

ANNUAL REVIEW 2013

# ENGINEERING THE FUTURE...

LAING O'ROURKE

# ...TODAY

## We aim to become the first choice engineering and construction partner for clients

Laing O'Rourke is a globally diverse engineering enterprise with a commitment to delivering Excellence Plus performance, founded on 165 years of experience. We fund, design, manufacture, construct and maintain the built environment – providing the facilities to accommodate, educate, employ, transport, care for and sustain communities.

Our business model comprises the full range of engineering, construction and specialist products and services. Through our fully integrated offering we are delivering single-source solutions across the client value chain for some of the world's most prestigious public and private organisations.

Our collaborative approach combines discipline in delivery with the continuous pursuit of innovation: working with customers from concept to completion, advising on and providing the best ways to complete projects successfully and achieve greatest value for all stakeholders – employees, customers, communities and shareholders.

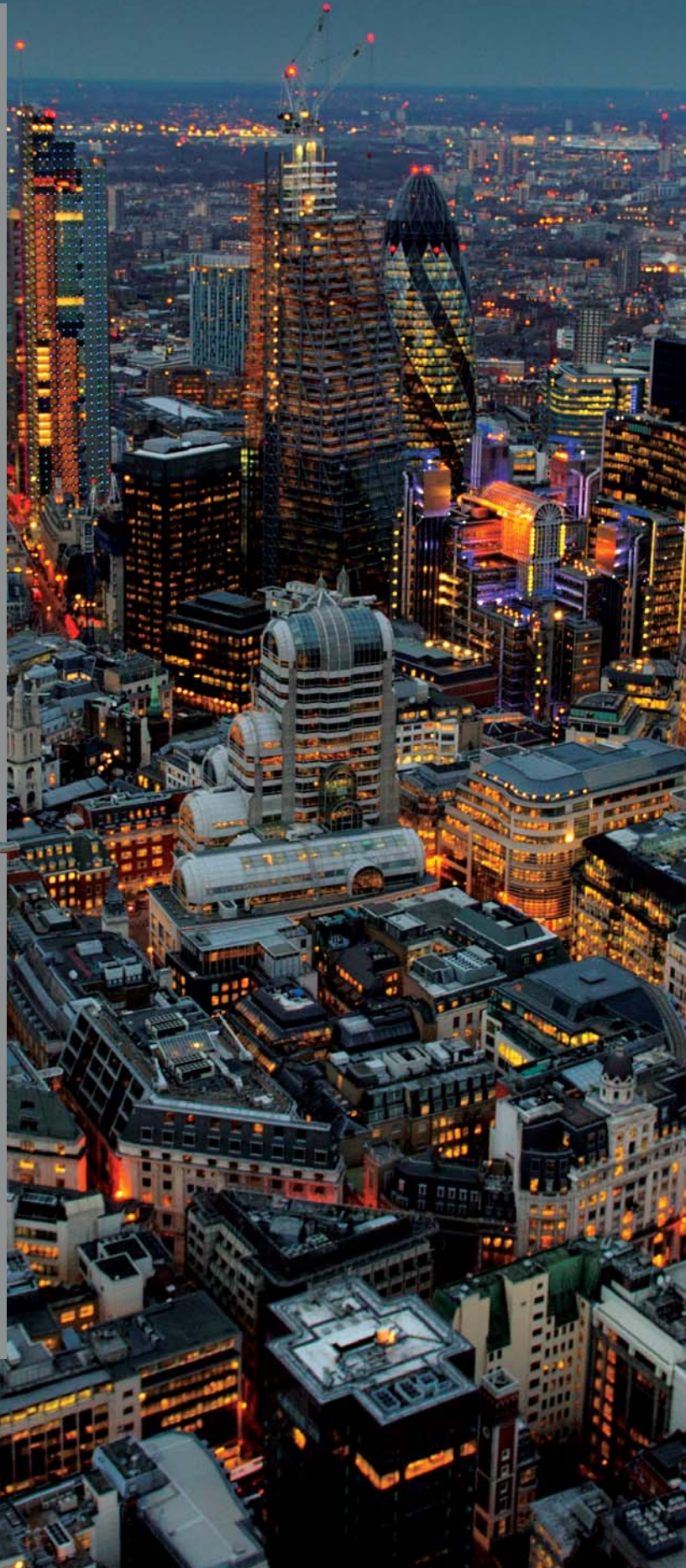
We are enabling the organisation to be leaner and more agile, and are creating long-term, collaborative relationships through significant investment in our Unique Business Offering. Through our long-term strategy we aim to create sustainable growth by meeting the economic, social and environmental challenges of our rapidly changing world.

### **Cover image: concept to reality**

Laing O'Rourke's in-house digital engineering and visualisation capabilities are fundamental to the delivery of the Leadenhall Building in the heart of the City of London. By digitally engineering and constructing the entire structure virtually, the intelligent integration of innovations in the structural frame, envelope, mechanical and electrical and plant installations could be interrogated and tested to an unprecedented level of detail prior to deployment onsite.

This approach, and the level of technical understanding generated, enabled the team to develop a robust construction programme and logistics plan which is delivering significant time and related cost reductions in the overall delivery schedule, while enhancing build quality.

Image created by Symmetry, Laing O'Rourke's in-house digital visualisation capability.



SEE OVERLEAF FOR  
LAING O'ROURKE AT A GLANCE

## WORLD-CLASS CAPABILITIES SPANNING THE CLIENT VALUE CHAIN

- PROJECT INVESTMENT SERVICES
- ENGINEERING EXCELLENCE GROUP (EnEx.G)
- DIGITAL ENGINEERING
- DESIGN FOR MANUFACTURE AND ASSEMBLY (DfMA)
- SELECT PLANT AND LOGISTICS MANAGEMENT
- EXPANDED
- CROWN HOUSE TECHNOLOGIES
- CONSTRUCTION SERVICES
- INFRASTRUCTURE SERVICES
- FACILITIES MANAGEMENT

## DELIVERED ACROSS TWO MAJOR GEOGRAPHIC HUBS

### EUROPE HUB

- Canada
- Saudi Arabia
- United Arab Emirates
- United Kingdom



FOR MORE DETAIL SEE PAGE 32

### AUSTRALIA HUB

- Australia
- Hong Kong
- New Zealand



FOR MORE DETAIL SEE PAGE 44

## FOCUSED ON DYNAMIC GROWTH SECTORS

### COMMERCIAL



- Commercial Offices
- Retail & Mixed-use
- Data Centres
- Industrial
- Science & Research
- Sport & Leisure
  - Hotels
  - Stadia
  - Leisure Complexes

### RESIDENTIAL



- High-rise
- Single-unit residential
- Multi-unit residential
- Social Housing

### SOCIAL INFRASTRUCTURE



- Defence
- Education
- Healthcare
- Law & Order

### ECONOMIC INFRASTRUCTURE



- #### TRANSPORT
- Aviation
  - Highways
  - Marine
  - Commuter Rail



- #### POWER
- Generation
  - Networks
  - New Nuclear
  - Renewables



- #### WATER & UTILITIES NETWORKS
- Utility Networks
  - Waste Treatment
  - Water Treatment



- #### MINING & NATURAL RESOURCES
- Coal & Minerals Processing
  - Heavy-haul Rail
  - Labour Accommodation
  - Industrial Equipment Installation
  - Minerals-handling



- #### OIL & GAS
- Labour Accommodation
  - LNG & CSG Terminals
  - Pipelines & Pump Stations
  - Processing Plants
  - Storage
  - Water Treatment
  - Civil Infrastructure

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### VIEW OUR ANNUAL REVIEW ONLINE

A full version of our Annual Review is available online at: [annualreview2013.laingorourke.com](http://annualreview2013.laingorourke.com)

For more information visit:  
[www.laingorourke.com](http://www.laingorourke.com)

For the latest news visit:  
[www.infoworks.laingorourke.com](http://www.infoworks.laingorourke.com)





RAY O'ROURKE KBE  
CHAIRMAN

## CHALLENGE AND CHANGE

Thank you for taking the time to read Laing O'Rourke's 2013 Annual Review – 'Engineering the Future Today'.

This is my first message as Chairman, having handed over operational responsibilities associated with the role of Chief Executive to Anna Stewart following her succession. I have taken time to reflect on the achievements of our people since we commenced trading in June 1978 and, although this is a period of transition for the Group, I know that our business direction remains focused and compelling.

### **Safety and sustainability**

We continue to place great emphasis on our Mission Zero strategy to eradicate all injuries in the Laing O'Rourke workplace by 2020. Our commitment to embed health and safety in our culture and leadership style to positively impact performance has once again proved valuable. We ended the year with an Accident Frequency Rate (AFR) of 0.21, down from 0.24 in 2011/12. This gives me confidence that our 2020 Mission Zero target is achievable, if we continue to deploy our Unique Business Offering and deliver projects in a radically different way.

Together with the safety and wellbeing of employees, our primary sustainability issues are reducing our carbon footprint by minimising waste, optimising energy and materials usage, and positively engaging with the communities where we work. During the year, we made good progress on all fronts and it was pleasing to be awarded a platinum rating in the 2013 Business in the Community CR Index, the UK's leading benchmark of corporate responsibility.

## Performance

Laing O'Rourke has delivered another creditable performance, generating strong cash flows, earnings and forward orders. We also made good progress against our strategic mission to become an enduring engineering enterprise that delivers Excellence Plus performance for clients, and on the key actions we are taking to deliver strong, stable and sustainable returns over time. During the year, we announced our new senior leadership of the organisation, presented our refreshed Group Strategic Roadmap (pages 21 to 26), and made significant progress in streamlining our unique engineering-led business offering for clients. We also delivered a robust operating performance in our international construction and infrastructure businesses, and continued to improve our agility and efficiency, realising cost savings which we will invest to enhance our service to clients.

## Engineering excellence

We acknowledge that our success depends on the creativity, insight and integrity of the engineering expertise we offer our clients. Our collective passion for engineering creates an environment for innovation and a belief that there is a solution for every engineering challenge.

During the year, we continued to build the Engineering Excellence Group (EnEx.G) to meet the huge demand from our clients for smarter, quicker, more efficient and more economical ways of delivering their projects. We accelerated the deployment of our Design for Manufacture and Assembly (DfMA) approach, increased investments in step-change digital engineering and pricing technologies and continued to recruit talented professionals to increase our bench strength.

That said, the industry must be incentivised to innovate through greater consolidation of opportunities around common procurement and delivery models, which will in my view create a more sustainable industry-wide approach that moves away from the transactional 'lowest cost' model that holds us back today. With my new-found freedom from operational duties, I intend to devote a greater proportion of my time advancing this agenda with key decision makers in government, finance and research institutions.

## Human capital

Laing O'Rourke's integrated delivery model is extensive and complex, but its culture is simple and straightforward. It is built on the ingenuity, professionalism and commitment of great people and determines the way in which results are achieved. Our commitment to Excellence Plus performance and adherence to the highest standards of business conduct are at the heart of what we do.

It is pleasing to report that Laing O'Rourke colleagues have once more performed well in a year which was characterised by challenging circumstances and transformation. In our annual employee engagement survey, we once again posted a strong performance with a global score of 64 per cent. This sustained Laing O'Rourke's position as a high-performing company relative to its peer group. On behalf of the Board, I thank all employees for their continued dedication and sense of purpose.

## Clients and partners

Laing O'Rourke's growth and performance are directly attributable to the quality of our client and supply chain relationships. I would like to thank our supply chain partners for their continued support and trust in our strategy and approach.

Our core values – safety, integrity, teamwork, collaboration, innovation and quality – seek to ensure that we are respected by clients wherever we work and underpin the delivery of our vision to be the company of first choice for all our stakeholders.

## Governance and effectiveness

The primary role of Laing O'Rourke's Board of Directors, Group Executive Committee and its subcommittees is to lead succession planning and provide oversight of strategy development and execution, while maintaining the highest standards of corporate governance. I would like to record my personal appreciation for the unstinting support provided by the directors in the effective fulfilment of their responsibility.

Over the past few years, we have taken significant steps to strengthen the senior decision-making forums within the company by bringing together members with a range of skill-sets and experiences that can add real value and maintain our financial discipline. The biggest change during the year was the succession of Anna Stewart as Group Chief Executive. Anna was the unanimous choice and brings seamless continuity to the day-to-day management of the Group. She has already implemented a number of changes to the structure of the management team, including the formation of the Group Management Committee to ensure that the most important aspects of our business are prioritised with accountabilities set at the right level. It is extremely rewarding to me that Laing O'Rourke has a real depth of senior talent internally to ensure a smooth transition to the next phase of our development.

We also announced David Stewart as the new Chief Executive Officer of the Australia Hub in August 2012. His background in managing large international contracting operations throughout Australia, South East Asia and the Middle East directly supports our strategy. He brings global market knowledge in mining, power and transportation at a time of significant growth in the economic infrastructure sectors.

Notwithstanding the undoubted challenges the future holds, I believe Laing O'Rourke is a well-managed, strong and successful company that is operating to high standards of governance.

## The future

We expect market dynamics to remain challenging throughout 2013 and into 2014. As the world economy gradually returns to growth, rising incomes and increased prosperity – with associated industrialisation and urbanisation – will continue to drive demand for innovative engineering and construction services.

The Group is well positioned to achieve its goals in the period to 2015 – increase financial returns, deliver for clients, develop and grow our people, and act responsibly. Our engineering enterprise is taking shape. The market is responding positively to our DfMA agenda and, from my perspective, I believe we are leading the way in our sector by exploiting the available technology that will make our industry world-class.

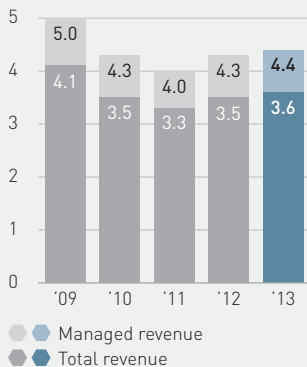
Thank you for your continued support.

**RAY O'ROURKE KBE**  
CHAIRMAN

## FINANCIAL HIGHLIGHTS

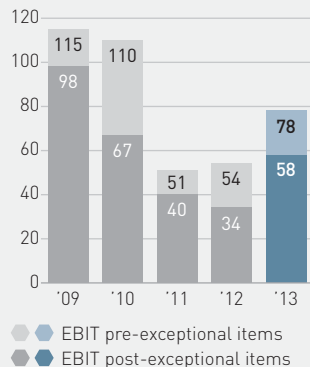
### MANAGED REVENUE<sup>1</sup>

(£billion)



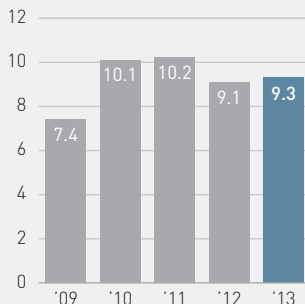
### EARNINGS BEFORE INTEREST AND TAX<sup>2</sup>

(£million)



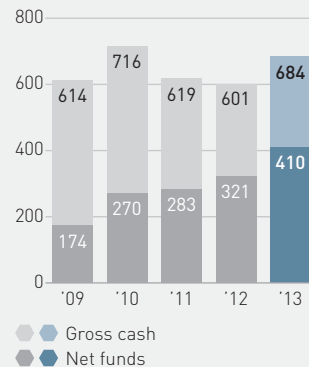
### GROSS MARGIN<sup>3</sup>

(%)



### CASH BALANCES

(£million)



## FINANCIAL PERFORMANCE: Resilient trading performance in line with Group expectations

**£4.4bn**  
Managed revenue increased to £4.4 billion

**£410m**  
Improvement in net cash position of £89 million to £410 million

**£78m**  
Pre-exceptional earnings before tax and interest up 45.2 per cent to £78 million

**£8.2bn**  
High-quality order book of £8.2 billion creating good medium-term earnings visibility

**9.3%**  
Gross margin, pre-exceptional items at 9.3 per cent reflecting project portfolio quality and cost control

**91%**  
91 per cent of revenue secured for 2013/14 performance period

**£684m**  
Maintained strong gross cash position of £684 million

“In 2012, we established our Group Strategic Roadmap, putting in place the right foundations to deliver on our 2020 objectives over the next three to five years. We delivered another resilient performance and made strong progress against the key elements of our strategic plan to become the first choice engineering and construction partner for clients.”

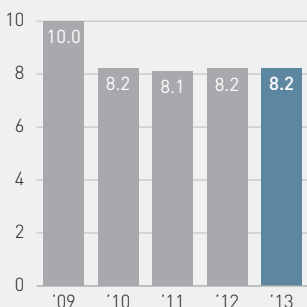
**ANNA STEWART**  
GROUP CHIEF EXECUTIVE

1. Managed revenue includes share of joint ventures' and associates' revenue, inter-segment revenue and revenue from managed operations.
2. EBIT includes profit from operations, net non-operating income/expense and excludes joint venture interest and tax.
3. Gross margin percentage is stated pre-exceptional items.
4. Financial capacity includes gross cash and undrawn committed facilities.

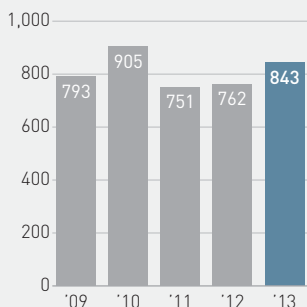
## SAFETY AND SUSTAINABILITY

## ORDER BOOK

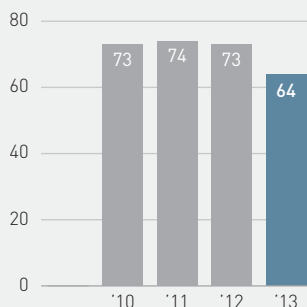
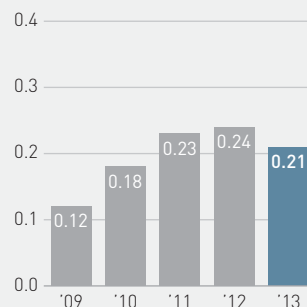
[£billion]

FINANCIAL CAPACITY<sup>4</sup>

[£million]

EMPLOYEE ENGAGEMENT<sup>1</sup>

[%]

ACCIDENT FREQUENCY RATE (AFR)<sup>2</sup>

## OPERATIONAL PERFORMANCE:

### Good progress against strategy creating new opportunities for enhancing value creation

Strategy execution gathering pace across Europe and Australia Hubs.

- Prestigious project wins from new clients in key sectors and markets.
- Increasing repeat orders and contract extensions from existing clients.
- Commercial discipline converting opportunity pipeline into higher-value project portfolio.
- Mission Zero health and safety campaign now firmly embedded globally, following successful roll-out across the Australia Hub.
- Digital engineering and Design for Manufacture and Assembly (DfMA) methodology creating efficiencies in project delivery and operational performance.
- Continued focus on human capital agenda, with substantial commitment to enhancing engineering capability and education partnerships.
- Strengthened corporate governance framework through better integration of core processes, senior appointments and creation of Group Management Committee.

## OUTLOOK: Drive the competitive advantage of our Unique Business Offering despite continuation of challenging market conditions

Moderate growth in managed revenue and pre-tax earnings can be expected for the Group through to 2015, given the prevailing market conditions. Group well positioned to achieve its medium-term goals in the period to 2015.

- Good future revenue visibility and an attractive pipeline of contract opportunities in key sectors, including nuclear, mining, rail, and oil and gas.
- A higher rate of return on equity is planned for the Group with the anticipated benefit of delivery efficiencies derived from the widespread deployment of Design for Manufacture and Assembly (DfMA), plus greater cost efficiencies in Group overheads.
- Laing O'Rourke remains on track to deliver its 2013/14 financial targets and, beyond these, is well positioned to achieve its strategic objectives over the medium to long-term.

1. Our independent 2013 employee engagement survey score, an aggregate measure of employees' confidence and belief in: our future direction, personal career growth opportunities, safe and responsible working practices, reward and recognition systems, and quality of management.

2. Number of reportable incidents resulting in more than three days' absence per 100,000 working hours.



# WORLD-CLASS CAPABILITIES SPANNING THE CLIENT VALUE CHAIN



## PROJECT INVESTMENT SERVICES

The Group's global project development, structured property and infrastructure financing activities cover the full range of preconstruction services including feasibility studies, investment appraisals, lifecycle costs and management. Expertise includes complex Private Finance Initiative (PFI) and Public Private Partnership (PPP) investment arrangements and management.

## ENGINEERING EXCELLENCE GROUP (EnEx.G)

Our internal advisory taskforce provides research, innovation, expertise, advice and direction. The group is responsible for driving Design for Manufacture and Assembly (DfMA), collaborating with technology, supply chain and educational partners to support clients' needs. Capabilities include civil, structural, materials, mechanical, electrical, chemical and process engineering.

## DIGITAL ENGINEERING

Information modelling, visualisation, pricing and benchmarking capabilities – digital engineering generates additional value through the intelligent application of best-practice thinking and technologies much earlier in the design process. Our detailed database of previous projects and Design for Manufacture and Assembly (DfMA) component libraries allows us to set design parameters before concept design. This drives efficiencies from day one, reduces capital and whole-life running costs and enables us to develop accurate milestones for the build programme to ensure greater predictability and assurance of the outcome.



## DESIGN FOR MANUFACTURE AND ASSEMBLY (DfMA)

Explore Manufacturing and modular solutions comprise offsite factory operations combining lean automation processes and quality assurance systems, transforming traditional construction methodologies into a modern process of component-based assembly. Product sets include precast concrete building components, modular mechanical and electrical installations, minerals-handling conveyor systems, rail sleepers and completed internal room 'pods', and are marketed through a number of industry-leading brands including Austrak, Bison, Modulor and Redispan.



## SELECT PLANT AND LOGISTICS MANAGEMENT

Integrated construction plant and equipment services support project delivery, underpinned by risk-based processes and systems. Made up exclusively of leading brands, our fleet of lifting solutions, vehicles and construction-related equipment and services meet the unique demands of a project, from congested high-rise construction to mega-scale ground-works and civil engineering packages on economic infrastructure projects.

We are one of the largest providers of mining and minerals-handling industrial plant services in Australia, offering full-service installation, maintenance and reliability checks. We work in close partnership with some of the world's leading heavy industrial equipment and machinery manufacturers as an accredited installation and maintenance provider.

## EXPANDED

We offer an end-to-end capability in the geotechnical, environmental, structural and civil engineering construction phases of major projects. Backed by a central technical design and engineering resource, we can deliver the full range of demolition, site remediation, piling, tunnelling, precast concrete, post-tensioning, component assembly and structures delivery techniques. This diverse capability streamlines the delivery process by enabling us to undertake works directly – reducing the time and cost implications associated with multiple interfaces.



