no longer a core activity for the Group. For cash and deposits the credit rating of a financial institution will determine the amount of and duration for which funds may be deposited.

The Group will only trade with recognised, creditworthy parties, and all that wish to trade on credit terms are subject to credit verification procedures that will be completed before trade commences. Any trade receivable outstanding is monitored on an ongoing basis, at both business unit and hub level. Payment is ordinarily received before or when due from our clients, and the Group does not expect material credit losses to occur on these clients. This is further substantiated by past performance of the Group recovering in full balances owed. The Company also does not expect any losses from non-performance by counter parties.

Included within contract assets are client retentions contractually due post-completion, these can be due in more than one year due to the size and nature of projects. Procedures are in place to monitor project performance to identify any potential non-payment. Prompt action will be taken by management to reduce the risk of non-payment, but often this is an operational issue rather than determined as a credit risk.

The Group applies the simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. At 31 March 2023, management have estimated an allowance for expected credit loss based on experience of past default and the current and future economic environment. Specific trade receivables are provided for if management become aware of a credit risk. There has not been a significant increase of the credit risk since the financial assets have been recognised. A debt is only written off once all mechanisms to collect have been exhausted, and there is no reasonable expectation of recovery.

29.6 FAIR VALUES

The fair value movements on held to collect and to sell financial assets are recognised in the consolidated statement of comprehensive income. In the prior year the Group derecognised the fair value reserve in relation to financial assets held to collect and to sell in relation to PFI investments in joint ventures in the year and recognised a £0.7m loss.

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

	Fair value 2023 £m	Carrying amount 2023 £m	Fair value 2022 £m	Carrying amount 2022 £m
Financial assets measured at amortised cost	**66.3**	**66.3**	94.5	94.5
Financial liabilities measured at amortised cost	**(684.0)**	**(684.0)**	(583.0)	(583.0)

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.6 FAIR VALUES (CONTINUED)

The carrying and fair values of the Group's and Company's financial instruments were not materially different at 31 March 2023 as the impact of discounting on fixed term borrowings is not significant.

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

29.7 CAPITAL RISK MANAGEMENT

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

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

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

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

At 31 March 2023 the Group had net cash of £4.4m (FY22: net cash of £43.5m); see note 36.

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

Financial assets pledged as short-term collateral and included within cash equivalents were £nil (FY22: £nil).

No financial assets have been provided to the Group as collateral (FY22: £nil).

31 ALTERNATIVE PERFORMANCE MEASURES

The Group presents certain measures of financial performance and position in the consolidated financial statements that are not defined or specified according to IFRS in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management and the Board.

The APMs used by the Group are described below, together with a reference to their use and, where not already provided, a reconciliation to the relevant IFRS information.

APM description and purpose	Note reference	Closest IFRS measure
Managed revenue Revenue, including share of joint ventures' revenue and inter-segment revenue. This is primarily used at the segment level to measure the total income of all activities in the segment, regardless of ownership or intercompany relationship. The reconciliation to revenue is shown in Note 3.	Note 3	Revenue
Revenue including share of joint ventures This is used primarily at the Group level to assess revenue earned from third party customers, including by joint ventures. The reconciliation to revenue is shown in Note 3.	Note 3	Revenue
Net cash This is a measure of the overall liquidity position of the business at the statement of financial position date. It is equal to cash and cash equivalents less borrowings, excluding loan arrangement fees and the impact of adopting IFRS 16 Leases.	Note 36	

	2023 £m	2022 £m
Cash and cash equivalents (see statement of financial position)	**152.2**	184.6
Current borrowings (see statement of financial position)	**(38.7)**	(34.9)
Non-current borrowings (see statement of financial position)	**(185.7)**	(190.7)
Less impact of adopting IFRS 16 leases	**76.6**	84.5
Net cash	**4.4**	43.5

32 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 £8.4m (FY22: £15.0m) in the Group.

33 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

	2023		2022	
	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 20) (management charges)	**11.0**	**5.2**	6.7	10.9
Joint ventures:				
Alder Hey SPV (interest on sub debt)	**1.1**	**8.0**	–	8.0
BYLOR Services Limited (payroll services)[1]	**0.2**	**–**	0.1	–
Explore Transport Limited (IT cost)	**0.2**	**0.1**	1.0	0.5
Related parties:				
Oisin Aviation (Jersey) LP (employment and office cost)	**0.2**	**–**	0.3	–
Oisin Capital Limited (office and admin cost)	**0.4**	**–**	0.2	0.1

