

24 July 2013

Mr Stephen McPartland MP
House of Commons
London
SW1A 0AA

Dear Mr McPartland

Thank you for your letter of 9 July 2013 - and for the opportunity to engage with you on this important subject. I trust that my response demonstrates the seriousness with which our organisation takes its social and economic responsibilities.

Laing O'Rourke benefits from a substantial workload in the UK – with both public and private sector clients. For our part, we reciprocate through the creation of many thousands of jobs and investment in training, education, research and development to help keep the UK construction industry globally competitive. We are proud of the way we engage with our workforce and supply chain – and our payment practices are among the best in the industry.

In response to the questions raised in your letter, it is my view that all companies trading in the UK should pay the correct amount of tax. Furthermore, your letter has prompted me to conduct a piece of research based on publically available information on us and ten other organisations who supply the government - an extract of which is enclosed with this letter.

As a result of this exercise, I am satisfied that both Laing O'Rourke Corporation and Laing O'Rourke plc (the parent company of our UK business) pays the correct amount of tax in all countries where we operate – including the United Kingdom.

We are committed to global compliance in our financial and tax affairs, as evidenced through our report and accounts, which are audited by PwC and publically available on our corporate website www.laingorourke.com.

We enjoy a positive and proactive relationship with HMRC. This is maintained through open and ongoing dialogue to ensure they are satisfied with the conduct of our tax affairs. Our global compliance also extends to our health, safety and environmental practices. We take seriously our extensive social obligations in the communities where we work.

The same applies to all other taxes and social security contributions - including the indirect costs or tax revenues we are required to collect from our employees and subcontractors on behalf of the tax authorities in the jurisdictions where we do business.

As you will see in the attached summary, our UK corporation tax cash payment to HMRC over the past four years equates to **25.4%**, broadly in line with the UK corporation tax rate over that period. At the consolidated Laing O'Rourke Corporation level, the cash payment of corporation tax across all of our jurisdictions equates to **22.1%** for the last four years.

Last year, we collected and paid **£235 million** in taxes and national insurance contributions in the UK alone. This largely comprised corporation tax on profits, national insurance, PAYE contributions and VAT on procured products and services.

We operate in most regions in the UK and make a significant contribution to the economic wellbeing of these communities through the employment we create, the spending we undertake with our suppliers, investment in research and development, the funding of apprenticeships and other training schemes to generate exportable engineering skills - and of course, the value of the built environment we deliver to facilitate modern life.

We are passionate about improvement and innovation in engineering and construction and re-invest a significant proportion of our post-tax profits into UK manufacturing and digital engineering. We are particularly

focused on Design for Manufacture and Assembly – a methodology which involves the smart application of efficient engineering, design and offsite manufacturing techniques for building and infrastructure projects.

Our strategic focus and operating model is unique amongst the major UK contractors. Our investments in a directly employed workforce, training, apprenticeships and manufacturing means that our contribution to the UK economy is proportionally greater than would be the case were we to adopt the traditional managing-contractor business model - favoured by most other companies.

Underpinning our long-term strategy is our focus on UK manufacturing. We have constructed a state-of-the-art component manufacturing facility in Worksop involving a £100m investment.

We rescued the struggling Bison manufacturing business in 2012. Without our intervention and the subsequent injection of working capital, Bison would have been placed into administration, leading to the closure of factories in Uddingston, Scotland and Swadlincote, Derbyshire with the loss of approximately 120 jobs.

As an engineering and construction business, our most valuable asset is our people. We are genuinely committed to the long-term development of our staff and site-based operatives. We recognise the holistic economic benefits that this type of investment generates – hence our continued commitment throughout the economic downturn.

By way of example, we recently participated in Manchester City Council-sponsored empirical research, which demonstrated that every £1 invested in our apprentices creates a further £2.83 benefit to the UK economy.

We are proud of the recognition we receive for our industry-leading approach to training - from our entry-level apprenticeship, cadet and graduate programmes to our multi-million pound investments with the engineering faculties of a number of leading UK universities, providing advanced development for our senior professionals, enhancing their employability and value to society.

I trust you agree that what I have outlined constitutes a significant and focused investment in a sustainable business that will continue to contribute substantially to the UK economy.

Finally, I would like to extend an invitation to you to visit our offsite manufacturing facility at Explore Industrial Park in Nottinghamshire to experience, first hand, the investments we are making in construction and jobs to advance the UK economy. My office will contact you shortly to discuss possible arrangements.

Since your correspondence to me was placed in the public domain prior to my receipt and made reference to my seat on the new Construction Leadership Council, I feel it appropriate to copy my reply to the co-chairs of the Council, Dr Vince Cable MP, Secretary of State for Business, Innovation & Skills and Sir David Higgins, Chief Executive of Network Rail.