## CROWN HOUSE TECHNOLOGIES

Crown House Technologies (CHT) is one of the industry's leading building and infrastructure technology services providers. The company is redefining the value of asset services as a major systems integrator on complex construction programmes, utilising digital engineering and standardised components to meet the increasingly challenging requirements of clients and end-users for future-proofed buildings and infrastructure that meet the most exacting environmental and economic performance standards.



## CONSTRUCTION SERVICES

Our full range of building and refurbishment activities provide a complete project delivery solution. Capabilities include 'buildability' studies, Design for Manufacture and Assembly (DfMA), remediation and enabling works, logistics management, integrated construction delivery, building technologies installation and testing and commissioning of major building projects.



## INFRASTRUCTURE SERVICES

Infrastructure services comprise the full range of civil engineering and programme management expertise on major economic infrastructure projects. Expertise covers oil and gas exploration, processing and transportation, commuter and heavy-haul rail, power generation and distribution, water and utilities networks, mining and natural resources across the lifecycle of capital assets. Services span the lifecycle of capital assets, from feasibility through planning, design and delivery to operational maintenance.



## FACILITIES MANAGEMENT

The fully populated asset information management system derived from the digitally engineered model proactively supports efficient operation and maintenance. This ensures that the building remains sustainable and cost-effective at all times. Advanced animated visualisation technologies are integral to this approach, allowing facilities management and maintenance teams to maximise the value of the asset over its operational life through re-purposing and continually improving its operational effectiveness.

# INNOVATIVE ENGINEERING AND CONSTRUCTION EXPERTISE

The world is rapidly changing. The way we live, work and play is being transformed by technology. In business, this is creating a new challenge as clients now expect better and faster delivery, though in the current economic climate often they have less money to invest. Never have things been more competitive. Innovation is the key to staying ahead of the game.

Today, even the simplest items are designed and tested virtually before being manufactured ready for use. Heavy industries such as automotive and aerospace have pioneered these smarter processes using components manufactured remotely and then brought together for final assembly. This saves time and money, reduces risk and increases quality.

So why does the construction industry still create the built environment in the same way as it always has, using techniques that are too often

unpredictable, unsafe, unskilled and time-consuming; in ways that are unprofitable and unreliable? Why can't construction embrace and benefit from technological progress too? At Laing O'Rourke, we're doing precisely that.

## **Innovative engineering and construction expertise**

Laing O'Rourke's Unique Business Offering and integrated delivery approach plays a fundamental role in every aspect of major building and infrastructure capital investment projects from

conception to completion. Each link in the value chain is critical to the realisation of our vision to be a globally focused and enduring engineering enterprise delivering sustainable value for clients through our commitment to Excellence Plus performance.

We've invested over three decades of knowledge and expertise into creating a better way – one that puts us at the leading edge. We call this unique approach 'Design for Manufacture and Assembly' and it means we can now build things quicker, safer, more sustainably, more cost-effectively, to a higher quality, and with greater predictability of the final outcome.

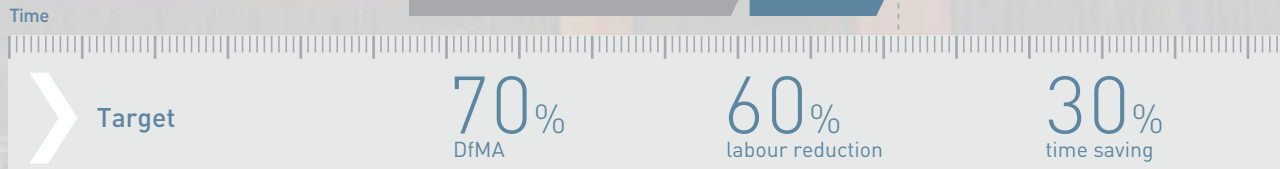
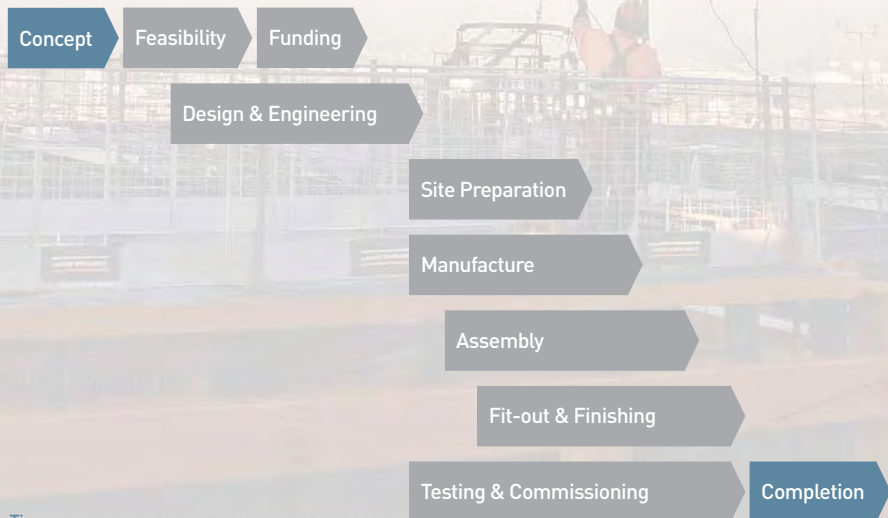
The huge potential to save time and money comes from re-defining the phases of a project. This means agreeing and locking down the design phase much earlier to allow the manufacturing, assembly, completion, and commissioning phases to be compressed and run in parallel, rather than in one long linear sequence, driving greater efficiencies in how resources are deployed.



**Traditional Construction**



**Laing O'Rourke's Unique Business Offering**



# HOW WE GO TO WORK...

## 1. WE DEFINE, VALIDATE AND FUND

We help clients define and validate their capital investment plans through a detailed appraisal of the financial risks that major public and private sector projects carry. Our early involvement reduces risk exposure and helps to maximise the rate of return. In all our activities we bring a commercial perspective and integrated way of working based on collaboration, delivery excellence and sustainability.

## 2. WE INNOVATE, DESIGN AND PROTOTYPE

We collaborate with clients, architects and designers at the earliest stages of a project, improving 'buildability' through the application of innovative engineering solutions.

At the heart of our approach is the **Engineering Excellence Group (EnEx.G)**, an internal advisory body providing research, innovation, expertise, advice and direction individually and as a taskforce. Augmented by our extensive 'field' engineering capability, this multinational, multidisciplinary group is responsible for driving innovative solutions, collaborating with technology, design and educational partners to help clients right at the front-end of a project to get more value from their investment, encouraging designers to push the boundaries, and embedding more efficient and effective delivery techniques onsite.

**Digital engineering** is a key enabler of this approach through the production of a 6D model, which includes a 3D geometric visualisation of a project, to an unparalleled level of detail. These models incorporate the technical specification and cost of every component, detailed energy



consumption metrics and maintenance projections. This is enabled by INSITE, our knowledge management database housing years of accumulated information. This provides a rich data source to drive efficiencies in the project schedule, build costs and the eventual lifecycle running costs.

We can use this model to calculate the total cost of the project under any procurement approach, allowing us to price projects to an unprecedented level of accuracy much earlier in the process, providing clients and investors with the cost predictability they need to justify their investment decisions.

As all projects share common elements, major benefits come from using standardised components. But this doesn't mean compromising the architectural intent of the agreed design. Our extensive virtual component library contains the full range of intelligent building products that can be technically configured to suit any project type. For example, there are up to 2,000 possible variations in a manufactured column – a degree of flexibility that ensures the intended design integrity on every project.

A number of leading design consultants are using our digital engineering object library to design projects with ever greater predictability of outcome.



### 3. WE MANUFACTURE, DELIVER AND ASSEMBLE

Once a design is completed, the specifications for the preassembled components are then fed directly to our **Explore Manufacturing** facilities where both standardised structural and modular mechanical and electrical components are manufactured and preassembled in a controlled factory environment, protected from the elements.

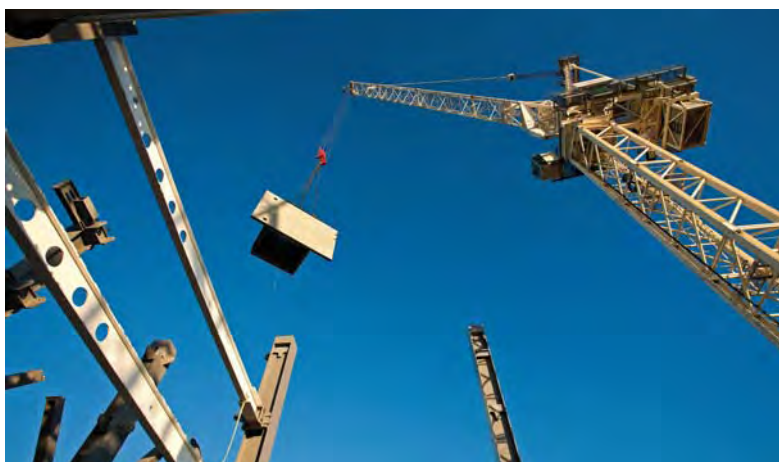
This assures much higher quality, greater design integrity and more reliable and resource-efficient delivery. Our significant investment in offsite manufacturing means that we have, in-house, some of the most advanced facilities in the world.

Our own **Select Plant** division handles the complex logistics involved in scheduling delivery of, and then transporting, irregular loads. This approach minimises site traffic volumes and general disruption to the surrounding communities, reducing pollution and waste levels. Once onsite, the team provides the unique skills and precision needed to manoeuvre, lift and position the components ready for final fixing.

Laing O'Rourke's **Expanded** division will complete the groundworks, and deliver the civil and structural engineering knowhow to assemble the major components optimally for a Design for Manufacture and Assembly (DfMA) project, like our patented E:6 structural flooring solution for example. Following this, our in-house specialist business, **Crown House Technologies**, will commence work on the modular mechanical, electrical and process-handling installations.



SEE OVERLEAF FOR AN OVERVIEW OF OUR SECTORS



### 4. WE COMPLETE, TEST AND COMMISSION

Laing O'Rourke's construction and infrastructure services teams then complete delivery of the project in parallel with the testing and commissioning phases with the client. Because so much is preassembled, the onsite programme can be completed much quicker and with fewer onsite workers. This means a safer, more rewarding working environment with less waste and lower costs. It also creates the opportunity to deploy highly skilled and productive teams to work on new projects much sooner.

DfMA components are delivered to site ready to 'plug and play', allowing the testing and commissioning phases to commence at the point of manufacture. Therefore, they are finalised much sooner, once again reducing time, and handing control of the asset to the client much earlier than traditional construction can achieve.



### 5. WE OPERATE, REFURBISH AND MAINTAIN

As a natural extension of our relationship with clients, we provide integrated operational management, refurbishment and maintenance services. The extensive knowledge we acquire designing and delivering buildings and infrastructure provides a unique insight into how capital assets can be more efficiently managed and maintained.

The 6D digital model transforms into the facilities management system for the entire asset over its lifespan. This unique source of technical data creates smarter buildings and infrastructure by increasing the operating efficiency while reducing the running and maintenance costs for the client.



# ...ACROSS INTERNATIONAL MARKETS AND GROWTH SECTORS

We are delivering a built environment that meets the economic, social and environmental challenges of a rapidly changing world, targeting high-growth markets and sectors that complement our values, capabilities and delivery discipline.



LEISURE COMPLEXES  
ATLANTIS, THE PALM,  
DUBAI, UAE



COAL & MINERALS  
NEWCASTLE COAL  
INFRASTRUCTURE  
GROUP WHARVES,  
NEW SOUTH WALES,  
AUSTRALIA



EDUCATION  
BLAVATNIK SCHOOL  
OF GOVERNMENT,  
UNIVERSITY OF OXFORD,  
UK



OIL & GAS  
WHEATSTONE PROJECT,  
WESTERN AUSTRALIA



COMMERCIAL OFFICES  
ALDAR HEADQUARTERS,  
AL RAHA BEACH,  
ABU DHABI, UAE



MARINE  
LONDON GATEWAY PORT,  
LONDON, UK



SPORT & LEISURE  
LONDON 2012 OLYMPIC  
AND PARALYMPIC PARK,  
UK



MANUFACTURING  
EXPLORE  
MANUFACTURING,  
EXPLORE  
INDUSTRIAL PARK,  
NOTTINGHAMSHIRE, UK



COMMERCIAL OFFICES  
THE LEADENHALL  
BUILDING, LONDON, UK



EDUCATION  
DAGENHAM PARK  
CHURCH OF ENGLAND  
SCHOOL, LONDON, UK



AVIATION  
TERMINAL 2A  
HEATHROW, UK



HEALTHCARE  
CENTRE HOSPITALIER  
DE L'UNIVERSITÉ DE  
MONTREAL, CANADA



WATER TREATMENT  
NORTHERN WATER  
TREATMENT PLANT,  
QUEENSLAND,  
AUSTRALIA



POWER GENERATION  
DARLING DOWNS POWER  
STATION, QUEENSLAND,  
AUSTRALIA



COMMUTER RAIL  
ADMIRALTY STATION,  
MTR, HONG KONG



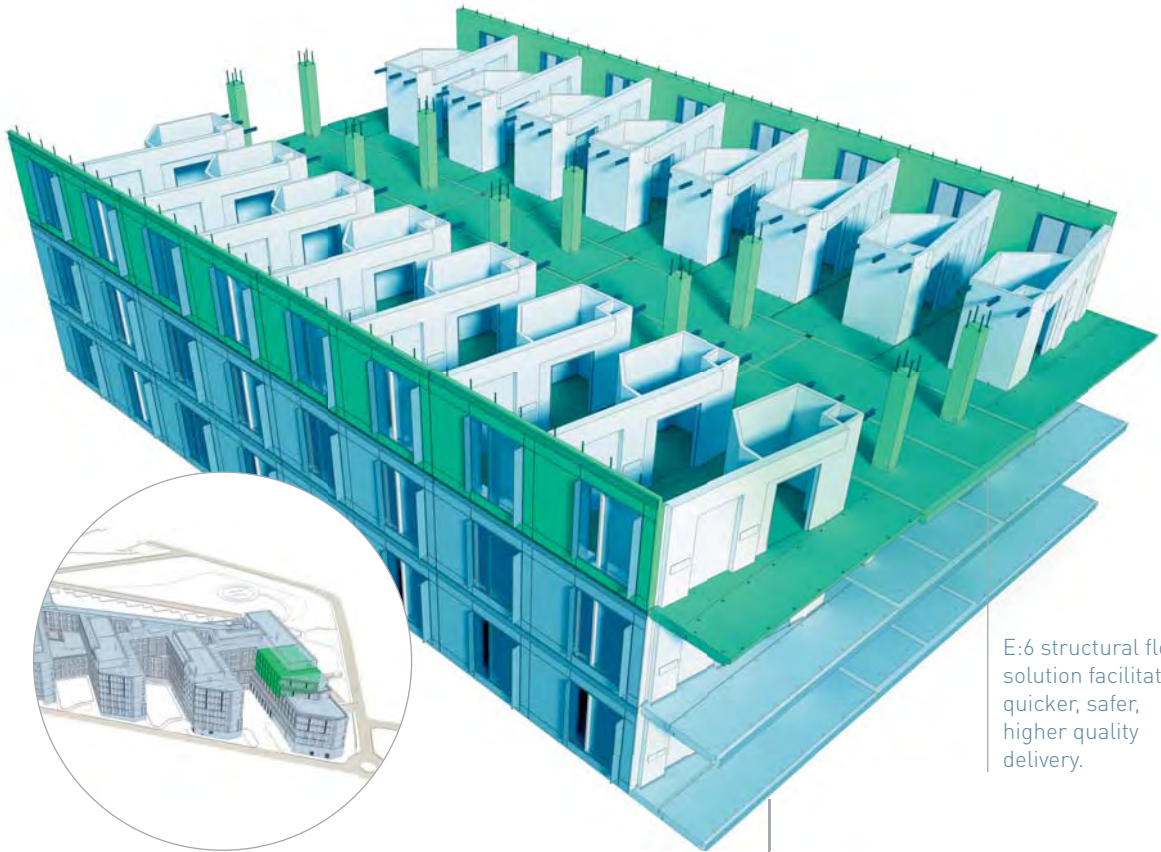
HEAVY-HAUL RAIL  
PILBARA REGION  
HEAVY-HAUL RAIL,  
WESTERN AUSTRALIA





## RE-ENGINEERING THE FUTURE OF HEALTHCARE

# TUNBRIDGE WELLS HOSPITAL, PEMBURY, KENT, UK



E:6 structural floor solution facilitates quicker, safer, higher quality delivery.

Tunbridge Wells Hospital is one of Laing O'Rourke's most successful social infrastructure projects to date. This radical new hospital was the first in the UK boasting 513 single occupancy rooms, all with en-suite bathrooms, plus extensive surgery and care facilities. The Group was appointed in 2008 and completed delivery in January 2012. It was delivered ahead of programme and within budget, and has gone on to receive acclaim from the client, staff and patients for the quality of care it provides.

70%	60%	30%
Proportion of asset delivered via DfMA	Labour reduction onsite	Programme reduction in areas of control

Our vision to challenge and change the industry means constantly adopting innovative technologies and processes to push the limits. By totally re-engineering the project virtually using our advanced Design for Manufacture and Assembly (DfMA) approach, we are able to demonstrate the additional value our Unique Business Offering would bring if we were designing and constructing the hospital today.

We have strictly adhered to the original functional brief and analysed the building structure, mechanical and electrical, building management systems and energy strategy to see where we can improve on what was already a successful project. The results of the exercise speak for themselves.

### 1. STRUCTURAL SYSTEM

Utilising the patented E:6 structural floor system, precast columns, walls and load-bearing façades combined with a 'just-in-time' delivery strategy, floors can be completed quicker and safer with columns erected in 10 minutes and the exterior wall panels in just 15 minutes by a team of four people applying this methodology. The system eliminates the need for extensive onsite shuttering, back-propping and time-consuming rebar fixing. Taken together, these achieve a faster, safer weather-proofed building which generates less waste and allows early start for the MEP installation, fit-out and medical equipment installation and commissioning.

With a major reduction in labour-intensive site works such as formwork, falsework, and rebar fixing, DfMA dramatically reduces the number of days lost to adverse weather conditions and other site-based disruptions associated with traditional construction.





**Frame**

Target	70	60	30
Achievable	90	66	50

**Façades**

The E:6 structural façade system contributes to the structural integrity, but also lends itself to the fenestration of the hospital by incorporating the structural integrity of the building into the external sandwich panels. The offsite manufacture of the façades assures accurate interpretation of the architectural intent to an unparalleled level of quality.

Elimination of expensive and intrusive exterior ventilation louvers and replacement with intelligent ventilation and heating controls, allowing an increase in the window size by 20 per cent, further enhances the patient recovery experience.

This 'fabric first' approach to the hospital's thermal and energy performance enables outstanding levels of airtightness, passively reducing the energy required to condition the building.

**External elevations**

Target	70	60	30
Achievable	90	80	43

**2. MECHANICAL AND ELECTRICAL INSTALLATION**

Whole interior sections, including bathroom pods and partition walls, can be assembled and integrated offsite, incorporating the latest advances in component technology and services, fittings and finishes – creating a 'plug and play' solution.

**Internal partition walls**

Laing O'Rourke's E:6 SmartWall system is built to exacting standards and incorporates all wall-mounted and integral services such as power supply, pipe-work and cabling. Finished with bespoke fittings prior to dispatch, savings are substantial with over 100,000 fewer man-hours required onsite, allowing this phase to be completed one year ahead of the original programme, with a corresponding 50 per cent reduction in generated waste. To achieve these efficiencies, a comprehensive and complete digital design model, incorporating all design disciplines, is required early in the project development cycle, prior to construction commencement.

**Internal partitions**

Target	70	60	30
Achievable	80	80	33

**Bathroom pods**

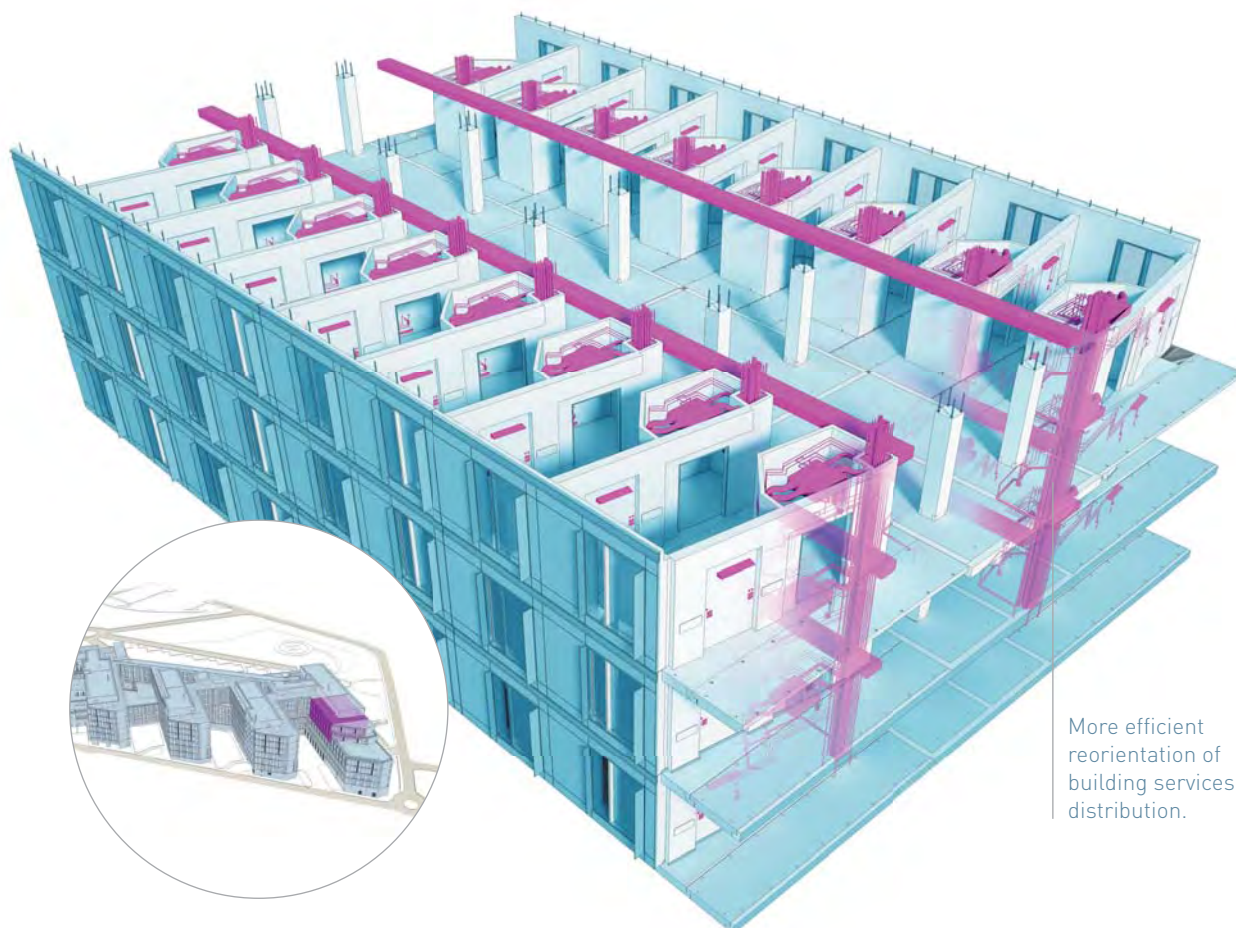
Installation of fully factory-completed bathroom pods could commence 67 weeks ahead of the original programme, allowing much earlier testing and commissioning of all services, including water supply and medical gases, attaining the quality of building and finishes demanded in high-performing asset classes such as hospitals. Additionally, incorporating the service risers and bed-head distribution into the bathroom pods would radically reduce commissioning time as testing is performed in the factory prior to onsite assembly.