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2023		2022	
	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 23)	**10.9**	**59.7**	9.8	47.5
Joint ventures:				
BYLOR Services Limited (employment cost)[1]	**210.8**	**–**	146.1	–
Explore Transport Limited (transport and plant hire)	**55.2**	**4.9**	46.7	4.8
Related parties:				
Mark Holding and Finance Limited (leased premises)	**1.8**	**0.5**	1.8	0.1
Oisin Aviation (IOM) LP (aviation cost)	**0.1**	**–**	0.1	–
Oisin Aviation (Jersey) LP (aviation cost)	**0.3**	**–**	0.1	–
Steetley Investments Limited (leased premises)	**6.1**	**2.0**	6.1	0.2

1. Related party transactions for FY22 have been represented in the table above. FY22 expenses paid in the year to joint ventures has been increased by £146.1m due to the omission of cost related to payroll in the prior year. FY22 receivable at year end has been increased by £8m due to incorrect disclosure in the prior year. This has been represented and restated in the table above.

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

The related parties receivables and payables are not secured and no guarantees were received in respect thereof. Both will be settled in accordance with normal credit terms. Amounts due to and from joint ventures and associates at 31 March 2023 are disclosed within investment in joint ventures and associates and loans to joint ventures, trade and other receivables and trade and other payables in notes 15, 20 and 23 respectively. No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

Alder Hey (Special Purpose Vehicle) Limited, BYLOR Services Limited, Emirates PreCast Construction LLC and Explore Transport Limited are related parties by virtue of the fact that they are joint venture undertakings of the Laing O'Rourke Corporation Group.

In both years all invoices from Mark Holding and Finance Limited and Steetley Investments Limited were paid to Ebsworth Holding and Finance Limited. During the year the interests in Mark Holding and Finance Limited, Steetley Investments Limited and Ebsworth Holding and Finance Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke.

The limited partners of Oisin Aviation (IOM) LP and Oisin Aviation (Jersey) LP were R G O'Rourke KBE and H D O'Rourke.
The interests in Oisin Capital Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke.

R G O'Rourke KBE and H D O'Rourke are beneficiaries of the trust which ultimately owns Suffolk Partners Corporation.

33 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

DIRECTORS' REMUNERATION

During the year, the total remuneration of the Directors was £4.3m (FY22: £6.6m) of which pension costs amounted to £0.0m (FY22: £0.1m), see note 7.

TRANSACTIONS WITH DIRECTORS

H D O'Rourke employed the Group to provide stonemasonry services, the project is complete at 31 March 2023. £0.1m (FY22: £0.1m) was recognised as revenue for these services. The balance outstanding at the year end was £nil (FY22: £nil). No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into. The contract was based on normal commercial terms.

In the year ended 31 March 2022, D J McGeeney, Director, Infrastructure employed the Group to provide stonemasonry services, £0.1m was recognised as revenue for these services and £13,700 was outstanding as at 31 March 2022 but has since been paid during the year ended 31 March 2023. No further work was conducted for D J McGeeney during the year.

34 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 is Laing O'Rourke Corporation Limited, a company registered in Jersey. R G O'Rourke KBE holds 64.2 per cent of the shares of Laing O'Rourke Corporation Limited and H D O'Rourke holds 35.8 per cent. The immediate and ultimate controlling party of Laing O'Rourke Corporation Limited is R G O'Rourke KBE by virtue of his majority shareholding (64.2 per cent).

Laing O'Rourke Corporation Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2023. The Laing O'Rourke Corporation Limited consolidated financial statements are available at www.laingorourke.com. This Annual Report and Accounts are the smallest group to consolidate the results of the Company.

35 POST BALANCE SHEET REVIEW

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

36 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Liabilities from financing activities					
	Borrowings £m	Bank arrangement fees £m	Leases £m	Sub-total £m	Cash and cash equivalents £m	Net cash £m
As at 1 April 2021	(153.4)	30.8	(42.0)	(164.6)	261.5	96.9
Cash flow	(48.0)	–	–	(48.0)	69.3	21.3
New lease arrangements	–	–	(73.7)	(73.7)	–	(73.7)
Repayments	140.3	(30.8)	36.7	146.2	(146.2)	–
Impact of IFRS 16 at 31 March 2021	–	–	(79.6)	(79.6)	–	(79.6)
Impact of IFRS 16 at 31 March 2022	–	–	84.5	84.5	–	84.5
Other changes*	(0.1)	–	(5.8)	(5.9)	–	(5.9)
As at 31 March 2022	(61.2)	–	(79.9)	(141.1)	184.6	43.5
Cash flow	**(0.1)**	**–**	**–**	**(0.1)**	**7.2**	**7.1**
New lease arrangements	**–**	**–**	**(36.7)**	**(36.7)**	**–**	**(36.7)**
Repayments**	**0.2**	**–**	**39.4**	**39.6**	**(39.6)**	**–**
Impact of IFRS 16 at 31 March 2022	**–**	**–**	**(84.5)**	**(84.5)**	**–**	**(84.5)**
Impact of IFRS 16 at 31 March 2023	**–**	**–**	**76.6**	**76.6**	**–**	**76.6**
Other changes*	**–**	**–**	**(1.6)**	**(1.6)**	**–**	**(1.6)**
As at 31 March 2023	**(61.1)**	**–**	**(86.7)**	**(147.8)**	**152.2**	**4.4**