Yours sincerely



Anna Stewart
Group Chief Executive

Encl. **UK Construction Industry: Taxation comparison chart – July 2013**
Copy of letter received from Mr Stephen McPartland MP
Copy of letter sent to Dr Vince Cable MP & Sir David Higgins

Ext c.c **Dr Vince Cable MP - Secretary of State for Business, Innovation & Skills**
Sir David Higgins, Chief Executive of Network Rail

UK Construction Industry: Taxation comparison chart

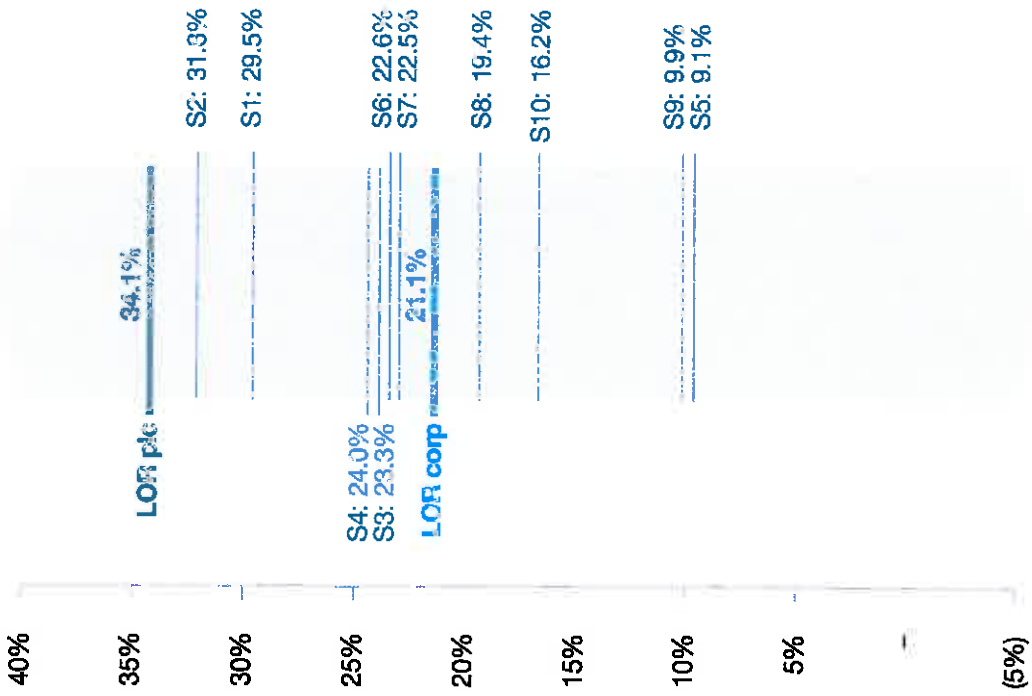
July 2013

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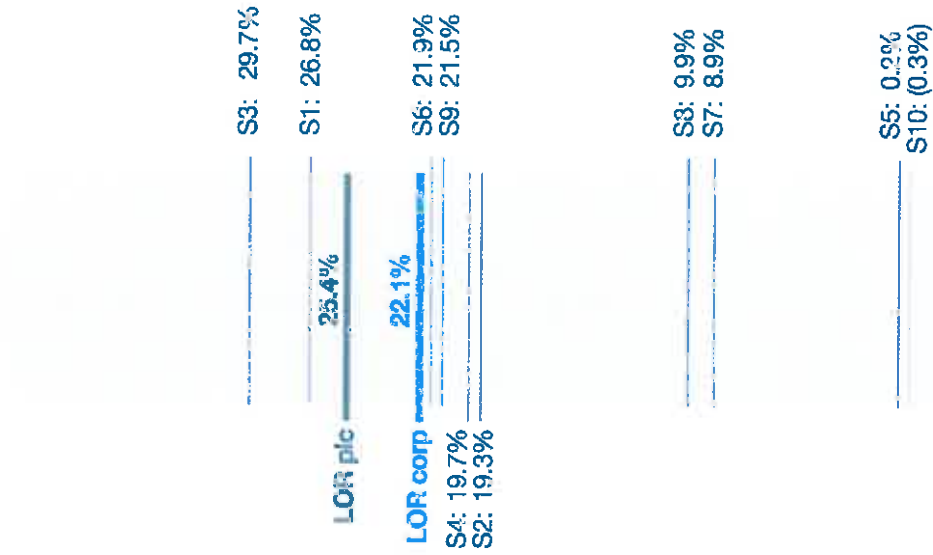
4 year average to FY12/13

P&L tax rate %



4 year average to FY12/13

Cash tax rate %



Notes

1. P&L tax rate % defined as group tax charge (including share of JV and associates' tax) / group profit before tax (including share of JV and associates' profit before tax).
 JV and associates should be proportionally consolidated in this way (consistent with UK GAAP rather than IFRS) to ensure the effective tax rate is meaningful.
2. Cash tax rate % defined as taxation paid (per cash flow statement) / group profit before tax (excluding all income from JVs and associates).
 Income from JVs must be excluded from the calculation to ensure the effective rate is meaningful, as taxation paid per a company cash flow statement does not include JV and associates' tax.
 We note that Laing O'Rourke's JVs have also paid substantial taxes in the UK over the previous four years, our share of which is in excess of £15m.