**Pods**

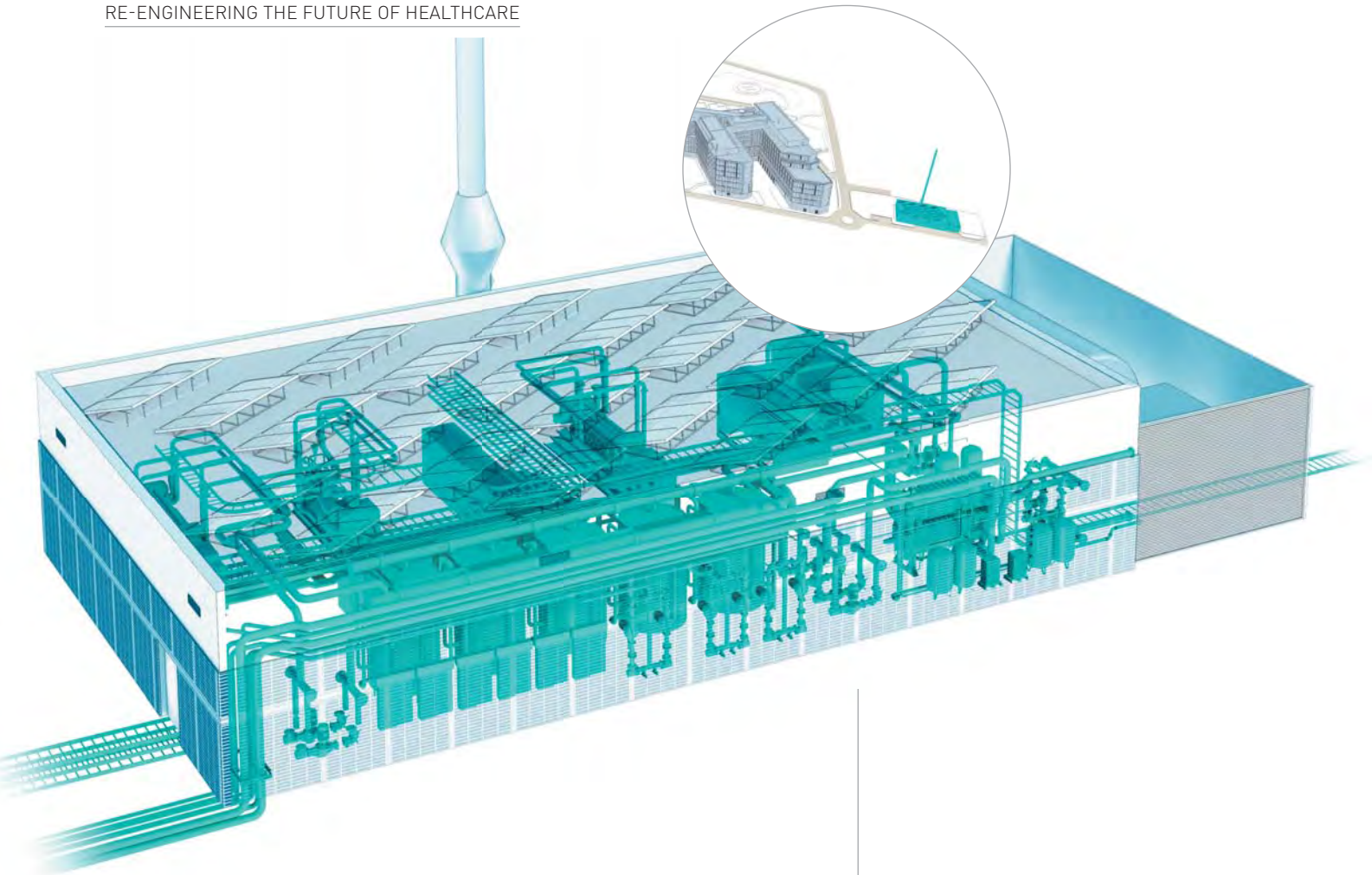
Target	70	60	30
Achievable	95	95	33

**Operating theatres**

Operating theatre dimensions vary by function, and therefore in many cases exceed road transportation limits,



More efficient reorientation of building services distribution.



thereby constraining potential for 'pod' type factory assembly of entire operating theatre rooms.

However, by adapting the E:6 SmartWall and structural flooring solutions, complex system-critical operating theatre services can be integrated offsite, including testing of the fire separation measures. This would facilitate earlier palletised deliveries of theatre equipment and internal finishes prior to the installation of the E:6 flooring solution above the theatre, reducing the lead time for fit-out and assisting final commissioning and subsequent staff orientation.

#### Building services distribution

Reorienting the building services distribution in the wards from the spatially inefficient horizontal to the vertical risers in the bathroom pods would reduce the floor-to-floor heights by half a metre, which in turn would optimise energy performance while reducing capital and operating costs. Combined with the use of precast pad foundations and ground beams, these innovations represent a material saving in site labour, capital expenditure and waste.

### 3. THE ENERGY CENTRE

Hospital facilities are, by their very nature, large consumers of energy, with a need for a reliable, economic supply of sustainable energy to support constant patient care. The high-availability energy centre has been re-designed to be more flexible and responsive in operation, adapting to the volatile near-term and unpredictable long-term source energy costs, unpredictable seasonal climatic variations and continually varying occupant loads, allowing surplus electricity to be exported back to the grid during non-peak times.

Locating the energy centre remotely from the main hospital building would remove it from the critical path of the ward and clinical areas of the development, thereby allowing the energy centre to be constructed and commissioned in parallel with the other building areas, compressing the overall programme by dramatically reducing commissioning and handover phases. Combined heat and power gas boilers generate energy power, and absorption chillers convert excess for use in the cooling systems. Natural gas and bio-fuel sources would provide a resilient and sustainable electricity supply, helping to achieve an 80 per cent carbon reduction and a 25 per cent energy saving with whole-life running costs cut by 50 per cent, based on current source energy kWh prices.

“Earlier handover and a higher performance specification equates to a more attractive return on investment for clients and investors.”



#### 4. SMART BUILDING SYSTEM

Designing intelligent buildings with the latest technologically advanced systems integrated into the structure would provide predictive maintenance and effective energy conservation. The digitally engineered Asset Management System offers user-friendly, fully integrated energy and facilities management building controls in real time.

Because it features future-proofed sensor and data management technologies, the building and clinical operators would be able to constantly monitor its performance and adjust to the current natural and physical demands using wireless devices – reducing cabling, installation and commissioning time and resources.



#### 5. ADDITIONAL BENEFITS

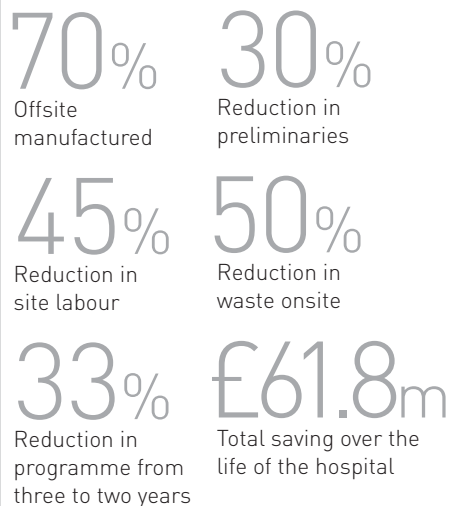
- Optimised site logistics.
- Lighter hoist units over shorter time periods.
- Mast climbers are not required and limited need for concrete pumps.
- Reduced formwork, falsework and rebar fixing.
- Reduced site accommodation requirements.
- Less disruption to the local community.

Building this way delivers a high-quality factory finish, quicker and safer, requiring less time onsite and it reduces the number of days lost to adverse weather conditions and other site-based disruptions associated with traditional construction, while delivering considerable cost savings.

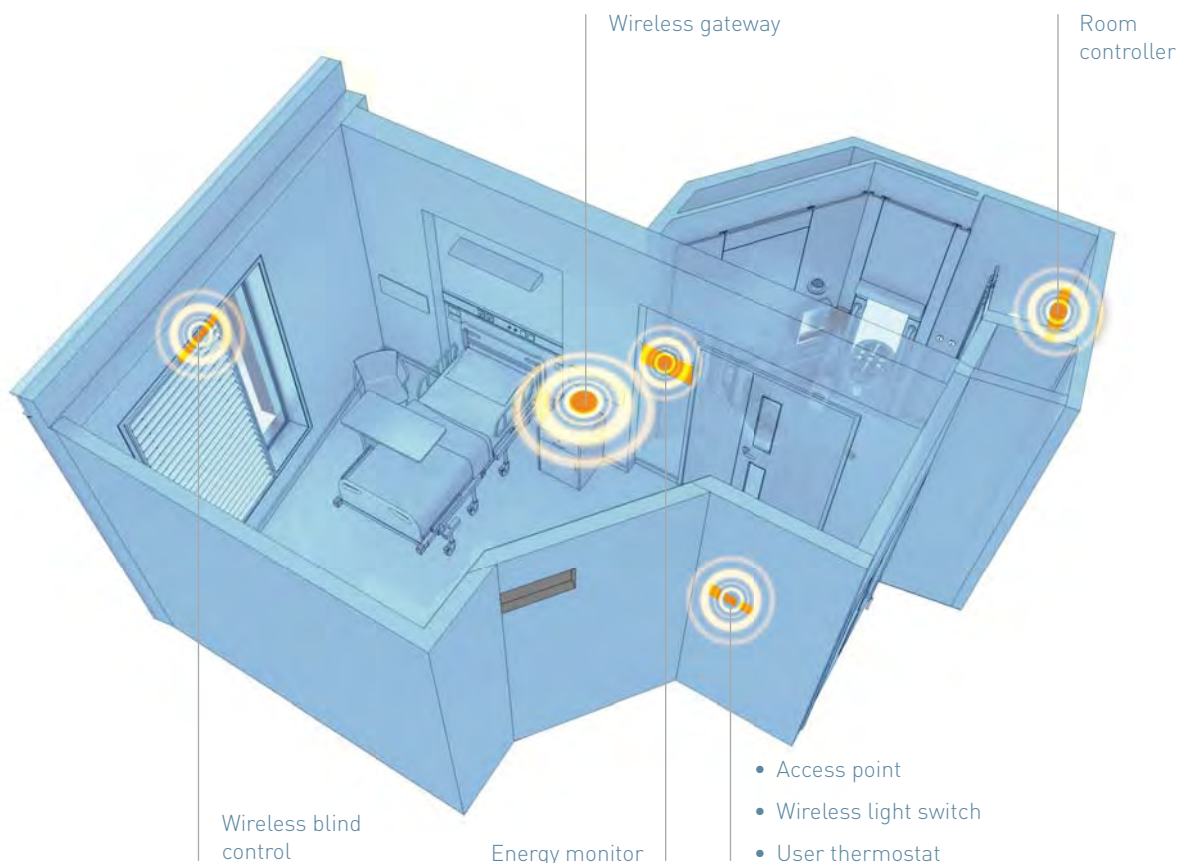
#### THE RESULTS

Laing O'Rourke's Unique Business Offering would achieve a £10.8 million saving in construction costs, a £30 million energy and maintenance cost saving over the 30-year life of the hospital and a £21 million operating cost saving over the same period. This equates to a total saving of £61.8 million over the life of the hospital.

##### Achievable efficiency targets\*



\* To achieve the full level of benefits outlined in our approach, the technical specifications under which hospitals are constructed today would need to be revised.





ENGINEERING THE FUTURE OF OIL AND GAS

# WHEATSTONE PROJECT, PILBARA REGION, WESTERN AUSTRALIA

The Chevron-operated Wheatstone Project is one of Australia's largest energy facilities. Located in the resource-rich Pilbara region, it will consist of an onshore facility with two LNG trains, with a combined capacity of 8.9 million tonnes per annum, and a domestic gas plant.

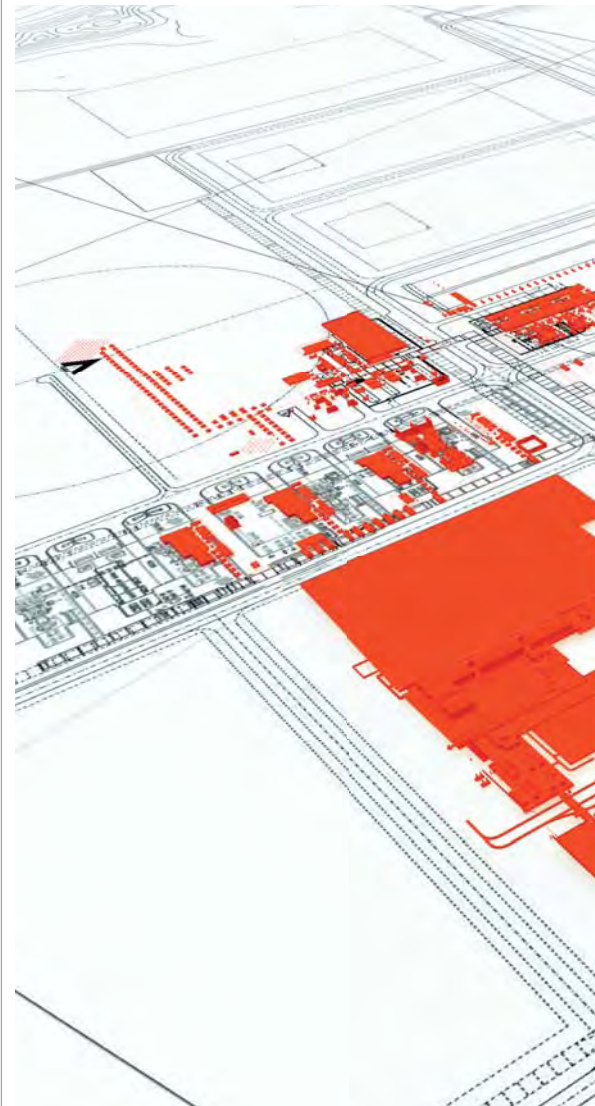
Working for client Bechtel, Laing O'Rourke is providing over AUD\$500 million in civil and structural engineering and construction on the Chevron-operated Wheatstone Project.

## PROJECT SCOPE

The contract includes:

The concrete and civil works for two identical 450x250 metre LNG process trains within the LNG plant facility, referred to as inside battery limits (ISBL):

- Cranes, structures and foundations to support large equipment modules and compression machinery.
- 127,000 cubic metres of concrete and paving.
- 194,000 cubic metres of earthworks.



The concrete and civil works for the areas defined as outside battery limits (OSBL):

- A utilities plant (power generation and distribution, water treatment, air and nitrogen systems), gas inlet facilities with environmental protections, tanks, flare and a domestic gas plant.
- Foundations and structures over 375 hectares to support the tanks, large equipment and modules.
- 93,000 cubic metres of concrete and paving.
- 600,000 cubic metres of earthworks.

### DELIVERY APPROACH

To deliver the ISBL and OSBL, Laing O'Rourke is using digital engineering to provide a smarter, safer and more efficient construction solution.

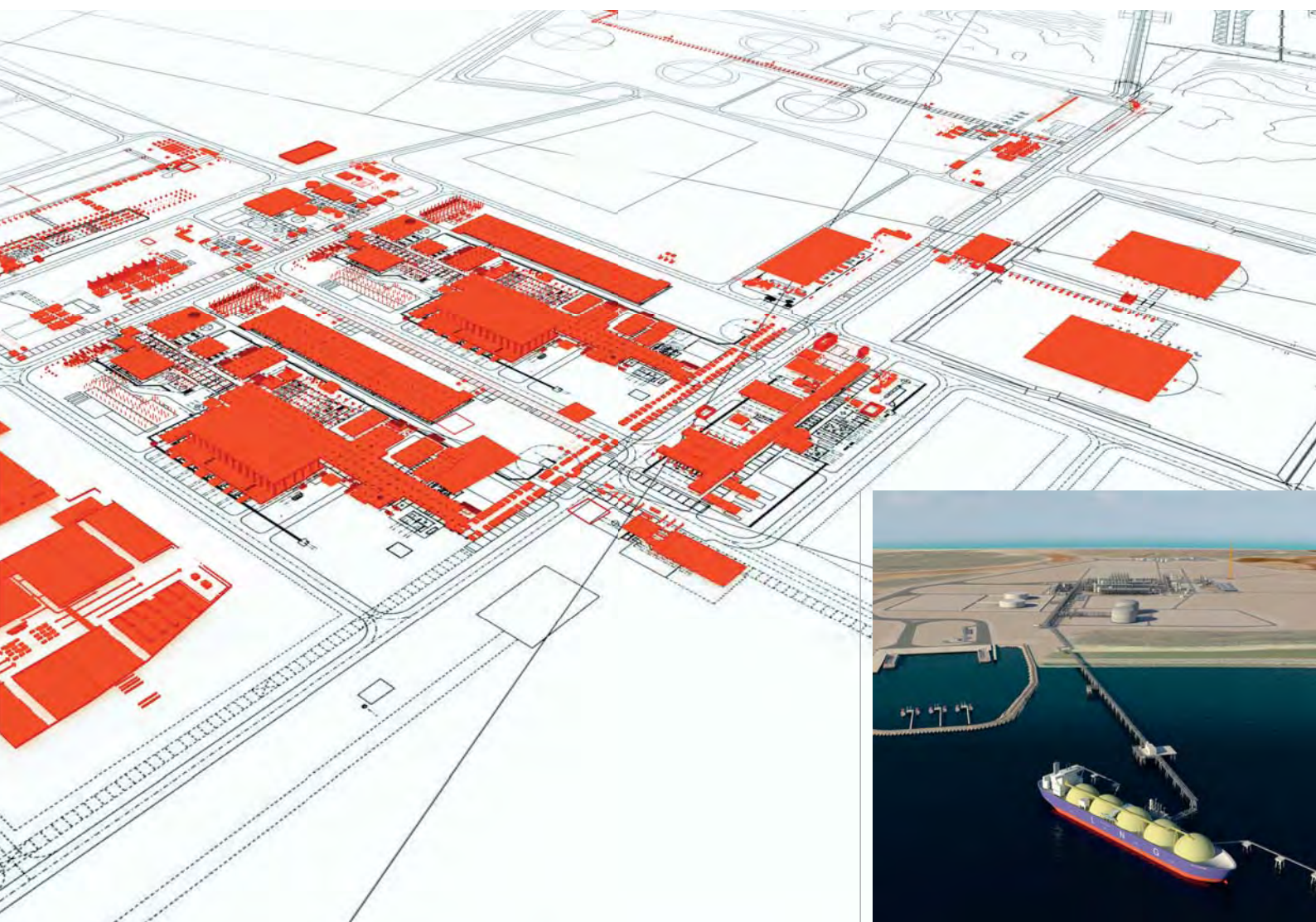
By building twice – once virtually – we are able to utilise a data-rich, multi-dimensional model to enable our project team to better understand and deliver this complex project with confidence.

In carrying out these works, Laing O'Rourke will directly employ up to 700 people. We are committed to working with the communities in which we operate and wherever possible are employing local workers and partnering with local suppliers and subcontractors.

Laing O'Rourke's health-and-safety-first culture is one we share with both client Bechtel and operator Chevron. For this reason, Wheatstone has been selected as a flagship Mission Zero project – with the most exacting standards embedded right from the very outset. The lessons learned as part of this process will be captured and applied elsewhere across the business.

The Wheatstone Project reinforces our position as a leading provider of self-delivered, multidisciplinary construction and engineering services at every link of the oil and gas export chain.

Furthermore, it adds to Laing O'Rourke's undisputed Western Australian heritage, and in particular our connection to the Pilbara region – where we have decades of experience in rail, mining and marine projects backed by a skilled workforce and heavy plant that is ready to mobilise.





ANNA STEWART  
GROUP CHIEF EXECUTIVE

## DEVELOPING OUR UNIQUE BUSINESS OFFERING

These results validate the strength of our reputation, the clear direction of the Group and the sustainable cash-generating abilities of our underlying businesses.

### **Safety and sustainability**

I will start with the result that is most important to us: health and safety. Our ambitious Mission Zero campaign, to eliminate all accidents from our operations by 2020, has secured amazing support right across the business this year. A common approach is now embedded enterprise-wide with successful integration of a behaviourally based culture.

We continue to invest in safety training and development, spending £8.9 million in the FY13 period. The one-to-one safety interviews with new starters on site have had a markedly positive impact on behaviour and the credibility of the programme.

We are working to two key targets. The first is a 0.1 Disabling Incident Frequency Rate (DIFR) by 2015. If we are successful, we will have reduced to one in ten the number of people who over an entire career sustain an injury resulting in an absence of one or more days. The second, by 2020, is to have reduced the number of accidents overall, including the most minor incidents, to 0.1. As of today, the achievement of this latter target is aspirational; however, if we are serious about challenging and changing the poor image of our industry, this will be a real and important demonstration of that change.

We respect the value of all resources, both tangible and intangible, and try wherever possible to use less and complete quicker, without mistakes. An intrinsic benefit for any company improving its sustainability credentials is that it is good for business because it creates the opportunity to reduce selling price and improve profitability. This has allowed us to remain competitive in the predominantly price-driven environments induced by the sustained downturn.

Design for Manufacture and Assembly (DfMA) will help address the skills gap and build sustainable careers. It can offer longer-term careers for people trained in more exportable and sophisticated skill-sets who are deployed in smarter, cleaner and safer working environments.

### Performance overview

The review period was characterised by limited economic progress and challenging trading conditions in many of our international markets, which once again resulted in a difficult year for the engineering and construction industry as a whole.

Amidst this continuing volatility, Laing O'Rourke has delivered another resilient performance, generating strong cash flows and profit before tax of £57 million. These results validate the strength of our reputation, the clear direction of the Group and the sustainable cash-generating abilities of our underlying businesses.