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

** Repayments is net of £7.4m interest (FY22: £5.6m).

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

37 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
Cellence Plus Limited	Non-trading	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 Piling Limited	Non-trading	100%	England and Wales
Expanded Structures Limited	Non-trading	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	Non-trading	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 2050 Engineering Limited	Civil and structural engineering, piling and demolition	100%	England and Wales
Explore 2050 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	In voluntary strike off	100%	Ireland
John Laing Construction Limited	*Non-trading*	100%	England and Wales
John Laing International Limited	Holding company	100%	England and Wales
John Laing (Malaysia) Sdn Bhd	Non-trading	100%	Malaysia
Laing Abu Dhabi LLC	Non-trading	49%	UAE
Laing Construction Limited	*Non-trading*	100%	England and Wales
Laing Engineering Limited	Non-trading	100%	England and Wales
Laing International Nigeria Limited	Dormant company	100%	Nigeria
Laing Limited	Holding company	100%	England and Wales
Laing O'Rourke Canada Limited	*Building contracting and civil engineering*	100%	*Canada*
Laing O'Rourke Delivery 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 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	Non-trading	100%	England and Wales
Laing O'Rourke Midlands Limited	Construction of commercial buildings	100%	England and Wales
Laing O'Rourke Properties (Erith) Limited	Non-trading	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	Non-trading	100%	England and Wales
Laing O'Rourke Wales & West Limited	Building contracting	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	Non-trading	100%	England and Wales
R O'Rourke & Son Maynooth Limited	*Non-trading*	*100%*	*Ireland*
R O'Rourke & Son Limited	Holding company	100%	England and Wales

37 SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

Subsidiary undertaking	Principal activity	Interest in ordinary voting shares	Country of incorporation or registration
Select Plant Hire Company Limited	Plant hire and operations	100%	England and Wales
Sundera Holdings Limited	Dissolved 8 July 2023	100%	Ireland
Sycamore Properties Limited	Property holding company	100%	Bahamas
Vetter UK Limited	Finished stone products	100%	England and Wales

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	Service company	50%	England and Wales
CLM Delivery Partner Limited	Non-trading	37.5%	England and Wales
Explore Transport Limited	Logistics	50%	England and Wales
Health Montreal Collective CJV Limited Partnership	PFI accommodation operator hospital	50%	Canada
9231-9243 Quebec Inc	PFI accommodation operator hospital	50%	Canada

Emirates Precast Construction LLC and Alder Hey SPV Limited have a year-end of 31 March. BYLOR Services Limited, CLM Delivery Partner Limited and Explore Transport Limited have a 31 December year end. Health Montreal Collective CJV Limited Partnership and 9231 – 9243 Quebec Inc have a 30 April year end.

Joint operation	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

Branch	Principal activity	Interest in ordinary voting shares	Country of incorporation or registration
Laing O'Rourke Services Limited	Service company	100%	Hong Kong

The registered address of those registered in England and Wales is Bridge Place, Anchor Boulevard, Admirals Park, Dartford, Kent DA2 6SN excluding 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 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.

The registered address of those registered in Ireland is 3 Dublin Landings, 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 the Laing O'Rourke Services Limited branch is Room 905, 625 King's Road, North Point, Hong Kong.

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

The registered address of those registered in Canada is 1031 rue Saint-Denis, Montreal, Quebec H2X3H9.

37 SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

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 2023. This exemption is taken in accordance with Section 479A of the Companies Act 2006.

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 Limited	3637584
Laing O'Rourke Manufacturing Holdings Limited	6725938
Laing O'Rourke Properties (Erith) Limited	4531115
Laing O'Rourke Utilities Limited	4309417
O C Summers Limited	0969372
O'Rourke Civil & Structural Engineering Limited	1323856
O'Rourke Civil Engineering Limited	2810023