The Group's general level of liquidity also improved following another strong cash performance, with net cash balances increasing £89 million to £410 million, bucking the current industry trend of declining cash balances. We continued our commitment to a strong balance sheet with the aim of sustaining strong credentials with our primary investors. By exercising discipline and flexibility in the way that we manage and allocate capital, we will ensure we build a robust and strongly performing business over the long term.

We appreciate and respect those who allow us to use their capital. The Group is providing good and sustainable returns for its shareholders by sticking to a consistent and clearly defined strategy. We are clear on the activities we will pursue and equally with those we will not. In the case of our banks and bondsmen, as major providers of capital, although we will continue to reduce our drawn debt, we will rely on their goodwill to provide security support on our major programmes of work. We intend to continue to differentiate ourselves competitively such that they feel secure in the support they give to us. We have built a resilient business and maintain ample levels of liquidity for all eventualities. We have promised no surprises and that is what we intend to deliver.

### Strategy

We have refreshed our business strategy during the period by involving a diversified set of people from across the Group in developing our Group Strategic Roadmap (GSR). Our Europe and Australia Hubs are aligned and have since been formulating their action plans to support delivery of the GSR.

We are increasingly diverging from our competitors in the market, which makes it more difficult to draw comparisons easily using traditional tools. It is incumbent on us therefore to define our Unique Business Offering in a compelling way through digital engineering, the Engineering Excellence Group and DfMA and to work in collaborative relationships with partners and enable the organisation for its delivery, by ensuring the quality of our people and the performance and affordability of our products.

Our strategy is supported by four pillars around which our action plans are being conceived: Human Capital Management; Engineering Excellence; Business Improvement and Supply Chain Frameworks; and Financial Performance through appropriate returns and complementary capital structures.



### People

As a result of the decisive actions we took in rightsizing the organisation back in 2009/10, we have enjoyed substantial improvement in our revenue and profitability per employee ratios. This, together with the overhead reduction secured through our operational efficiencies programme, has meant that we have been able to keep our business financially sound, while at the same time offering clients more commercially attractive propositions.

In the downturns of the early 1980s and 1990s, our industry dramatically reduced its entry-level recruits, which resulted in serious talent gaps within specific age demographics across the industry. This shortfall has never recovered within the industry because the most talented people moved on to pursue their careers elsewhere and were lost to our profession.

We have tried to learn from that experience and throughout the period since 2009 have continued to recruit entry-level construction and engineering talent. This year alone, we are directly employing, in a combination of graduates, scholars, cadets and apprentices, 136 people in the Europe Hub and 45 in the Australia Hub. In contrast to the general industry norm, we do not include trainees employed by our supply chain partner organisations in these numbers to ensure we provide an accurate view of our direct contribution to this challenge.

We are continuing with our leadership development programmes. Young Guns, which we run annually, is in its tenth year in Europe and many of the new members across our senior leadership teams have experienced participation in this programme.

Our human capital discipline has been led in recent years by a business leader and supported by human capital professionals. Steve Hollingshead, who until recently was our Hub Chief Executive in Australia, has recently assumed responsibility for our Human Capital discipline at Group level.

We are investing in additional management technologies to better understand the depth and experience of our talent and to improve their succession and deployment to the right opportunities, including those that require cross-business unit and cross-border mobility.

## Market dynamics

### Europe Hub

The construction sector in the UK continues to decline in terms of market volume and, although there has been a shift from building to infrastructure, spend overall is down. We do not expect this trend to change materially and foresee few signs of significant stimulus prior to the 2015 general election.

We will continue to reinforce our prudent practices of recent years while focusing on offering innovative engineering solutions as the best opportunity for an acceptable return at an affordable sales price for our clients.

We are comfortable working in the Middle East at our current scale but will only grow volume if we see a relaxation in the contracting and payment practices in some of the more traditional territories. We can see the obvious demand from fixed-date event commitments, as well as the international supply chain capability which has swarmed into the region.

We have been following a focused approach in Canada which generated early profitability for that business.

We will selectively consider opportunities to work with existing customers in new territories, should the combination provide a sensible proposition with low barriers to entry.

Additionally, we will exit businesses if the dynamics are such that we cannot operate them profitably. To this end, we disposed of our stone quarrying operations in Germany during the year.

### Australia Hub

Although a slowdown in infrastructure opportunities in Australia is expected as a result of global miners, and oil and gas providers slowing their capital expenditure, the existing multi-year, multi-billion dollar project commitments in delivery are challenging available resources. We expect Australia to be a rich market of opportunity for the Group over the next few years and believe that our offering, which reduces the need for onsite workers, could be particularly attractive for the remote, fly-in, fly-out locations where many of these projects are based.

In Hong Kong, we have several projects in delivery for the Mass Transit Railway of a sophisticated engineering nature and in this arena we can be competitive and successful. Elsewhere in Asia, we are keeping a watching brief but currently cannot see anything aligned to our capability over and above the opportunities we are pursuing in Australia.

## Governance

Although we enjoy private ownership, we govern the Group in every practical way as if we were publicly listed on the stock market. We work very hard to ensure deep and enduring relationships with our financial stakeholders, the tax authorities, our auditors and our advisers, with a highly transparent regime facilitated through constant communication.

We exercise great caution in selecting the clients with whom we wish to trade and those in the supply chain who support us in delivery. In expecting to be rewarded fairly and properly for our efforts, we are proud to ensure that the parties in our supply chain are similarly rewarded, fairly and promptly.

Succeeding Ray O'Rourke this year as Chief Executive has given me the opportunity to refresh our senior team. I am confident we have a good mix of experience and youth with strong optionality for succession to the senior roles in the future.

## Innovation

We have made positive strides this year in the development of our products and solutions. Our Engineering Excellence Group is enjoying high demand, as are our manufacturing facilities. We can see a very positive impact in the quality of our bid submissions and in our project outcomes. Some of the projects currently in construction will pay long-term testament to the progress being made.

It is not just about the benefits in construction delivery quality and experience, but also the 'cost in use' of the products during their lives in operation through the material reduction in energy consumption and maintenance. We are making progress on all fronts in this regard.

## Outlook

We are an ambitious organisation with passionate people. Our character is to leave no stone unturned in our pursuit of Excellence Plus performance. That does not however translate to forcing one solution irrespective of client need. DfMA is a flexible set of solutions that can be tailored to specific requirements, and the degree to which it will be applied will be determined by what offers the best outcome for the clients against their investment objectives.

Earliest possible mobilisation of an integrated design and delivery team presents the best opportunity to optimise the offering for long-term value. The PPP/PF2 procurement methodologies in the UK, Canada and Australia, where the industry is asked to respond to the end-user's performance specification, fit the bill perfectly. We hope to see a recovery in the number of these schemes coming to market, alongside other clients challenging us to respond to their performance and aesthetic requirements.

Private ownership affords us the opportunity to make investments for the long-term good of the business. We have a positive programme of investments for the year ahead in equipment, people, engineering, accommodation and technology. Our directly employed workforce and our self-owned fleet of construction plant and equipment are examples of these ongoing investments.

We are delighted with the recovery enjoyed by our Australian business this year and are confident that we now have a consistent platform across the Group from which to respond to attractive opportunities. Larger, more challenging projects are where we can be most successful and retain appropriate spans of control. We do not therefore intend to pursue lots of smaller projects to maintain volume in subdued locations.

I am excited and confident about our future. We are a business with people who can be trusted and will deliver. We want to make the experience of engaging with us as enjoyable and rewarding as possible. Thank you.

**ANNA STEWART**  
GROUP CHIEF EXECUTIVE



# OUR STRATEGY

Laing O'Rourke aims to become the first choice engineering and construction partner for clients through the performance excellence of its operational assets, financial resources and human capital in attractive markets and sectors, while at all times maintaining a resolute commitment to the highest standards of safe and sustainable delivery.

**LAING O'ROURKE VISION**

**To be the company of first choice for all stakeholders. To challenge and change construction worldwide. To be lean and agile in the adoption of processes to compete with world-leading businesses**

**OUR VALUES**

- Make safety personal and work responsibly
- Work as one team, listen to everyone
- Deliver on our promises, aim to exceed
- Lead by example
- Find or follow a better way
- Collaborate with clients and partners

**MISSION TO 2020**

To become a globally focused and enduring engineering enterprise through our commitment to a culture of Excellence Plus performance

<b>Business Improvement</b>	<b>Engineering Excellence</b>	<b>Financial Performance</b>	<b>Human Capital Management</b>
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**GROUP STRATEGIC ROADMAP TO 2015**

<b>Unique Business Offering</b>	<b>Clients, Markets and Sectors</b>	<b>Enabling the Organisation</b>
We will challenge and change the market by delivering a Unique Business Offering	We will build collaborative relationships – becoming a partner of first choice	We will enable the organisation by being lean and agile

**STRATEGIC ACTION AREAS**

Increase EnEx.G activity to positively influence major client projects earlier	Advance key client relationships applying robust risk framework	Grow human capital through focus on capability development
Deploy digital engineering enterprise-wide	Optimise work-winning and delivery using bespoke sector strategies	Improve business performance via strong cost control, governance and knowledge-sharing
Progress DfMA through sector and market-specific agendas	Focus on preferred partnerships to expand in higher-growth markets	Advance safety and sustainability performance to achieve Mission Zero

# A STRATEGY THAT DELIVERS

Our strategy defines the direction, shape and culture of the Group over the long term as a globally focused engineering enterprise.

Laing O’Rourke is now an internationalised business operating successfully in a rapidly evolving world – a world in which volatile conditions and the changing structure of markets are creating significant new challenges and very substantial new opportunities. In parallel, environmental issues and the sustainable limits of human activity have become ever more pressing. ‘Engineering the Future Today’ has never been more relevant or urgent.

The Laing O’Rourke Group’s activities are underpinned by our unique character. This is described in our vision, mission and strategy. Together they form a compelling guide to what our goals are and how we will achieve them. They continue to unite us in pointing the way towards achieving future success that is in the common interest.

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

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

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

## VISION

Laing O’Rourke’s well-established vision provides a clear definition of the future state we wish to achieve. As a result of the significant changes in our core construction markets, we have undertaken a review of our strategic options to ensure they continue to align with the vision. Whilst the vision defines the destination, our commitment to engineering our future through Excellence Plus performance guides all our decisions and actions, and is embedded in the Group’s mission statement.



## MISSION

The mission describes the overall goal and philosophy that underpins our activities, and is key to the achievement of our vision.

A globally focused and enduring engineering enterprise applies the knowledge and methods of an integrated set of disciplines to the design and construction of the built environment. It utilises the application of automated processes, intellectual capital and fit-for-purpose organisational resources to create sustainable value. The goal is a human-technological alliance in which learning takes place at every level.

Excellence Plus performance is verified in every aspect of the way the Group does business – engineering excellence, human capital management, financial performance and business improvement. By consistently applying the four key elements of Excellence Plus performance in all our operations globally, we will achieve our vision to be the company of first choice for all stakeholders, able to challenge and change the poor practices synonymous with construction and compete alongside world-leading businesses.

## STRATEGY

The Group strategy creates the framework which defines the direction and shape we will pursue over the medium to long term. This provides a clear mechanism to enable the Board and Group Executive Committee to fully understand the operating environment and prevailing market forces, prioritise objectives and then allocate the necessary financial and non-financial resources to achieve the required state.

## Refreshing our 2020 Strategy

During the year, recognising that we live and work in radically changing times, the shareholders and the Group Executive Committee commissioned a wide-ranging review to refresh the company's 2020 strategy. The purpose of this exercise was to clarify the next steps on our journey towards creating an enduring, profitable engineering enterprise, committed to Excellence Plus performance – one of considerable scale with global reach.

The process was based on market research, business analysis of our past performance and an extended dialogue with key stakeholders. The result is a Group Strategic Roadmap (GSR) which articulates our near-term approach to 2015 and sets clear parameters for the development of our future activity. It is closely allied to, and consistent with, the programmes being pursued under the Engineering Excellence Group, digital engineering, Design for Manufacture and Assembly (DfMA) and the human capital agenda.

As part of Laing O'Rourke's dynamic approach to Engineering the Future Today, the GSR both provides a strategic steer for near-term business planning and creates a route to growth via coordinated action to be pursued by management across the Group over the medium to long term. The GSR is refreshed on an annual basis by the Group Executive Committee ahead of the detailed business planning process.

## Group Strategic Roadmap

The key elements of our Group Strategic Roadmap are:

- Unique Business Offering;
- Clients, Markets and Sectors;
- Enabling the Organisation.

### Unique Business Offering

To realise this element of Laing O'Rourke's 2020 vision, we will proactively deploy new skills and systems ensuring that complex projects are 'built' twice – once virtually in a digital engineering enabled environment and then at the point of

delivery, ensuring greater predictability of the time, cost, quality, safety and sustainability outcomes for clients. To cater for clients demanding more intelligent assets, we will create smarter, engineering-led solutions, constructed with a focus on whole-life value and long-term controlled performance.

The three key, mutually reinforcing initiatives that will be progressed in combination to deliver, when brought together with the industrial base and knowhow of the Group – our Unique Business Offering – include:

- The further engagement and integration of the Engineering Excellence Group with client organisations and the wider business.
- The development and deployment of digital engineering to ensure maximum return on project investments.
- The extension of DfMA across the pipeline of Group activity to develop innovative product sets for all sectors.

Through bespoke sector strategies, we will embed DfMA as our core delivery methodology, enabling the provision of solutions that extend over a greater proportion of the client value chain. Offering a broader set of lifecycle services provides secure, higher-margin income on an ongoing basis and is less affected by cyclical fluctuations than the traditional contracting model.

The Group will establish and nurture the types of relationships and the commercial arrangements that will enable this Unique Business Offering to be delivered to the market at increasing scale. Over time, this approach will lead to the attainment of the Group's long-held aspiration to cultivate 'trusted delivery partner' status with key clients, both private and public.

To assure this outcome, the Group will continue its exemplary record of delivery achieved over many years of working with key clients. To further support this goal, over the period to 2020, Laing O'Rourke will move more into the territory of whole-life provision through the creation and delivery of intelligently built assets, infrastructure systems and the associated technology-driven management systems that underpin their efficient operation.

## GROUP STRATEGIC ROADMAP

Laing O'Rourke's new strategy covers the period to 2015, setting out the company's path towards its long-term vision to be a globally recognised engineering enterprise. It is centred on three core policy settings, which are supported by action areas and planned tasks, as well as leadership values that will engage employees and drive implementation.



### Clients, Markets and Sectors

Over the coming years, we will boost our share of available business by targeting long-term strategic client relationships by gaining detailed insight into requirements in each of our core markets, recognising that those can and will change over time. While offering competitive client propositions, we will develop enterprise-wide value from the cross-selling effects that result from cooperation between closely linked Laing O'Rourke businesses. In the future, we will seek to further reinforce and expand the integration between businesses and countries by identifying our clients' vital needs, prioritising our capabilities, and creating long-term demand for our products and services.

The three key, mutually reinforcing initiatives that will be progressed in combination to deliver on this ambition include:

- Advance key client relationships applying a robust risk framework.
- Optimise work-winning and delivery using bespoke sector strategies.
- Focus on preferred partnerships to expand in higher-growth markets.

This approach will also allow us to better anticipate and respond to global trends in areas such as demographic developments and climate change, deploying our talent where it generates greatest value.

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

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

We will extend our footprint in Australia where substantial investments are planned in mining and transport infrastructure. We will also seek to grow our presence in Canada, where markets are benefiting from a number of economic, social and environmental factors.

In the future, we will continue to differentiate ourselves from the competition on the basis of our technical capabilities in engineering and construction – offering our clients total solutions. We will look to develop a 'licence to operate' in selective infrastructure sectors on a global basis, for example in rail and increasingly in oil and gas, and power generation.

The action plans to achieve this will differ for each sector, leveraging the experience of our industry talent, plus significant in-house resources in plant and equipment.

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



**In the future, we will seek to further reinforce and expand the integration between businesses and countries by identifying our clients' vital needs, prioritising our capabilities, and creating long-term demand for our products and services."**

### Enabling the Organisation

The current economic environment is driving up levels of competition and therefore the Group will increase its focus on generating improved financial returns by focusing on efficiency and cash generation across all its business activities.

Under the umbrella of business improvement, our organisational effectiveness programmes and cost reduction initiatives aim to ensure that our management operations remain efficient and effective, improving the competitiveness of the Group and thereby enhancing its ability to win future business.

The three key, mutually reinforcing initiatives that will be progressed in combination to deliver on this ambition will include:

- Grow human capital through focus on capability development.
- Improve business performance via strong cost control, governance and knowledge-sharing.
- Advance safety and sustainability performance to achieve Mission Zero.

All the Group's business units and functional disciplines will strive to eliminate non-value-adding activities through the eradication of duplication and disposal of non-core activities. This must be achieved whilst concurrently maintaining the commitment to Excellence Plus performance in terms of engineering excellence, human capital management and financial performance.

The Group will procure a wide range of major equipment, services, materials and components that positively enhance the products and services it provides to clients. We will be highly selective in working with supply chain partners who support our Unique Business Offering and can help deliver it on time and to a high quality by providing innovative, cost-effective solutions.

The Group will ensure all suppliers work to the same or equivalent standards as our own on issues ranging from responsible trading and ethical conduct to health and safety, and will encourage them to adopt and comply with sustainable environmental best practices.

To achieve this in 2013/14 and beyond, we will recruit, retain and develop the very best talent. We will embed best-in-class processes, systems and methodologies in areas including governance and risk management, capital allocation, DfMA, branding and marketing, safety and sustainability, technology, corporate reporting and human capital management. These are the key enablers that underpin the delivery of our financial and non-financial goals.

## GSR ACTION AREAS

The Group's strategic framework contains a series of key action areas that form the Group Executive Committee objectives. These emanate from our vision, mission and strategy, and constitute the short-term actions required to shape the business portfolio in line with our GSR to 2015 and drive Excellence Plus performance over the medium to long term. These objectives translate the overarching strategic intent into operational plans that are then delivered by the business units.

## INTEGRATED BUSINESS UNIT DELIVERY PLANS

Integrated business unit delivery planning is a quarterly process that includes a policy deployment matrix to ensure a clear line of sight between the Laing O'Rourke Board and Group Executive Committee approved strategic and financial plans, and the tactical execution of them. The Group's corporate governance framework is an integral tool for ensuring adherence to overall strategy. It provides the mechanism for rapid resolution of issues caused by unforeseen deviation from the agreed plans due to non-performance or off-plan opportunities arising.

## DELIVERY CULTURE

With a long history of offering innovative engineering and construction solutions, Laing O'Rourke is an international service provider delivering a wide range of assets and services across the client value chain. We are able to provide integrated capabilities at every stage in the lifecycle of the built environment.

**“The Group continues to make strong progress in establishing an Excellence Plus culture across all our business activities. By doing so, Laing O'Rourke is building on its position as one of the world's largest privately owned and geographically diverse engineering and construction companies, focused on delivering sustainable growth.”**

Laing O'Rourke is committed to the development of a culture based on Excellence Plus performance. The four cornerstones of this approach are:

- Business improvement;
- Engineering excellence;
- Financial performance;
- Human capital management.

### 1. Business improvement

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

The elimination of all accidents from our business is an objective of the highest strategic significance. Our health and safety performance determines our strength as a business. It is not an isolated measure but one that defines our success in all other areas of our operations. For this reason, it is central to business improvement, a precondition of our continued growth. Performance indicators such as client satisfaction, investor confidence, employee engagement, revenue levels, staff retention rates are all, in one way or another, linked to the same trajectory as our Mission Zero safety objectives.

### 2. Engineering excellence

The Group's priority is to fully understand the needs of its clients and deliver on its promises throughout the life of the engineering and construction services provided. Engineering excellence is fundamental to our strategy through extensive deployment of our Unique Business Offering, embracing the innovative Engineering Excellence Group, digital engineering technologies, Design for Manufacture and Assembly methodologies and integrated self-delivery capabilities, across all our key sectors and markets. Excellence Plus in execution means delivering on projects within tight tolerances of quality, time and cost performance in a reliable, predictable and repeatable manner.

To measure progress towards our aim of becoming the first choice engineering and construction partner, at the aggregate level, we use repeat business metrics to gauge the enduring nature of client relationships. We also use qualitative client satisfaction survey results as key indicators of our engineering and delivery performance.

### 3. Financial performance

The Group sets stretching but achievable financial performance targets as part of its annual budget planning process to improve performance from both a cost and sales perspective to drive appropriate financial returns and complementary capital structures. These are derived from our consolidated financial statements and include order book, managed revenue, earnings before tax and operating cash flow.

#### 4. Human capital management

The Group's pursuit of Excellence Plus financial and operational performance is dependent on the quality and commitment of its people. It is critical the Group attracts, develops and retains the best talent in the marketplace to ensure project delivery within the tight tolerances of quality, time, cost, safety and sustainability required by clients. The key indicator of performance in this regard, beyond financial metrics, is the level of enterprise-wide employee engagement. It is an all-encompassing metric which determines the degree of understanding and commitment of the Group's employee base to our strategic goals, and hence provides a direct correlation to service levels, client satisfaction, responsible behaviour and financial performance.

#### OUR APPROACH TO INTERNAL AUDIT AND CONTROL

Our internal control processes, including internal audit, ensure that key issues are escalated through the management team, ultimately to the Board if appropriate. They provide a common framework across the Group for operational and financial controls, and are reviewed on a regular basis by the Board. The business policies and processes detailed within Our Global Code of Conduct and The LOR Way draw on global best practice, and their application is mandated across the organisation.

Core and Enabling Processes are two such examples, and promote the application of best practice in the tendering, procurement and delivery phases of projects, facilitating continuous improvement across the Group. It considers the whole-life implications of project execution from inception to delivery into service and eventual decommissioning, and its application is critical to our capability in delivering projects to schedule, cost and quality.

The Group's Quality Management System is set out in the Corporate Governance section on page 86.

#### OUR APPROACH TO RISK MANAGEMENT

The effective management of risks and opportunities is fundamental to the delivery of the Group's objectives, achievement of sustainable growth, protection and enhancement of its reputation and upholding the required standards of corporate governance. The Group's risk management framework, including principal financial and operational risks, is set out on pages 54 to 59.

# MEASURING STRATEGY EXECUTION

The Board uses a range of financial and non-financial indicators across our business units to monitor the Group's aggregated performance against its Excellence Plus targets and key Group Strategic Roadmap objectives.

#### Our Group Strategic Roadmap (GSR)

Laing O'Rourke's 2020 vision and longer-term mission of building an enduring engineering enterprise of considerable scale committed to Excellence Plus performance remains in place as the long-term driver of all our strategic plans. The GSR's role is to better articulate and guide the immediate next steps along this journey.

Our strategy is predicated on becoming the first choice engineering and construction partner for clients in our chosen markets and creating value by investing in areas that make a materially positive difference to our clients' businesses as well as our own. Engineering and construction leadership driven by superior digital engineering insight, Design for Manufacture and Assembly quality and greater focus on service levels, relationship management and financial discipline will be the overriding priorities. This level of focus will create greater value for clients and enable delivery of stable and sustainable returns for stakeholders over time.

We have a prestigious client portfolio, high-quality resources and a talented and committed workforce. We are seeking to develop a leaner, more agile, efficient and responsive organisation with a real focus on delivering a Unique Business Offering that creates long-term collaborative relationships. With a primary focus on core construction markets in the UK and Australia which offer good returns and attractive growth opportunities, we will maintain our prudent approach to risk to further strengthen the Group's balance sheet.

Our strategy is enabled through our commitment to Excellence Plus performance. Excellence Plus performance encompasses four pillars around which our action plans are being aligned:

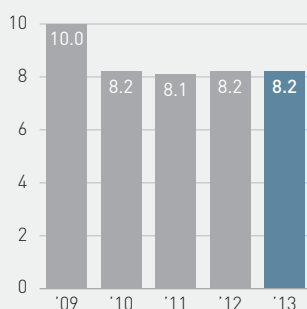
- Business improvement;
- Engineering excellence;
- Financial performance;
- Human capital management.

# FINANCIAL PERFORMANCE

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

## ORDER BOOK

(£billion)

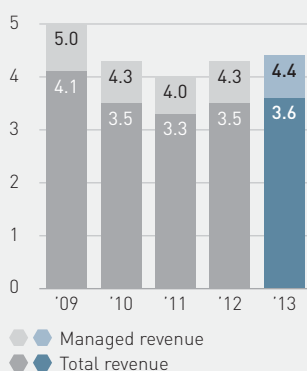


**Definition:** Order book represents the amount of outstanding work on secured contracts. It is a key measure of our success in winning new work and also provides visibility of future earnings.

**Performance:** The Group order book was maintained at £8.2 billion (2011/12: £8.2 billion) as we continued to replenish our pipeline with high-quality contract wins in prioritised sectors like oil and gas exploration and processing in Australia, and rail engineering in the UK.

## MANAGED REVENUE

(£billion)

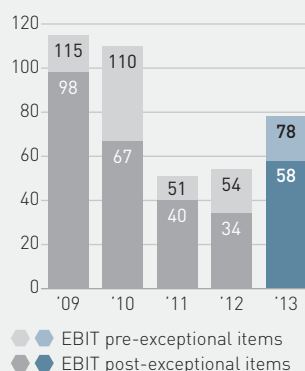


**Definition:** Managed revenue represents the amount of sales generated from the provision of engineering and construction-related services, including the Group's share of joint ventures, associates and inter-segment sales.

**Performance:** Managed revenue, increased by 2 per cent in 2012/13 to £4.4 billion (2011/12: £4.3 billion), primarily due to the continued growth in our Australian business and the resilience of our integrated business model, despite the continually challenging conditions in the UK and Middle East construction markets.

## EARNINGS BEFORE INTEREST AND TAX

(£million)

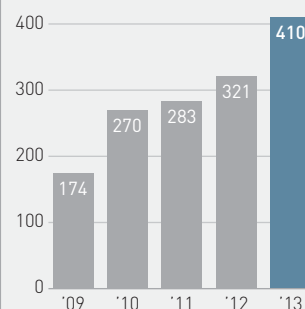


**Definition:** Earnings before interest and taxes is a key measure of the operating profitability of all revenue-generating business units.

**Performance:** Earnings before interest and taxes, prior to exceptional items, increased by 45 per cent to £78.4 million (2011/12: £54.0 million), benefiting from the restoration of performance in our Australian operations through commercial discipline, strict bid criteria and delivery process efficiency, alongside a resilient performance from our UK businesses units and our selectivity in securing more complex, higher-margin engineering contracts.

## NET FUNDS POSITION

(£million)



**Definition:** Net funds position at the year-end is a key factor in evaluating the Group's cash and liquidity position. The Group's capacity to generate positive net cash balances is an important measure of its ability to invest in business growth, and serves as a strong attractor to outside investment.

**Performance:** The Group ended the financial year with gross cash of £684 million, reflecting our continued focus on strong cash management which saw our net funds position increase by 28 per cent at the year end to £410 million – the best performance to date by the Group. The Group's excellent cash performance has been achieved while maintaining alignment to the UK Government's Prompt Payment Code.

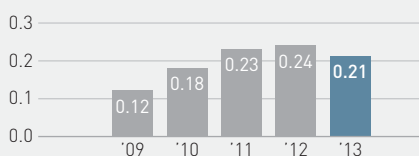
FOR MORE DETAIL  
SEE PAGES 90 TO 91

## BUSINESS IMPROVEMENT

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

The elimination of all accidents from our business is an objective of the highest strategic significance. Our health and safety performance determines our strength as a business. It is not an isolated measure but one that defines our success in all other areas of our operations. For this reason, it is central to business improvement – a precondition of our continued growth. Performance indicators such as client satisfaction, investor confidence, employee engagement, revenue levels, staff retention rates are all, in one way or another, linked to the same trajectory as our Mission Zero safety objectives.

### ACCIDENT FREQUENCY RATE



**Definition:** Accident Frequency Rate (AFR) is an industry-standard measurement equivalent to one reportable lost-time incident resulting in more than three working days' absence per 100,000 hours worked, which equates to approximately one working lifetime.

The Group's health and safety approach is aligned globally.

**Performance:** AFR improved to 0.21 in the year, with no fatalities. This result reflects an industry-leading performance relative to our peers, validating the investment in leadership time and resources given to all aspects of safety management. Health and safety is the Group's number-one priority, constituting our licence to do business. We lead the construction sector in the implementation of a behaviourally based approach to safety to ensure all our activities are managed and controlled in a safe and responsible way.

### PROFIT PER HEAD

£12,800

**Definition:** Profit per head is earnings before interest and tax divided by the average number of salaried staff, and is a key measure of operating efficiency.

**Performance:** Profit per head increased to £12,800 as a continued result of the decisive actions we took in rightsizing the organisation in 2009/10. This, together with the overhead reduction secured through our operational efficiencies programme, has meant that we have been able to keep our business financially sound while at the same time being able to offer clients more commercially attractive propositions through increased productivity.

## HUMAN CAPITAL MANAGEMENT

The Group's pursuit of Excellence Plus financial and operational performance is dependent on the quality and commitment of its people. It is critical that the Group attracts, develops and retains the best talent in the marketplace to ensure project delivery within the tight tolerances of quality, time, cost, safety and sustainability required by clients.

### EMPLOYEE ENGAGEMENT

64%

**Definition:** Employee engagement is an all-encompassing metric which determines the level of understanding and commitment of the Group's employee base to our strategic goals, and hence provides a direct correlation to service levels, client satisfaction, business growth and financial performance.

We increasingly use our employee engagement survey – Shape – to assess individual motivation and organisational processes in this regard.

**Performance:** Employee engagement was 64 per cent, compared to a global norm of 57 per cent. This once again placed us in the top quartile of global high-performing companies for the motivation and commitment of the workforce.



# ENGINEERING EXCELLENCE

The Group's priority is to fully understand the needs of its clients and deliver on its promises throughout the life of the engineering and construction services provided. Engineering excellence is fundamental to our strategy through extensive deployment of our Unique Business Offering embracing the innovative Engineering Excellence Group, digital engineering technologies, Design for Manufacture and Assembly (DfMA) methodologies and integrated self-delivery capabilities, across all our key sectors and markets.

To assess progress towards our aim of achieving engineering excellence, we are monitoring the use of DfMA and digital engineering across our projects. We also use repeat business and qualitative client satisfaction survey results as key indicators of our engineering and delivery performance on client projects.

## REPEAT BUSINESS

76% 66%  
Europe Hub Australia Hub

**Definition:** Repeat business\* ratio is the value of external contracting turnover in the year generated from repeat clients as proportion of total external contracting turnover in the year. It is a key driver of revenue and earnings growth as retention drives an increase in the lifetime value of a client, reduced marketing costs, and provides key insights into client behaviour, which drives continuous improvements in the business offering.

**Performance:** Repeat business represented 71 per cent of our revenue, as the benefits of our Unique Business Offering and quality of our delivery converted more of our client base to 'trusted delivery partner' status. The ratio is diluted by a number of new contract wins in significant and growing sectors such as oil and gas in Australia and rail engineering in the UK.

\* 'Repeat clients' represents clients with whom we have a previous relationship, having delivered more than one project. All healthcare and education projects in the UK have been aggregated under National Health Service (NHS) and Department for Education respectively.

## CLIENT SATISFACTION

ON TARGET

**Definition:** Client satisfaction data is collected on key client opinions relating to the Group's operational performance on projects as part of Core Process. This provides clients with an opportunity to share their views on strengths and weaknesses in the Group's delivery approach, and supports our continuous improvement process.

**Performance:** The Group's goal is an overall year-on-year improvement in client satisfaction on its major construction and infrastructure contracts. These metrics are contract-specific and subject to variations in interpretation, therefore aggregated data is not presented.

## DfMA

70%  
minimum deployment target

**Definition:** The proportion of a suitable project designed and delivered using the Group's DfMA methodology. We are currently testing a prototype 'preassembly calculator' to systematically measure DfMA content across all elements of our projects.

**Performance:** We seek to expand the use of DfMA in an innovative way, whenever appropriate, to drive towards our targets of reducing onsite labour and achieving programme savings with greater certainty of outcome that ultimately will drive benefits to our clients. Products suitable for the application of our DfMA methodologies are constantly being developed with the support of our Engineering Excellence Group.

Notable projects during the year include William St Quarter (UK), the Francis Crick Institute (UK), Crossrail Projects (UK), and Cape Lambert Port B (Australia).

## DIGITAL ENGINEERING

1,245  
training days

**Definition:** Digital engineering (DE) delivers an integrated set of geometric models, data and documentation that builds over the life of a project to capture all knowledge related to that project. Utilising our experience gained over many projects, DE will give our clients confidence in our abilities by demonstrating our understanding of the complexity of the construction process, risks, logistics and programme, thereby enhancing our reputation for safe delivery on time and to cost.

**Performance:** Our deployment of digital engineering has accelerated in pace and execution. In our tendering activity we now deploy a level of DE on all projects and are actively applying DE during the delivery phase in over 50 live projects across the Group. A recent in-house survey (part of our strategy to increase organisational capability) showed over 50 per cent of our UK staff are 'gaining confidence or above', with 25 per cent accessing a model in the last month. We have delivered over 1,200 days' training since January 2012, and the capability of all disciplines is increasing year on year.

DE has become the 'way we go to work' and the following steps will be to increase the overall capability of the global organisation next year, providing a greater level of assurance and predictability of outcome to our clients.

## EUROPE HUB

Our Europe Hub comprises Laing O'Rourke's operations in key building and infrastructure sectors and construction markets covering principal markets in Canada, Saudi Arabia, the United Arab Emirates and the United Kingdom.

The Group is one of the leading engineering and construction solution providers in its chosen sectors. Our aim is to leverage the scale and efficiencies of our Unique Business Offering and vertically integrated delivery model to generate profitable revenues in our core markets, collaborating with like-minded partners. We will complement this approach by building leading positions in selective growth-oriented sectors and territories with the right strategic and cultural fit.

### HIGHLIGHTS

0.14

Accident Frequency Rate

65%

Employee engagement

11,208

Number of employees

£2.6bn

Managed revenue

£49.0m

EBIT (pre-exceptional items)

£5.6bn

Order book

10.7%

Gross margin



#### UNITED KINGDOM

1. CARDIFF
2. DARTFORD
3. EXPLORE INDUSTRIAL PARK
4. MANCHESTER
5. MOTHERWELL

#### UNITED ARAB EMIRATES

6. ABU DHABI
7. DUBAI

#### SAUDI ARABIA

8. RIYADH

#### CANADA

9. TORONTO

## AUSTRALIA HUB

Our Australia Hub comprises a diversified and expanding infrastructure project portfolio through principal operations in Australia, Hong Kong and New Zealand.

Laing O'Rourke is now integrating the global capabilities of the wider Group in Australia to provide a distinctive proposition based on superior quality of design and delivery. It is increasingly taking leading positions in carefully targeted sectors and markets, predominantly in building and social infrastructure, mining and minerals-handling, oil and gas, rail and power, where demand is being driven by the emerging world economic superpowers in and around the region.

### HIGHLIGHTS

0.40  
Accident Frequency Rate

60%  
Employee engagement

4,143  
Number of employees

£1.8bn  
Managed revenue

£29.4m  
EBIT (pre-exceptional items)

£2.6bn  
Order book

7.7%  
Gross margin



#### AUSTRALIA

1. BRISBANE
2. DARWIN
3. PERTH
4. PORT HEDLAND
5. SYDNEY

#### SOUTH EAST ASIA

6. HONG KONG

#### NEW ZEALAND

7. AUCKLAND

## EUROPE HUB

Canada  
Saudi Arabia  
United Arab Emirates  
United Kingdom

“ We have continued to increase the quality and diversity of our project portfolio by focusing our attention on opportunities with a high likelihood that our engineering, manufacturing and direct delivery skills will create value beyond that offered by the competition.”

ROGER ROBINSON  
CHIEF EXECUTIVE OFFICER, EUROPE HUB





## SENIOR MANAGEMENT

(from left to right)

- 1. GEORGE ROSE**  
CHAIRMAN, EUROPE HUB
- 2. ROGER ROBINSON**  
CHIEF EXECUTIVE OFFICER,  
EUROPE HUB
- 3. PAUL COLLINS**  
FINANCE DIRECTOR,  
EUROPE HUB

## GROUP STRATEGIC ROADMAP PRIORITIES

- Leverage the benefits of our Unique Business Offering and integrated delivery model with key clients.
- Selectively extend our international coverage into sectors and markets with the right strategic fit.
- Enhance technical and digital engineering capabilities to meet increasingly complex client demands.
- Improve business operational and financial performance to industry-leading levels.
- Drive our Mission Zero health and safety agenda.

### CROSSRAIL, CANARY WHARF, LONDON, ENGLAND

Laing O'Rourke is playing a major delivery role on Europe's largest rail infrastructure project – Crossrail. Extensive application of the Group's Design for Manufacture and Assembly approach is shaping construction of new stations in London at Canary Wharf (pictured), Liverpool Street, Tottenham Court Road and Custom House.



## Marketplace

### UK

In line with previous guidance, there was an overall contraction in core UK construction and infrastructure markets during the 2012/13 review period, with lower volumes of available work anticipated following the UK Coalition Government's comprehensive spending review and the continuing fiscal uncertainties in the Eurozone adversely affecting confidence levels across the rest of the European Union. This has continued to create a major slowdown in levels of activity in sectors like health and education. Despite these macroeconomic issues, there was ongoing investment in large economic infrastructure schemes, such as Crossrail, and continuing optimism surrounding the nuclear new-build programme, both of which constitute attractive sources of future income for the Group. The UK Chancellor's Autumn Statement did bring some positive signs that public-sector capital investment programmes will recommence, with the commitment to the £2 billion Private Finance Initiative (PFI) backed Priority School Building Programme (PSBP) and High Speed 2. There were also positive signs following HM Treasury's announcement in July 2012 of the UK Infrastructure Guarantees schemes aiming to kick-start up to £40 billion of critical infrastructure projects that may have stalled because of adverse credit conditions. Laing O'Rourke welcomed these initiatives alongside the previously announced National Infrastructure Plan, detailing over 500 potential projects with an estimated value in excess of £250 billion over five years, representing a significant pipeline of opportunity for the construction industry over the medium-term.

In this type of market environment, the Group's operational diversity is a significant strength, allowing us to better optimise our assets through mobilisation into higher-performing markets. At the same time, this provides revenue protection from an over-concentration on any one market or sector.

The subdued private-sector investment environment carried over from the previous year, particularly in the UK, although the commercial office and mixed-use sector continued to show some signs of recovery within the southeast of England, with a number of prestigious schemes coming to market in the period. This plays to the Group's unparalleled strength in building and structural engineering capabilities.

**International**

**Canada**

In Canada, the Alternative Financing Procurement (AFP) market, which shares many characteristics with the Public Private Partnership (PPP) approach in the UK, continued to be an important driver of growth, particularly in Ontario and Quebec, where both state governments have announced comprehensive plans to invest heavily in long-term programmes for social infrastructure, oil, shale gas and rail in particular, which play well to the Group’s core strengths. Following our successful market entry in a joint venture partnership, the Group believes it can further build on its position by targeting growth in core construction and infrastructure sectors, using our balance sheet to support bids on a number of key projects.

**Middle East**

In the Middle East, the United Arab Emirates market remained subdued, particularly in Dubai. We are optimistic that our long-term presence, coupled with the goodwill that has been generated by our public statements of commitment to the region, will ensure it remains an attractive market, benefiting the Group when the upturn gains real momentum. Growth opportunities exist in Qatar, as the country continues to stimulate broader trade links with the international community and diversify its economic growth. The Qatari Government has published plans to invest US\$170 billion in various economic

and social infrastructure and development projects over the next decade to expand and modernise the country’s infrastructure to place it on a par with the most advanced countries worldwide, ahead of them hosting the FIFA World Cup in 2022. The enduring attractiveness of the Qatar market to the Group will, however, be determined by the adoption of equitable procurement routes.

**Strategic priorities**

The Group is one of the leading engineering and construction solution providers in its chosen sectors. In line with the refreshed Group Strategic Roadmap, our aim is to leverage the scale and efficiencies of our vertically integrated delivery businesses and the competitive advantage inherent in our approach to engineering innovation, digital engineering and Design for Manufacture and Assembly (DfMA), while optimising the value of our supply chain relationships to deliver projects on time, on budget and to an unrivalled level of quality, safety and sustainability. We will complement this approach by building leading positions in selective growth-oriented sectors and territories with the right strategic and cultural fit.

We will increasingly pursue multidisciplinary projects which encompass the full range of our Unique Business Offering from programme management, civil and structural engineering, manufacturing and construction services, to mechanical and electrical engineering and operational maintenance.



**STAFFORD AREA IMPROVEMENT, STAFFORDSHIRE, ENGLAND**

Work commenced on the first phase of a £250 million programme to improve performance and capacity on the Stafford section of the UK’s West Coast Main Line. The Staffordshire Alliance – a partnership of Laing O’Rourke, Atkins, Network Rail and VolkerRail – is part of a new collaborative contract built upon common principles, shared values and behaviours that will help transform the delivery of rail infrastructure projects in Britain.



**WILLIAM STREET QUARTER, LONDON, ENGLAND**

Laing O’Rourke is delivering an innovative solution, working with the London Borough of Barking and Dagenham, Long Harbour and associated partners under a unique PPP funding model to deliver a high-quality product quicker than comparable schemes. The project is embracing DfMA and is the first project to employ SmartWall – a modular internal walling system manufactured offsite and delivered with fully integrated mechanical and electrical services, saving over half the time of traditional in situ construction.





Image courtesy of Giles Rocholl Photography

### TRINITY LEEDS, ENGLAND

Laing O'Rourke helped breathe life back into Leeds city centre, with the opening of western Europe's biggest retail scheme for 2013. Drawing on the expertise of the Group's integrated delivery model, including Explore Manufacturing, Expanded, Vetter and Crown House Technologies, combined with regular, proactive engagement with the local community, meant that the project was completed on time and to budget for client (and the UK's largest commercial landlord) Land Securities.



PERFORMANCE

These increasingly large and complex infrastructure-based projects offer greater revenue and profit retention across a greater proportion of the client value chain, enhancing our prospects for growth in the medium to long term.

We will continue to develop our business where growth opportunities exist and where we believe we can positively differentiate relative to domestic incumbents or international competitors. Therefore, the Group's focus will remain in Canada and selected regions in the Middle East, where the complementary sectors, pipeline of opportunities, preferred procurement routes and working practices all play to our core strengths as an integrated engineering enterprise.

### Financial performance

The Hub sustained a resilient managed revenue performance of £2.6 billion (including share of joint ventures and associates), down 8 per cent on the previous year (2011/12: £2.8 billion), with pre-exceptional earnings before interest and tax of £49.0 million (2011/12: £82.8 million). As previously noted, 2011/12 profits benefited from a number of contracts in the final stages or completing that year, with favourable outturns triggering bonus incentives, the most notable being the

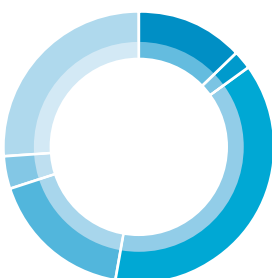
successful programme management of the London 2012 Olympic and Paralympic stadia and park infrastructure. Year on year, excluding those one-off benefits in 2011/12, pre-exceptional operating profit increased slightly. There was good growth in Infrastructure and Select Plant, partially offset by reductions in Construction and Crown House Technologies.

The deployment of our Unique Business Offering has also helped us maintain operating margin at the project level which would have otherwise come under pressure from supply chain impacts. This has allowed us to maintain selectivity and avoid bidding for lower-margin work at a time when competition in the market remains intense. We further tightened our 'permission to bid' criteria, basing our UK activities progressively on our digital engineering and DFMA methodologies and integrated delivery model.

The performance was also helped by a continued focus on controllable cost reduction as we rescaled areas of the delivery business units to remove duplication and take advantage of technologies, in line with the prevailing market demand, helping to reduce overhead strain. During the year, we concluded the sale of our German finished stone products business assets, following a strategic review which identified it as non-core to our longer-term goals. Our Infrastructure business had a solid performance overall, although a small number of projects did experience productivity issues which affected profitability during the period. Notably, these contracts had been secured prior to the full deployment of Core Process across the business.

At the year-end, the Hub order book totalled £5.6 billion, with £2.6 billion of new work won during the period, maintaining long-term revenue visibility of 91 per cent for 2014, 50 per cent for 2015 and 27 per cent for 2016. We have stepped up our efforts to rebuild future workload beyond 2014 and, encouragingly, our medium-term pipeline of higher-certainty opportunities is in excess of £25 billion, which includes significant opportunities in

### EUROPE 2013 ORDER BOOK BY SECTOR



Commercial	13%
Residential	2%
Social Infrastructure	38%
Transport	17%
Utilities and Waste	4%
Power	26%

## ▶ MERTHYR TYDFIL HEALTH PARK, WALES

Laing O'Rourke completed Merthyr Tydfil's new 'Health Park' – incorporating shared health and social care services provided by a range of professionals in a single location – ahead of schedule. It is the first community health facility of its kind in Wales, and the design and delivery teams worked collaboratively to erect the DfMA-enabled frame in just 15 weeks, despite a particularly severe winter in the Welsh valleys.



Canada, the Middle East and the UK. In addition, at the year-end, we had a pipeline of 'in-bid' opportunities worth approximately £6.2 billion.

### Operational performance

Safety is the Group's number-one priority. During the year, the Hub maintained an industry-leading record, posting a rolling Accident Frequency Rate (AFR) of 0.14.

This excellent performance is one of many benefits we derive directly from DfMA and our integrated business model. By controlling delivery of the major work packages on a project through the use of in-house resources and offsite techniques, our construction leaders directly influence the outcomes 'on the ground', mitigating many of the risks associated with subcontracting through the supply chain, where there are wide variations in standards and practices.

A range of new initiatives were launched to support our Mission Zero objective to eradicate all accidents from our business by 2020. A number of our clients are also seeing the direct benefit of adopting our approach in their own business activities, and we are beginning to see tangible examples of this behaviourally based methodology being applied more widely across the industry.

Our core UK-based engineering and construction businesses all performed in line with expectations, continuing to deliver profit-generating revenues despite the ongoing market difficulties. The 2012/13 reporting period has been another year of productivity improvement across our manufacturing facilities, with a concerted focus on the efficiency, quality and safety of our operations. We increased production volumes with a

corresponding improvement in labour efficiency, as clients increasingly recognise the incremental value offered by our DfMA proposition. We still have a long way to go to achieve the full potential of its widescale adoption, but the direction of travel remains positive.

We have also added to our capabilities in complex geotechnical and civil engineering solutions through our Expanded division, to support project delivery activities and provide competitive advantage in bidding for new opportunities.

Our approach to business development and work-winning has once again served us well in the year. We have remained disciplined in our selective sales strategy over the period. The further strengthening and mandating of our Core Process governance procedures in the tendering stages is proving highly effective in securing profitable work that fits our strategic growth criteria, as the continuing strength in our order book has clearly demonstrated. This strategy was accelerated by the further integration of our in-house cost planning activities to maximise the return on the investment we are making in state-of-the-art digital engineering technologies, moving us beyond the limitations of Building Information Modelling to provide clients with a more holistic asset information management resource tool.

We are committed to our human capital agenda, and continue to invest in the development of our people. During the year, we continued to focus on the recruitment and training of young talent, with 136 people placed on our entry-level programmes from trade apprentices to graduate engineers. Our recently published employee engagement score marks Laing O'Rourke out as one of the highest-performing companies globally for the



loyalty and dedication of its people – once again demonstrating the resilience and motivation that exists across the Group. We also continued to support the Australia Hub by recruiting and exporting sector expertise to seize the significant business development opportunities in this part of the business.

Laing O'Rourke's brand has always been synonymous with delivery quality and certainty, and during the year in review we further enhanced our reputation for world-class client solutions – on time, on budget and to the exacting quality, safety and sustainability standards demanded.

## Social infrastructure

### Healthcare

In our core Construction business, we continued to deliver essential social infrastructure to transform the health and education services footprint for many communities across the UK. This included the commencement and completion of major construction phases of complex hospital, healthcare and medical research facilities across the UK, including the future-proofed Alder Hey Children's Healthcare PFI Hospital in Liverpool for which we were formally appointed preferred bidder, as part of the ACORN consortium, in May 2012. We reached financial close and commenced onsite during March 2013. We have a 40 per cent equity interest in the scheme and are responsible for the design and build phases on the project, deploying the client's preferred DfMA solution.

We continued to generate profitable revenues from framework agreements during the year, enhancing our position as the UK's leading provider of healthcare infrastructure.

Over the year, we reached significant milestones on the 'Designed for Life: Building for Wales' healthcare framework, a scheme which offers the Group good revenue visibility over its lifetime. Successes included handover of the first 'Health Park' in Merthyr Tydfil two weeks ahead of schedule. This impressive facility will transform the way health and social care are delivered in this area, offering patients an integrated service under one roof. We also completed the new emergency care centre and the day surgery unit at the Prince Charles Hospital in the second of a three-phase refurbishment programme in the heart of Merthyr Tydfil. A significant milestone was reached in the development of the University Hospital of North Staffordshire in Stoke-on-Trent, with the completion, commissioning and handover of the new complex of buildings.

Elsewhere in the healthcare sector, we commenced delivery of a mental health facility for a long-term client, the Northumberland, Tyne and Wear NHS Foundation Trust. Notable wins during the period in this sector included North Cumbria University NHS Trust awarding us the contract to redevelop West Cumberland Hospital. Guy's and St Thomas' NHS Foundation Trust also appointed us to construct its new Cancer Treatment centre in London. Finally, based in the expanding Garscube Science Campus in Glasgow – an area

### ▶ THE FRANCIS CRICK INSTITUTE, LONDON, ENGLAND

Designed for success from the outset, the rapid delivery of this project is a highly positive demonstration of the Group's Unique Business Offering. Digital engineering and DfMA techniques are radically reducing the installation time of the 4,500 mechanical and electrical modules, with high-quality components designed and manufactured in Crown House's manufacturing facility in Oldbury, the Midlands, for delivery and onsite assembly in central London.



### ◀ CENTRE FOR VIRUS RESEARCH, UNIVERSITY OF GLASGOW, SCOTLAND

Secured during the year, the project will create a high-quality, safe and sustainable research environment for Scotland. The research funding is dependent on the facility being completed on schedule, so a reliable partner with the right experience, resources and capability was extremely important to the client. The Group's integrated capability was therefore a key differentiator in the tendering process.



expected to receive up to £200 million of investment over the next ten years – the University of Glasgow and Medical Research Council jointly awarded Laing O'Rourke the contract to design and construct a centre for virus research.

### Education

Similarly, we continued to deliver state-of-the-art school facilities for local education authorities under existing Building Schools for the Future (BSF) frameworks across both the north and south of England, in Salford, Barnsley, Newham and Barking and Dagenham. A particularly noteworthy performance was the completion of the Oasis Academy, the third and final school within phase one of the Salford BSF framework, which set new benchmarks in quality and energy efficiency, opening ahead of the original programme schedule to coincide with the new academic year.

We further developed our market-leading sustainable schools proposition based on the UK Department for Education's challenge to build schools faster, better and for considerably less than the previous scheme cost. The solution will leverage the Group's unique in-house manufacturing capability to deliver school facilities that are predominantly constructed offsite for rapid onsite assembly, achieving a minimum 30 per cent saving in unit cost, with greater savings achievable for large multi-school build programmes. The unprecedented air tightness of these structures makes them incredibly energy efficient and we are now actively marketing this value proposition with local and central government departments, and are confident that it will lead to a wider recognition of the flexible application of DfMA techniques to a range of public-sector construction requirements. For these reasons, we are confident in our ability to secure work on large parts of the Department for Education's £2 billion PFI-backed Priority School Building Programme, with the recent release of the first tranche of prioritised schools.

In the further education sector, we were awarded the prestigious contract to build Europe's first School of Government. With a partnership of achievement spanning over a decade, it was a natural choice for the University of Oxford to award the contract to design and construct the Blavatnik School of Government to Laing O'Rourke, having experienced the benefits of our DfMA delivery approach on previous campus projects.

### Local authority services

During the year, working closely with English Heritage, we continued the transformation of Manchester's iconic



Grade I-listed Central Library and Town Hall, a complex combination of refurbishment, restoration and significant contemporary enhancements to a 1930s landmark. Once complete, the complex will have been transformed into an open, multi-functional library, new exhibition and entertainment space and council chambers, while protecting an important part of the city's heritage. This sustainable form of contract is also achieving economic benefits to the surrounding communities, including the creation of project-initiated apprenticeships and a procurement model that directly boosts local businesses.

### Residential

#### Social housing

We commenced work on the William Street Quarter housing development in the London Borough of Barking and Dagenham in the year. The scheme will provide 477 high-quality affordable residential units in two locations in Barking town centre and



### FARRINGDON STATION, LONDON, ENGLAND

The Costain/Laing O'Rourke joint venture (CoLOR) team delivering major Crossrail advance works at Farringdon in central London won Network Rail's 'Best Large Project' accolade at its 2012 Partnership Awards ceremony. Regarded by many as the 'blue riband' honour, the event is open to Network Rail's partners and suppliers to reward and recognise excellence and best practice across the country.





## ALDER HEY CHILDREN'S HEALTHCARE HOSPITAL, LIVERPOOL, ENGLAND

As part of the ACORN consortium, Laing O'Rourke was formally confirmed as the preferred bidder for the Alder Hey Children's Hospital Project in Liverpool during the year. The winning bid drew upon the Group's extensive healthcare sector knowledge, with support from the Engineering Excellence Group. Utilising digital engineering from an early stage illustrated programme savings through a DfMA delivery approach.



the eastern end of the Thames View on the edge of Barking Riverside. Utilising our DfMA residential solution, the project is being funded through an innovative private partnership arrangement in which we are an equity participant – the first totally privately funded affordable social housing scheme in the UK.

### Commercial

We continued to see fragile signs of recovery in the UK commercial property sector, particularly in central London during the year. Following the original contract award to construct the shell and core for the Francis Crick Institute in the heart of London, the Group was awarded the remaining mechanical and electrical work packages to complete the advanced biomedical research facility, recognising our groundbreaking collaborative methodology to date. The Chancellor of the Exchequer, George Osborne, visited the site of this iconic project during the year as part of the government's efforts to stimulate PPP investment activity in the construction sector.

Following the award of the prestigious contract to build the iconic Leadenhall Building in the City of London for clients British Land and Oxford Properties, the extensive application of preassembly techniques to significantly enhance programme efficiency through a material reduction in the delivery schedule and waste volumes, saw the main structure quickly become a feature of the UK capital's skyline.

In the retail sector, Laing O'Rourke helped breathe new life into Leeds city centre with the completion of western Europe's biggest retail scheme in 2013 – Trinity Leeds – for a major Group client, Land Securities.

### Economic infrastructure

Through our Infrastructure business we continued to take advantage of the pipeline of opportunities in the key sectors of power, transport and utility networks in particular.

#### Aviation

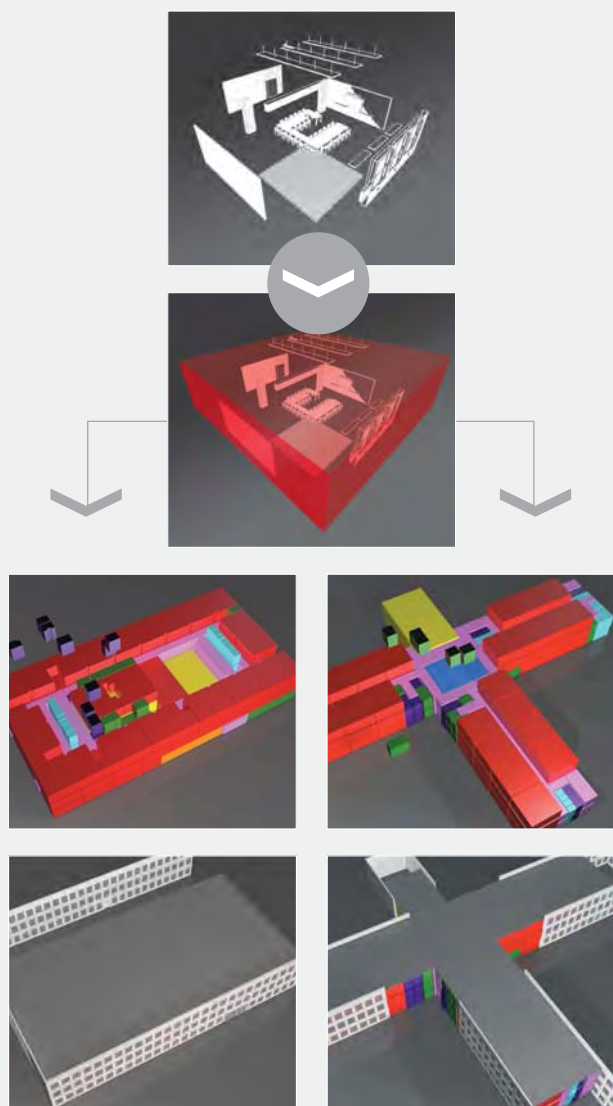
We underlined our expertise for working in live air environments by meeting and, in some cases, exceeding significant delivery milestones at Heathrow Terminal 2A, despite the challenge of keeping the adjacent air infrastructure operational throughout the project. Integrating the expertise of Laing O'Rourke's delivery businesses and using innovative design techniques that maximise the use of standardised and modular components, this 'new breed' of passenger terminal is being constructed at one of the world's busiest airports without any interruption to movements of people or aircraft. The first retail areas were successfully completed and handed over on schedule. We were subsequently recognised for our performance with three wins in the annual Heathrow Health and Safety Awards for the work we have carried out on the terminal and the multi-storey car park developments.

#### Rail

We continue to be engaged on the UK's largest commuter rail projects for Network Rail, Crossrail, Manchester Metrolink and Edinburgh Trams. We have established strong working relationships with these client organisations which proved invaluable in securing new work during the year. We completed a hat-trick of contract wins on Crossrail with the awards of Liverpool Street, Tottenham Court Road and Custom House stations, with intensive construction already well progressed on the station box in Canary Wharf. Key to securing these projects was the Group's ability to demonstrate its extensive rail infrastructure capabilities across its internal supply chain from the design and digital engineering team into Explore Manufacturing and Expanded for civil engineering and station assembly.

## FLEXIBLE, QUALITY SOLUTIONS

Laing O'Rourke's response to the Priority School Building Programme (PSBP) uses its in-house capability to manufacture a wide catalogue of standard solutions – such as modular MEP units and walls complete with windows, solar control and ventilation – which come together to form smart, predefined environments for classrooms. These can then be combined in any number of bespoke arrangements and layouts, creating individual but functional and affordable schools.



### FOR MORE INFORMATION

Watch a 3D film showing how Laing O'Rourke's standardised model for schools can be re-imagined into an almost limitless number of bespoke arrangements. Scan the QR code (left) using your smartphone or visit [bit.ly/infoworks4](http://bit.ly/infoworks4)

During the year, we also secured a major project with Network Rail as part of the UK's first 'pure construction alliance' between Laing O'Rourke, VolkerRail, Atkins and Network Rail to deliver the £250 million Stafford Area Improvement Programme on the West Coast Main Line. The team will work collaboratively under one unified agreement where all parties share benefits and risks. The alliance model, developed in Australia, is a move away from the more traditional 'hub and spoke' style of contracting towards a completely integrated 'one team' structure.

Laing O'Rourke also received peer group recognition during the year for its achievements in the rail sector. Working in a joint venture to deliver the major advance works at Farringdon Station in central London, the project team won Network Rail's 'Best Large Project' at its annual Partnership Awards ceremony. The award recognised the engineering challenges on this complex project, including working in a live railway environment, within very close proximity to London Underground tunnel structures. The team delivering Greater Manchester's Metrolink network also celebrated major success during the year with five accolades, including 'Project of the Year', at the National Light Rail Awards.

### Water and utility networks

The UK water and utilities market is also strategically important to Laing O'Rourke, with £25 billion of investment planned by water companies between 2015 and 2020. We are currently completing delivery of the complex sewage treatment infrastructure at Beckton and Crossness for Thames Water, and remain confident in our ability to secure major works packages on future Thames Water utility infrastructure projects.

Regulated markets are less cyclical and the margin potential less volatile and we have made senior leadership appointments to access these markets. We are formalising our delivery business capability in utility networks, such as power distribution, where we already possess significant expertise backed up by the technology platforms, specialist plant and equipment needed to efficiently deploy and manage resources on the multidisciplinary programmes of work typical of these markets. These capabilities earned the Group a place on National Grid's £650 million electrical substation framework, utilising our expertise in design and manufacturing to offer the client a fully DfMA-enabled structural solution for the delivery of its extensive network of substations.

### Highways

In road infrastructure, the Highways Agency gave Laing O'Rourke notice to proceed with the A453 widening work near Nottingham to alleviate one of the UK's most congested roads. This is the first of the six growth road schemes announced in the UK Government's 2011 Autumn Statement with construction getting under way in January 2013.

The overall scheme, worth £150 million, will see a seven-mile stretch of the A453 widened – boosting a major route for road users travelling to Nottingham, the M1 and East Midlands Airport. With a mixture of 11 structures (bridges and underpasses), conventional highways construction techniques would cause a lot of disruption to both road and public transport users. To minimise congestion and speed up the delivery of the project, a DfMA solution has been utilised early in the design of the structures and other elements. This has generated considerable time savings and wider risk mitigation on the scheme.

## ▶ BLAVATNIK SCHOOL OF GOVERNMENT, UNIVERSITY OF OXFORD, ENGLAND

With a 12-year track record of achievement, delivering high-quality buildings on time, on budget and without a reportable accident, it was a natural choice for the University of Oxford, to award the contract for Europe's first School of Government to Laing O'Rourke. The iconic new building, situated in the Radcliffe Observatory Quarter in central Oxford, will nurture outstanding graduates from across the world in the skills and responsibilities of government.



### Marine

As the UK's port capacity continues to increase, our engineering skills are leading the construction of Europe's newest and biggest deep-water development at London Gateway Port, with a major milestone achieved in the year as the world's largest container cranes were installed along part of the 2.7 kilometre-long quay wall constructed by Laing O'Rourke's Expanded civil engineering division.

### Power

The Group's strategic growth plans are predicated on establishing a significant delivery presence in the buoyant global energy sector. Therefore, the UK's investment plans to replace ageing power-generation infrastructure with a fleet of new nuclear plants provides high earnings potential. We are one of only a few UK contractors with the engineering knowhow, specialist delivery capabilities and reputation for quality needed to perform to the exacting standards of the nuclear generation, processing and storage industry.

We were officially confirmed as preferred bidder with our partner Bouygues TP for the main civil engineering works package at Hinkley Point C in June 2012. Since that time, we have been working with the client under an Early Contractor Involvement (ECI) agreement to support the business case for the investment in nuclear new build and ensure that we can mobilise into the delivery phases rapidly once the green light has been given.

### Building technologies

Our Crown House Technologies (CHt) business unit added significant offsite manufacturing capacity during the year as part of an upgrade of its facility at Oldbury in the Midlands. Since coming on-stream, it has had early involvement in the preconstruction phase to deliver the mechanical and electrical infrastructure on a number of the Group's major building and social infrastructure projects, including the Leadenhall Building in the City of London, the Francis Crick Institute and Heathrow's Terminal 2A.

CHt also worked with the Engineering Excellence Group during the year to develop its modular plantroom solution to revolutionise installation and performance of an asset over its lifespan, with particular application in the social infrastructure sectors, where increasing scrutiny of building power consumption is leading to a greater focus on the energy-efficiency credentials of major mechanical and electrical providers.

BREEAM, the world's foremost environmental assessment method and ratings system for buildings, named NHS Grampian's new energy facility at the Foresterhill Health Campus as its 2012 Industrial Award category winner. Designed and delivered by CHt, the solution ensured the innovative environmental methodologies achieved an industry-leading BREEAM design stage score.

### Plant and logistics management

Our Select Plant business also had a successful year providing a range of innovative heavy plant and lifting solutions, including the tower crane fleet and expertise that is facilitating construction of the City of London's tallest structure, the Leadenhall Building. Select Plant has developed a lift and climbing strategy with the tower crane manufacturer, Terex, to deliver heavier lift capabilities throughout the build programme to help reduce the schedule via the extensive adoption of DfMA components.

It also continued development of its logistics management capabilities to support the Group's broader DfMA agenda. It created a logistics hub to support London-based projects, to drive greater efficiencies that derive from 'just in time' delivery. A similar approach is also being planned to support the Alder Hey hospital build programme in Liverpool.

Select Plant progressed its modular building solutions business offering during the year with the delivery of office accommodation for BP at its Sunbury facilities in Middlesex. Similarly, the flexible primary school solution has also proved successful with a number of contracts secured with London education authorities and a further pipeline of opportunities currently being pursued.

### Programme management

As a leading influence in the CLM consortium, the exemplary record of achievements over the life of the programme to deliver the park infrastructure for the London 2012 Olympic and Paralympic Games provided a global showcase of the British construction industry. We have been leveraging the experience and reputation gained on this scheme by actively marketing our programme management services to support growth in new markets, including Canada.

### Facilities management

We also developed our targeted offer in 'hard' facilities management during the year and commenced our first contract with Barking and Dagenham Schools, utilising the expertise gained in advanced delivery techniques, visualisations and commercial and technical data derived through the design and construction phases of a project to provide the client with a whole-life asset management solution.

### The Middle East

Outside the UK, we are still active, following a rescaling of our business activities in Dubai and Abu Dhabi. We will continue with our cautious approach to opportunities that meet our rigorous financial requirements. Dubai remains heavily constrained by continued debt-restructuring and the negative impact of a stagnant global economy. While Dubai's well-publicised property collapse has had wider growth implications across the region, a more measured development approach is

evident in Abu Dhabi, Sharjah, Qatar and Oman. This is supported by resurgent oil and gas prices, continued investment and increased output from the region's LNG producers. Qatar in particular represents new growth prospects for Laing O'Rourke, with a major programme of development ahead of the 2022 FIFA World Cup, including economic, social and sporting infrastructure, where the Group has a significant track record of delivery.

Despite the general excitement surrounding the attractiveness of the Qatar construction market, the Group will not lose sight of the United Arab Emirates. Although quieter than in the boom years, we remain confident there will be sufficient volume to maintain a sustainable, profit-generating business, especially with high-end clients who value our quality and reliability. During the year, we were named a preferred contractor by Majid Al Futtaim, a developer of world-class retail centres, for consideration to deliver future shopping mall projects based on our past performance in Sharjah, putting us in a favourable position to secure a regular flow of future work. We also secured work packages on the Emirate Aluminium Smelter Complex Expansion Project, leveraging our heavy industry experience developed in the Australian market.

During the year, Austrak, the Group's modular rail track business, continued to grow volumes in the design and manufacture of concrete sleeper track panels for export to Australia from its manufacturing facility in Dubai, supporting our commuter and heavy-haul rail delivery businesses.



### CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM), QUEBEC, CANADA

As the Group's anchor project in Canada, the CHUM is important to our future growth plans in the region. It is providing invaluable experience, earning the Group respect and generating positive interest in the Laing O'Rourke brand amongst potential clients.



### YORK UNIVERSITY, TORONTO, CANADA

Selected from among 16 bidders, Laing O'Rourke secured its first Canadian project without a joint venture partner: the new home of York University's Lassonde School of Engineering.

Laing O'Rourke's digital engineering capability impressed at tender stage, with the client also citing the Group's engineering excellence capabilities, fast-track DfMA-led approach to scheduling and broad experience of university campus construction.



## ▶ A453 WIDENING, NOTTINGHAMSHIRE, ENGLAND

The Highways Agency gave Laing O'Rourke the final notice to proceed with the A453 widening work near Nottingham during the year. The project is utilising a DfMA solution for the bridges, underpasses and other structures, minimising the levels of travel disruption that would otherwise have been caused by more conventional construction methods, providing considerable time savings and risk mitigation on the scheme.



Our pod manufacturing subsidiary, Modulor, also continues to supply preassembled kitchen and bathroom units to the region from its Dubai factory.

Elsewhere in the region, the economic situation has now stabilised with signs of recovery. There is emerging visibility of opportunities, although they are fewer and smaller than previously seen, as client confidence slowly returns. We have established a joint venture partnership with a leading Qatar infrastructure solutions provider and a developer to ensure we have the right sponsorship arrangements in place for successful market entry.

The longer-term prospects for the Middle East remain broadly positive with global demand for the region's natural oil and gas reserves remaining buoyant. Laing O'Rourke has an outstanding track record of delivering high-quality projects in the region, including the Atlantis Hotel, Dubai Airport's third terminal, Aldar headquarters and the Al Zeina and Al Bandar residential and mixed-use developments on Al Raha Beach in Abu Dhabi.

Therefore, as global confidence returns, we believe the number of planned projects expected to come to market will increase, with the most active market being Qatar, where we are focusing our attention. With our strong brand recognition and track record spanning over three decades in the region, the Group is well positioned to benefit when the upturn begins. We have maintained our core construction, manufacturing and specialist services capabilities in the region under refocused leadership to bring greater market knowledge to our opportunity-selection process.

### Canada

We remain confident in our ability to establish a strong business in Canada that, over time, could contribute a material proportion of the Europe Hub's revenue and earnings volumes. The construction sector continues to grow, supported by strong political belief in the strength and viability of the Alternative Financing Procurement (AFP) market. We expect the Canadian construction market to maintain year-on-year growth of over 4 per cent for the next four-year period.

AFPs, particularly in Canada's healthcare sector, play to one of the Group's major strengths in complex PPP procurement. Continual improvements being made to the country's AFP

model and regulatory framework, as well as the sheer size of contracts that are awarded, highlight the growing attractiveness of the Canadian construction market to progressively minded international infrastructure investors and providers like Laing O'Rourke.

As an integral part of the international consortium, CHUM Collectif, Laing O'Rourke made significant progress during the year in the delivery of Canada's largest PPP healthcare scheme and the world's second largest hospital – the Centre Hospitalier de l'Université de Montréal.

Since the year-end, the Group has extended its reach in Canada following notification in May 2013 that it had been appointed preferred bidder for the contract to construct the new home of York University's Lassonde School of Engineering, 10 kilometres outside Toronto. The project will be delivered without a joint venture partner for an enlightened client who understands the benefits-driven approach of our digital engineering capabilities, utilising offsite construction techniques and an integrated delivery programme.

### Outlook

During the 2012/13 review period, we accelerated Laing O'Rourke's strategy to differentiate its offering as an integrated engineering and construction provider through effective deployment of the Engineering Excellence Group, our digital engineering suite of services and DfMA delivery approach. We will continue to progress this strategy in 2013/14 – prioritising opportunities that maximise the client benefits of our integrated business model and engineering expertise. In parallel, we will continue to serve our existing clients effectively through Excellence Plus performance on their projects.

The UK public sector will remain challenging, although we are confident that a number of investment programmes will commence over the next 12 months to meet the country's growing infrastructure needs and act as a stimulus to economic development in the lead-up to the next general election. Priority sectors will remain power, transport, education, healthcare, utilities and commercial buildings, where we have significant competitive advantage over both our domestic and international competitors.

AUSTRALIA HUB

Australia  
Hong Kong  
New Zealand  
Southeast Asia

“Our valued clients respect the genuine commitments we’ve made to delivering a world-class safety culture and improving quality and efficiency through DfMA and digital engineering. We’ll continue to build on these strengths as key delivery partner on some of the region’s most complex and exciting projects.”

DAVID STEWART  
CHIEF EXECUTIVE OFFICER, AUSTRALIA HUB

› GORGON LNG,  
WESTERN AUSTRALIA

As the only contractor in the Australian oil and gas sector with a multidisciplinary, self-delivery offering, Laing O’Rourke is delivering the general utilities package on Barrow Island, including construction of a reverse osmosis plant, wastewater treatment plant, a 25 MW power station, diesel storage and dispensing facilities.







## SENIOR MANAGEMENT

(from left to right)

**1. JIM SLOMAN**  
EXECUTIVE CHAIRMAN,  
AUSTRALIA HUB

**2. DAVID STEWART**  
CHIEF EXECUTIVE OFFICER,  
AUSTRALIA HUB

**3. MARK WILSON**  
FINANCE DIRECTOR,  
AUSTRALIA HUB

## NEAR-TERM PRIORITIES

- Drive growth in the order book that reflects key sectors of competitive strength, with long-term, blue-chip clients.
- Continue to strengthen the efficiency and integration of core delivery businesses.
- Leverage our investment in key specialist sectors including oil and gas and rail and mining infrastructure, whilst ensuring our client-focused approach recognises emerging sectors and areas of influence.
- Further develop our industry-leading technical capability in digital engineering and DfMA, which improve safety, quality, value for money and delivery security at all our projects, and challenge and change the traditional approach of the construction industry.
- Rollout advanced technology and construction innovation in collaboration with our clients through our unique investment in research and development, and the pioneering work of the Engineering Excellence Group.
- Support, grow and value our people – with unprecedented investment in learning and development at all levels of the organisation.
- Champion a further step-change in safety leadership, as we embark on the next stage of the Mission Zero leadership pledge to drive all accidents out of our operations.

## Marketplace

### Australia

Despite widely publicised talk of major downturns, the Australian economy continued its strong performance in relation to comparable nations, albeit at a slower pace than in 2012. Australia has not experienced recession for 21 years. Inflation stands at 2.5 per cent, official interest rates are at a record low of 2.75 per cent and growth is predicted to be 3 per cent in 2013. The International Monetary Fund has said, despite the impact of the high Australian dollar, the nation will outperform the wider Asia-Pacific region in the current period, and pick up further next year.

Australia remains one of only eight countries worldwide to hold AAA sovereign debt ratings from all three main ratings agencies. Amid global concerns over the US 'fiscal cliff' and Eurozone financial crises, the market remains attractive to investors and major capital programmes and prospects are firming for increases in business investment outside the resources industry, which has been relied on to drive much of the activity in the past year.

Exports of raw materials are again increasing, leading to capacity-enhancement programmes for major infrastructure. These developments, some of which have been assisted by successive reductions to interest rates over the past 18 months, are now delivering forecasts for longer-term sustainable growth.

However, the project pipeline has been inconsistent, with some key investors unnerved by the potential impact of external shocks on neighbouring Asian economies, as well as instability caused by domestic political disputes over contentious infrastructure schemes, new resources royalties and the new carbon emissions tax.

With China and Japan as Australia's top two trading partners, the region remains on watch for a loss of confidence in Japan's efforts to restore economic health, or any unexpected slowdown in China. While China's overall outlook has improved, it remains vulnerable to a secondary economic dip, triggered by financial stress resulting from its rapid growth in alternative financial products. This would again transmit to Australia, as it has over the past 12 months, in plunges in the value of key commodities such as iron ore and coal. Australia's four major exports –

iron ore (25 per cent), coal (15 per cent), gold (7 per cent) and natural gas (6 per cent) – have risen five-fold since late 2003 due to Chinese influence.

Public-sector investment has been the subject of great scrutiny over the period, as post-global financial crisis economic stimulus plans closed out, new conservative governments established themselves in key state jurisdictions, and reprioritisation of some health and transport investment took place. This has seen a number of key new social infrastructure schemes emerge during the period. Federally, the national government has focused on telecommunications spending and, recently, longer-term commitments to capital-city road networks. While key transformational infrastructure proposals such as high-speed rail or a second airport for Sydney are still unresolved, public-sector interest remains strong in PPP schemes to spur infrastructure projects with several multi-billion dollar schemes proposed, launched or concluded in the past 12 months. A new round of state asset sales, especially in New South Wales and Queensland, has also allowed increased investment to be slated for future works.

In the private market, residential building is staggered but beginning to recover, driven by demographic trends, the existing housing shortfall, and low interest rates. Non-residential building is relatively flat in real terms but is improving over previous forecasts. Engineering construction will maintain at a relatively high level – although mining construction is at a peak, and well-publicised project deferrals are flattening that activity. The coal seam gas (CSG) and liquefied natural gas (LNG)

procurement phases that have created some of the nation's largest ever projects will slow, to be replaced by new rounds of exploration and viability studies in the sector, and a focus on successful delivery to meet future export commitments.

Key projects continue to emerge in the transport sector, including heavy-haul rail and freight networks, passenger system upgrades, port infrastructure and increasingly airport-related services to support regional growth centres.

The changing demand patterns and work types in the Australian construction industry continue to have a substantial impact on construction industry employment, with growing needs for tradespeople and low-skilled workers. The type of work available, with the majority required for regional engineering construction rather than urban residential and commercial building, has seen an overall increase in the costs of labour and a reduction in the number of apprenticeships available, which will have long-term impacts on the sustainability and skills of the industry.

These economic impacts directly align to the Australia Hub's delivery of the Group Strategic Roadmap initiatives, in particular the focus on key, long-term clients interested in more direct engagement to solve their complex infrastructure needs, further refinement of the engineering excellence agenda and innovation delivery through the Engineering Excellence Group, ongoing investment in the key sectors of oil and gas and rail and mining materials-handling and a detailed learning and development strategy to ensure a business that distinguishes itself from competitors based on the quality of our people.



**MTR COMMUTER RAIL, HONG KONG**

Laing O'Rourke is a trusted delivery partner to the MTR Corporation, delivering three major contracts ranging from a 'cut and cover' tunnel, to a major rail terminus and station. Through a value-engineering approach, a number of alternative solutions have been adopted, including increased use of precast rather than in situ concrete components, and a top-down configuration for station construction which eliminates project risks in the early civil engineering phases.



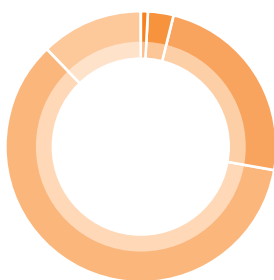


» BRISBANE AIRPORT, QUEENSLAND, AUSTRALIA

Continuing a long and successful relationship with the Brisbane Airport Corporation, the Group completed the domestic terminal precinct upgrade project, including the common-user satellite terminal upgrade, as well as the skybridge linking the car park, Airtrain and terminal. The Group also finalised work on the long-term car park extension during the year.



AUSTRALIA 2013 ORDER BOOK BY SECTOR



Commercial	1%
Social Infrastructure	3%
Transport	24%
Oil & Gas	60%
Mining & Natural Resources	12%

International  
Hong Kong

Seamless project delivery continues to be the focus in Hong Kong, a market where the Group is delivering a trio of major underground upgrades for transport operator MTR, as well as further extending maintenance contracts for the metro rail provider. While economic growth in the province remains subdued, the outlook for new infrastructure projects has gained some momentum with plans for the airport, further rail links into mainland China, and a major new public infrastructure and development precinct in West Kowloon.

Hong Kong's gross domestic product is growing at a steady pace, despite its heavy reliance on other, underperforming economies – particularly mainland China and Europe – while unemployment rates of 3.4 per cent are comfortably below ten-year averages. The infrastructure spending priorities of

China – as it seeks to revive its economy in a more sustainable manner – will influence the timing and order of the region's largest projects. As a result, the Group will continue to view pipeline projects and upcoming partnerships selectively, based on where the greatest mutual value can be delivered for our select group of prestige clients.

Strategic priorities

Laing O'Rourke's Australian business is now more than three times larger than Barclay Mowlem, the construction contractor acquired in 2006 to grow local capability. As an established tier-one engineering and construction group providing design, delivery, operation and maintenance services to the building, rail, infrastructure and resources markets, the Hub business is one of the only privately owned firms of this scale in the local sector, delivering a leanness and agility not present in regional competitors. The Hub has focused on local delivery requirements whilst ensuring cross-pollination of global infrastructure best practice – in particular around safety, technology and innovation, whilst adopting the local expertise developed in oil and gas projects, rail systems and mining and materials-handling as Group capability.

We continue to grow a diversified project portfolio in carefully targeted geographies and sectors, now with a refined set of repeat, prestigious clients in our key sectors, who share our vision for early engagement and engineering innovation – to deliver safer, faster and more sustainable projects, that are more cost-effective for investors and more harmonious for local communities.



We have successfully built an experienced and diverse leadership team within the Australia Hub, delivering both local market intelligence and expertise, and long-term Laing O'Rourke cultural alignment – embracing the commitment to challenge and change the local industry. We are attracting and retaining the very best people by encouraging and rewarding high achievement. Our Excellence Plus performance standards will become our trademark in the Australian and Asian operating sphere, where the business is determined that our engineering thought-leadership, project delivery discipline, client engagement and the skills and values of our people be regarded as second to none.

### Financial performance

The 2013 year-end result for the Australia Hub was a pleasing improvement in financial performance on the back of two challenging years. Those poor results – spurred largely by problematic legacy projects, industrial disputes and extreme weather events, as well as the market downturn – were the subject of intense executive focus and resulted in key changes to the operating structure of the Hub. Beginning in 2011, greater discipline linked to the introduction of our unique Group-wide and unique governance tools, Core and Enabling Processes, more targeted project procurement, more constructive client engagement, and more active functional support for our projects have seen a strong turnaround in the current-year figures.

Early investment in the oil and gas sector continues to pay dividends, with the Australia Hub recording an increasing share of revenue generated by this sector, and the business is now

engaged on every major gas scheme in the region bar one, with a number of additional contracts under negotiation. This heavy infrastructure capability extends across the entire oil and gas value chain: from accommodation villages to support massive LNG schemes in the Northern Territory, to water treatment support for coal-seam production sites, and the civil, structural, mechanical and piping work underpinning processing plants off the Western Australia coast.

Our industry-leading capability to integrate our services in this sector complements the established skills and experience the Hub has long offered the rail, infrastructure and building industries, giving Laing O'Rourke a diverse construction and engineering offering that can respond to any changes in the marketplace.

While the Australian target markets remained uneven in their project development and emerging opportunities over the period, with marked differences between the building and infrastructure pipelines, all sectors still offer strong profitability on the back of good performance. Unfortunately, all markets are still beset by industrial concerns which have affected costs and effective deployment of regional workforces.

Managed turnover in the year increased 20 per cent to £1.8 billion (2011/12: £1.5 billion) – a new record for the Australia Hub. Gross margin derived from projects increased significantly, while at the same time resilience within our business strengthened to new benchmarks. At the same time, a concentrated focus on cost management saw overheads drop by around 15 per cent across the board – part of a programme of resilience initiatives foreshadowed in our 2012 Annual Review.



### M&A, BRISBANE, AUSTRALIA

Laing O'Rourke achieved practical completion of the first phase of the McLachlan and Ann (M&A) redevelopment – the contemporary new residential, commercial and retail precinct set in the heart of Fortitude Valley, Brisbane. The building also became the new Queensland headquarters for Laing O'Rourke, Australia's largest privately owned engineering and construction company.



Overall, the result was pleasing with a pre-exceptional EBIT performance of £29.4 million, a strong return to sustainable profitability for the Hub and substantially in excess of budget. The Australia business also ended the year with cash at a record level of £293.9 million.

Building on the improvements made, the Hub continues to drive new levels of operating effectiveness through rationalisation and integration of the business units and functional support, and is working closely with the supply chain to improve efficiencies, including the introduction of electronic ordering and processing with some of our largest suppliers and wider

commitments to build on the strength of our supplier relationships in what remains a challenging marketplace for some of our providers.

Looking forward to 2014, the Hub is well positioned to deliver continued improvements in profitability, with major project engagement underpinning a solid order book and strengthened engagement with key clients leading to the development of additional opportunity.

### Operational performance

The operating period has reaped the benefit of earlier restructures and a focus on greater discipline and enhanced processes, with the business in the 2013 financial year reversing the previous year's below target result – and bucking market trends – to record strong revenue growth and EBIT delivery. The integration of our business units to focus on geographic regions and areas is providing greater recognition to the diverse range of operating environments across the Australian continent and bringing us closer to our clients and supply chain. A small number of problematic legacy projects were effectively de-risked during the period and replaced with strong order book prospects, subjected to highly scrutinised bid and commercial review processes and delivery discipline from day one.

In early 2013, David Stewart was appointed Australia Hub CEO, bringing a wealth of Australian and Asian construction market knowledge. With decades of experience at the top of the industry – most recently as CEO of Leighton Holdings – he set about the local implementation plan for the Group Strategic Roadmap. David replaced Steve Hollingshead, whose return to the Group Executive Team as Human Capital Director allows him to directly leverage his two years' experience at the helm of the Australian business to ensure policy decisions around our key asset – our people – take the needs of both Hubs into account, and ensure the right skills are deployed to the right jobs, at the right time for our valued clients.

The executive team's focus has also been on building in resilience, at both a project and senior management level. Not only will this help to safeguard the Australian Hub against any unforeseen economic shocks as the market continues its slow recovery, but we have ensured succession planning is in place for the key roles that underpin our licence to operate – health and safety, environment, engineering, regional leadership and work-winning.

### NEWCASTLE COAL INFRASTRUCTURE GROUP WHARVES, NEWCASTLE, NSW, AUSTRALIA

With practical completion achieved two months ahead of schedule, the innovative use of a modular temporary falsework system to install piles in difficult geotechnical conditions allowed dredging works to continue at the same time as the wharf construction, saving valuable time. The upgrade has increased the output of the existing NCIG terminal from 30 million to 53 million tonnes of coal per year.



We are determined to deliver industry-leading platforms stemming from our global investment in Design for Manufacture and Assembly and digital engineering, to create real competitive advantage through the project delivery phases, where time, cost and quality are the key determinants of repeat client business. Both our Austrak and Redispan manufacturing subsidiaries are actively engaged in the DfMA agenda, producing precast or prefabricated units for installation in major projects. Already our DfMA work has paid dividends for our clients in the delivery of projects including K10 Berth in Newcastle, the Howard Springs Accommodation Village in Darwin, Kenya and Northern water treatment plants for QGC and the Ichthys Cryogenic Tanks. Our commercial development proposal in North Sydney will likewise be a project that showcases the full value of offsite manufacture of components when it commences shortly. Mount Street is also an ambitious design project that has been made possible through the application of advanced digital engineering by our in-house teams.

Digital engineering is providing the Australian business with a major competitive differentiator across the full spectrum of project delivery – bidding, estimating, design, planning, procurement, delivery and commissioning – bringing our clients' ideas to life and allowing them to walk the site 'virtually' before the first works have even commenced. We are committed to building every project twice, once on computer and then flawlessly in the field, confident we've used our investment in people and software to collaborate with our partners,

consultants, approval agencies and stakeholders, detect clashes in design, materials or programme, and build whole-life data management and cost savings into the project. On our Wheatstone deployment for Chevron in Western Australia, not only has our digital engineering team helped plan, bid and win the job but they'll give the onsite teams access to live modelling through mobile tablets, providing additional delivery impetus.

The Australia Hub's endorsement of the Group-wide behavioural safety initiative Mission Zero continues at pace. This has led to massive reductions in the Disabling Incident Frequency Rate (DIFR) and, while such strong progress has been made, the momentum developed around this training, education and cultural-change programme is only set to build further in the coming years.

### Infrastructure

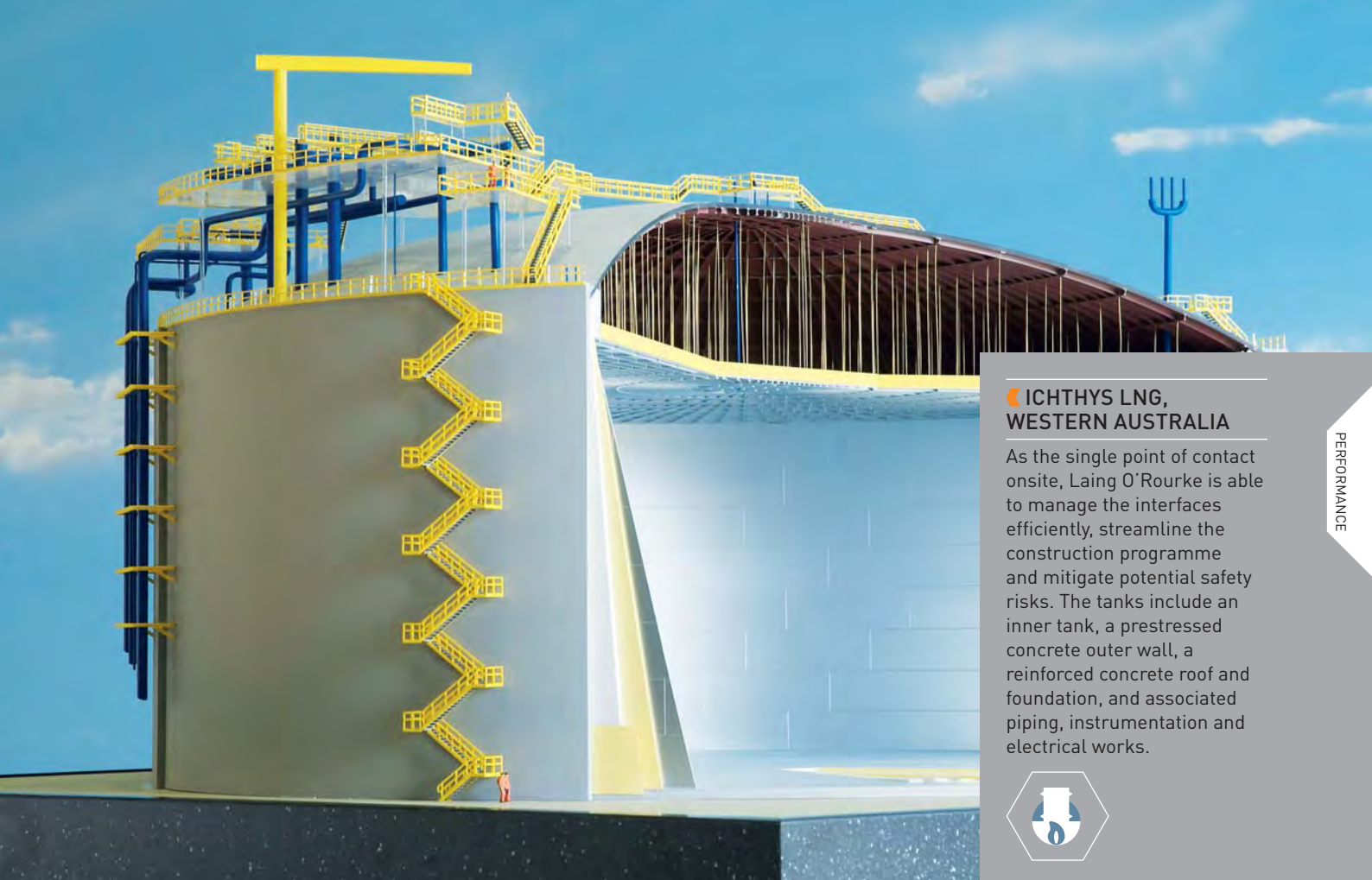
The oil and gas boom in Australia has dominated additions to the order book throughout FY12 and FY13, with the award of the civils component of the Wheatstone project by Chevron and Bechtel the latest in a string of major contract wins. Wheatstone will consist of two LNG trains with a combined capacity of 8.9 million tonnes per annum, to be developed near the town of Onslow in Western Australia's Pilbara region. Wheatstone joins the Gorgon project – also for Chevron – as well as work for APLNG, Inpex/TOTAL/JKC and QGC, confirming Laing O'Rourke as the region's only multidisciplinary, self-delivery construction provider engaged at every level of the oil and gas value chain.



### CAPE LAMBERT PORT B, WESTERN AUSTRALIA

Part of a major expansion of Rio Tinto's Cape Lambert facility, which will increase the client's export capacity from its Pilbara operations to 330 million tonnes of iron ore annually by 2016. Laing O'Rourke is engaged in the design and delivery of nine transfer stations and 13 conveyors (totalling 10 kilometres). The project, which includes structural and mechanical works, will involve the installation of 6,000 tonnes of steel. The team has developed a DfMA-led solution, with modules fabricated in Thailand and shipped direct to the port. This has taken 30,000 hours of high-risk activity off the site, with works taking place in factory-controlled conditions.





## ICHTHYS LNG, WESTERN AUSTRALIA

As the single point of contact onsite, Laing O'Rourke is able to manage the interfaces efficiently, streamline the construction programme and mitigate potential safety risks. The tanks include an inner tank, a prestressed concrete outer wall, a reinforced concrete roof and foundation, and associated piping, instrumentation and electrical works.



PERFORMANCE

While coal prices remained low during the operating year, we completed the K10 Berth project for client Newcastle Coal Infrastructure Group – marking the delivery of the fourth consecutive wharf project in the world's largest coal export terminal. While the commodity price has seen other coal-related projects stall, iron ore values rebounded and project delivery continued, particularly in our key region of the Pilbara – in Western Australia's rugged north-west – where we have focused area management resources, integrated rail and infrastructure teams, Select Plant and our Austrak railway sleeper manufacturing subsidiary to provide a full-service offering to the materials-handling, processing, transport and export industries. We closed out projects for BHP Billiton and Fortescue Metals Group in the period, and are engaged in the delivery of more work for Rio Tinto in the region. A number of new projects for these mining companies are under development.

Complementing the completion of the K10 Berth in Newcastle, our marine expertise was again showcased in 2012 with the award of the contract to deliver Port Botany Terminal 3 in Sydney, Australia's second largest container port, for the world's largest freight-handling corporation Hutchison Port Holdings. This new container terminal, being constructed on a 46 hectare reclaimed area in Botany Bay, will include 100,000 cubic metres of concrete and 200,000 square metres of rigid pavement, high-voltage substations to power the facility, structural and rail siding works and 11 kilometres of deep drainage.

In rail infrastructure, growth continued as predicted and our dedicated urban rail specialists were deployed across the Sydney, Melbourne, Adelaide and Auckland networks, while we also delivered regional services and bid for new work in rural New South Wales and Queensland. Our electrification services in particular remain in high demand from key, long-term clients and we will continue to invest in expanding our offering in this area.

A number of Australian jurisdictions continue to work up network brownfields expansion, underground metro or city-centre light rail proposals – all areas where Laing O'Rourke possesses global, local, supply chain and investment expertise.

We continue to deliver large packages of work to grow Australia's most developed urban rail network, the Cityrail service in greater metropolitan Sydney, as a partner in the Novorail Alliance, as well as delivering the Auburn Stabling Project in the city's west – a key piece of infrastructure to house the next generation of rolling stock that will deliver safety, comfort, reliability and efficiency to the network.

### Building

Our work as managing contractor commenced on the Moorebank Units Relocation project during 2012, the largest defence capital works project undertaken in Australia since World War II. The AUD\$870 million task entails the demobilisation of the Department of Defence's long-term site at Moorebank in the city's southwest and the relocation of 13 defence units and four military facilities to nearby Holsworthy. The project involves the planning and delivery of more than 100 hectares of defence infrastructure. It will create 2,000 jobs for the local and national economies and showcase our programme management capabilities.

Such public infrastructure work is an area of significant strength and focus for the business. Our global schools and hospitals experience is being effectively deployed in the Australia Hub, where in 2013 we will commence the AUD\$145 million construction of a new clinical services building for Blacktown Hospital, part of a wider AUD\$350 million programme. This project for the New South Wales Government follows on our recent delivery of the Nepean Hospital upgrade, also in western Sydney. In Queensland, too, private and public

▶ **PORT BOTANY  
TERMINAL 3, SYDNEY,  
AUSTRALIA**

Laing O'Rourke is delivering the civil and rail infrastructure works as part of the first phase of the newly reclaimed Botany Bay expansion. The project draws extensively on the Group's specialist marine infrastructure expertise and proven track record in civil works, berth design and construction, land reclamation and the erecting and commissioning of ship-loading facilities.





hospital projects are on the agenda, whilst the government is also bringing an education Public Private Partnership (PPP) to market which may suit the deployment of our unrivalled, global education PPP experience, in-house investment advisers and facilitators, and experience gained locally on major schools delivery projects such as the Building the Education Revolution packages in NSW and Queensland. In Queensland, we successfully delivered the Gold Coast University Car Park as a design-and-construct component of a wider PPP scheme, ahead of time and budget, and achieved practical completion on the nearby Griffith University Health Centre, a significant addition to the campus.

Australia's commercial property sector has shown signs of recovery, although the key Sydney and Brisbane central business district markets are both being influenced by the development of new, major waterfront mixed-use precincts, which either have or will incorporate key tenancies. During the year, the Group completed work on the commercial tower in the McLachlan and Ann Street development in Brisbane's Fortitude Valley – part of our overall AUD\$250 million development. In March 2013, tenants Ergon Energy, Macquarie Bank and Laing O'Rourke's northern region headquarters moved into the state-of-the-art building, as work continues on the adjacent residential and retail zones.

Also in Brisbane, the expansion projects at Brisbane Airport were completed, forming the centrepiece of the client's passenger growth strategy. The projects, including the southern hemisphere's largest and most advanced single-structure car park, a terminal access 'sky bridge' and integration with the Airtrain complement the earlier works on an improved common-user satellite for carriers Jetstar, Virgin and Tiger. Also at the airport, work is concluding on the Qantas Airways 'Q-Catering' facility, which – with sophisticated automation, packaging and refrigeration technology installed – will provide hundreds of thousands of in-flight meals for the airline and other partner services.

We continued to apply our building capability to our integrated oil and gas sector delivery models, providing accommodation villages for coal-seam gas (CSG) projects in central Queensland and liquified natural gas (LNG) projects in Darwin. Chief amongst these is the Howard Springs Accommodation

**Looking forward to 2014, the Hub is well positioned to deliver continued improvements in profitability and profit performance, with major project engagement underpinning a solid order book and strengthened engagement with key clients leading to the development of additional opportunity."**

**DAVID STEWART**  
CHIEF EXECUTIVE OFFICER, AUSTRALIA HUB

Village for the Inpex/Total Ichthys scheme, a 3,500-bed centre utilising our DfMA experience and prefabrication supply chain to ensure smooth, safe and reliable delivery of the modules to the tropical north of Australia.

In 2012, Select Plant celebrated its fifth anniversary in Australia, continuing to expand its operations to support our widening portfolio of major projects – especially regional oil and gas works such as Wheatstone. Select has grown from start-up to more than AUD\$200 million annual revenues while supporting our safety and delivery priorities, and deploying a new capital investment programme to acquire strategic assets that support our targeted sectors.

### Hong Kong

Three critical transport infrastructure projects for MTR are in full swing, dominating our work in Hong Kong. The projects, C810B and C811A at West Kowloon and C901 at Admiralty, prepare the underground metro services for patronage growth, expansion and high-speed links into mainland China. We continue to be recognised for our safety focus on the delivery of Hong Kong infrastructure and, on the back of this performance, the local business secured an extension to its long-term maintenance contract for the Tseung Kwan O line. Further construction and electrification packages for MTR are on the radar for the coming period.

Close to our transport works at West Kowloon, development of a major arts, recreation and cultural precinct is gaining momentum. The Hong Kong Authority's HK\$21.6 billion investment will cover the capital costs of planning, design and construction of the 40 hectare zone. In 2013, Laing O'Rourke secured the first early works construction contract to begin site preparations, and will engage with the client to examine upcoming packages of work to support this striking social infrastructure makeover for one of Hong Kong's most vibrant districts.

### Outlook

A sustained focus on process and discipline, delivery and building resilience into Hub operations has seen the regional business rebound strongly from two years of below-target performance, at a time when the market appears also to be gaining momentum. The Group Strategic Roadmap initiatives are also well timed for the Australia Hub business and we are well on the way to successful implementation of a number of reforms that will underpin long-term sustainable growth and market differentiation.

The early investment in oil and gas capability has paid strong dividends for the Group, and dominates current order book performance. The same sector-specific strategy is now being applied against the Hub's other priority industries to ensure they can be targeted, and opportunities converted, in the same manner.

At the same time, our investment in engineering excellence – including market-leading positions on Design for Manufacturing and Assembly and digital engineering – will allow the Group to set its own agenda for future work programmes in the Hub, and build enduring delivery partnerships with high-value clients.

At the base of all operations, our safety-first approach and the universally embraced Mission Zero campaign have transformed the Australia Hub business, a challenge that will see us redouble efforts and drive even more ambitious progress in the coming period.

# EFFECTIVELY MANAGING RISK

## GROUP RISK MANAGEMENT

The effective management of risks and opportunities is fundamental to the delivery of the Group's objectives, achievement of sustainable growth, protection and enhancement of its reputation, and upholding the required standards of corporate governance.

### How Laing O'Rourke manages risk

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

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

The Board and Group Executive Committee have overall responsibility for ensuring that risk is effectively managed across the Group to guarantee full compliance with the appropriate legislative and regulatory jurisdictions where it operates. The Board delegates certain risk management activities to designated subcommittees. Risk is a regular agenda item at these senior management forums and an integral component of the Group's periodic strategy review process. This ensures the Board has a full appreciation of the principal risks affecting business operations as well as a comprehensive oversight of how they are being managed. Further information on the activities of these committees, together with the Group's core business processes and mandated policies, can be found on pages 55 to 59.

The Audit Committee reviews the effectiveness of the Group's risk management systems and reports regularly to the Board directors on the key sources of risk, the monitoring of their status and the corresponding mitigation plans.

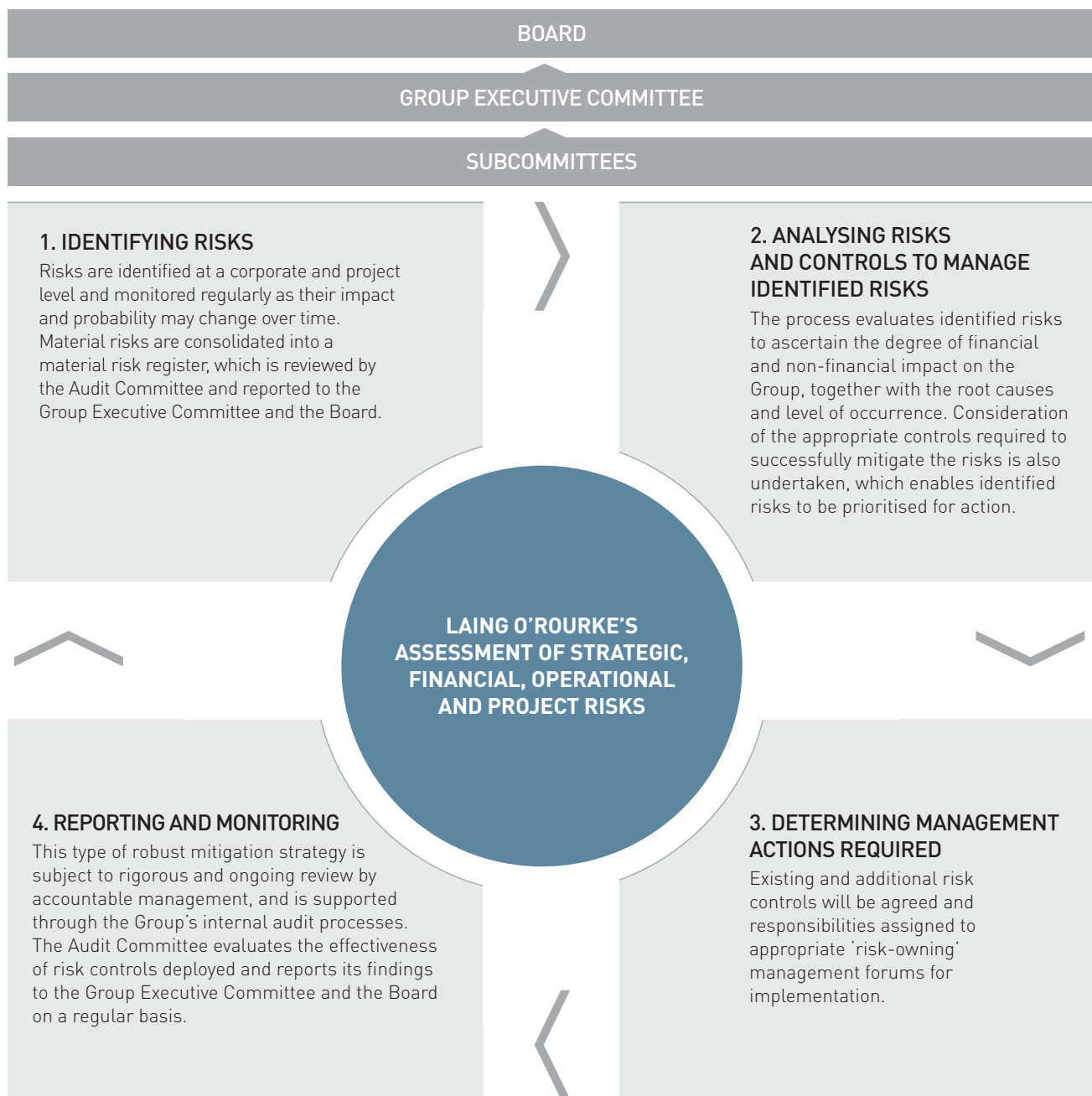
Risk reporting at the operational business unit level is structured so that key issues can be escalated rapidly through the management team, and ultimately to the Board where necessary. The individual businesses are able to tailor and adapt standard risk management processes to suit the specific circumstances of their respective operating environments. In doing so, they must always adhere to the underlying principles of the Group's risk management policies which are to continuously identify, analyse, plan and provide for, report and monitor the principal risks through established control procedures.

Project risks are monitored and reported in the controlled Project Delivery Review Boards, which are reviewed by business unit operational management at quarterly contract reviews. This process covers the financial performance of projects and is overseen by the Commercial function. Reporting structures and mechanisms ensure that project risks are continually monitored and significant exposures can be escalated from project level to business unit level and ultimately to the Group Executive Committee and the Board. All project-owning business units must have assurance mechanisms to assess the likelihood and potential impact of risks and to ensure actions can be taken to mitigate and eliminate risks, while strengthening our internal controls and systems to manage the recurrence of such risks at any point in the future.

### Internal controls

This system of internal risk control is designed to manage rather than eliminate the risk of detrimental business impact to achieve business objectives, and therefore can only ever provide reasonable assurance against the possibilities of material financial loss or organisational damage.

**THE PROCESS**



FOR MORE DETAIL  
SEE PAGE 57

## OPERATIONAL RISK MANAGEMENT

### CORE PROCESS

A standard approach to the key business decisions and activities, delivering effective governance, organisational diligence and consistency for finding, winning and delivering projects

#### Salesforce CRM System

- Opportunity pipeline tracking
- Key contacts management
- Process gateway governance – ‘permission to bid’

### ENABLING PROCESS

Best-in-class project delivery to assure greater predictability in operational and financial performance

#### Enabling Process

- Required minimum standards and skill-sets
- Best practice procedures – functional toolkits
- Continuous improvement – formal feedback process

## OPERATIONAL GOVERNANCE

### Global Code of Conduct

Laing O’Rourke believes laws and regulations act as our minimum integrity standards, and we constantly seek to go beyond this level. The Global Code of Conduct articulates our approved set of ethical principles covering key business issues that we expect every employee and contracted supply chain partner to uphold in every activity, every day, wherever we operate. By setting the expected minimum standards of business conduct in different areas of our work, the Code is integral to the way we do business at Laing O’Rourke and is underpinned by our Group vision and values (see page 21). Compliance with the Code provides heightened assurance of our business affairs, which in turn supports the long-term sustainability of the Group by encouraging more ethical and effective relationships and stimulating deeper economic, social and environmental contributions where we work.

The Code applies globally and its development and application are the responsibility of the Group Executive Committee.

### Group Policies

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

### Project Quality Management System

The LOR Way is a Group-wide project quality management system. It comprises the Core and Enabling Processes and functional toolkits – a set of standards and procedures that guide and direct The LOR Way for finding, winning and delivering projects. This proven quality assurance framework enables us to connect and direct all of the different decisions and activities necessary, through a series of mandated process gateways, to achieve maximum performance and control across the entire lifecycle of a project.

### Core Process

Core Process enables accountable business leaders to fully understand the critical sign-off procedures in bidding for and

securing a project, and the formal governance approach which must be observed to secure optimum performance. It is also a vital tool for establishing accurate and reliable assessments of risk and opportunity in commercial, design, health, safety and environment, and Design for Manufacture and Assembly activities. Core Process is mandatory across all of our projects and compliance is monitored by our internal audit function.

A key element of Core Process is our centrally managed and governed client relationship management system – Salesforce – which captures key information in relation to the opportunities the Group is pursuing, and also acts as a repository for key documentation. Information captured in Salesforce is used across the business to aid collaboration and provide reporting at all governance levels. Opportunity pipeline information to this level of quality and detail helps ensure all bidding-related decisions are fact-based and fully informed, heightening the Group’s chance of success in the tendering phases.

### Enabling Process

Enabling Process helps accountable project leaders to fully understand the minimum requirements, in terms of operational procedures, for assuring success in project design and delivery. It also supports project leaders to ensure that their teams have the necessary skill-sets to meet these minimum requirements, allowing them to allocate clear responsibilities to team members. Adherence to Enabling Process is also mandatory, and it is only permissible to omit elements in clearly defined circumstances, and by specific dispensation from an accountable director.

Key elements of Enabling Process are the functional toolkits, which enable accountable functional leaders and their teams to deploy current best practice procedures consistently, executing project-specific plans in an integrated and disciplined manner. At the end of a project, a formal feedback process is designed to capture key information to enable us continually to assimilate the best and most current ways of working.

### Business Unit/Function Guidelines and Procedures

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

## SUMMARY OF PRINCIPAL RISKS

The Group's principal risks are identified over the following pages, together with a description of how we mitigate them.

Further information on our financial risks can be found in note 31 to the financial statements on page 126. Risks and uncertainties which affect or are likely to affect businesses in general – such as business integrity and information security risk – and are not therefore specific to the Group have not been listed as key risks. However, we have established controls and systems in place to manage these risks.

### CREDIT AND LIQUIDITY RISK ↷

<p><b>Description:</b> The Group finances and supports its activities through a combination of retained profit, existing cash balances and third-party funding in the form of debt facilities, bonds or guarantees. There is a risk that these facilities may not be available or are on terms unacceptable to the Group.</p>	<p><b>Impact:</b> Lack of investment funding to either realise a project opportunity, fulfil an acquisition target or meet its ongoing financial needs could adversely impact revenues, earnings, cash flows and future growth.  Lack of bonding facilities could limit the Group's ability to secure work.  Lack of cash or funding could limit the Group's ability to service its obligations.</p>	<p><b>Mitigation:</b> With an experienced in-house treasury management team, the Group takes a prudent approach to liquidity and constantly monitors and maintains sufficient cash reserves and available bank facilities to meet liabilities and financing needs as they fall due. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that we have adequate availability of cash when required. At year-end, the Group had cash and undrawn facilities of £843 million.</p>
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### HEALTH, SAFETY AND SUSTAINABILITY RISK ↷

<p><b>Description:</b> Through our activities, there is a risk that we could cause significant harm to employees, contractors, members of the public or the environment.</p>	<p><b>Impact:</b> Failure to maintain the highest levels of safety and environmental management could lead to injuries, long-term health issues, fines and penalties, and impact on the Group's reputation and ability to secure or deliver work and attract skilled people.</p>	<p><b>Mitigation:</b> Mitigation of this risk occurs at every level of the Group's governance framework. The Safety and Sustainable Development Committee meets periodically to review policy and develop a consistent approach to health, safety and environmental best practice.  Our documented Safety Management System (SMS), containing organisational details of compulsory procedural, behavioural and training requirements, is continually reviewed and updated when required. In the last two years the Group globalised its Mission Zero safety campaign – an integrated programme to eradicate all accidents from our business by 2020.  Our sustainability roadmap covers our operational approach to 2020 and is aligned with and mutually supportive of our Group Strategic Roadmap in terms of sustainable financial performance, community support and environmental limits.  Further details can be found in the Group Safety and Sustainability Review on pages 60 to 81 of this document.</p>
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**Key:**

- ⬆ Increase in risk during 2012/13
- ↷ No change in risk during 2012/13
- ⬇ Decrease in risk during 2012/13

**POLITICAL, ECONOMIC AND REGULATORY RISK** ↑

<p><b>Description:</b> The continuing effects of the global economic crisis can lead to clients re-appraising investment plans and subsequently postponing or reducing current or existing projects. The Group's businesses are directly impacted by government policy or regulatory developments in any of the countries and jurisdictions in which it operates, especially with regard to public infrastructure investment programmes.</p>	<p><b>Impact:</b> While the construction industry by its nature lags the economic cycle, there can be a high degree of variability between different publicly funded markets. Potential impacts include termination of existing contracts and impact on the future order book, deterioration in government relationships, a corresponding reduction in contract awards, restriction of operations, imposition of special taxes or requirements for local ownership. Political and economic instability can also result in restrictions on available funding as lenders withdraw from the construction sector.</p>	<p><b>Mitigation:</b> The Group seeks to maintain a diverse portfolio of projects for both private and public clients and a broad exposure to a number of resilient and stable sectors and geographic markets.  The Group maintains sustainable relationships with key government departments and related regulatory authorities.</p>
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**TALENT AND CAPABILITY RISK** ↓

<p><b>Description:</b> The Group is subject to competition from national and multinational firms with substantial resources. Therefore the Group's ability to compete is based on its ability to recruit, develop and retain the appropriate skills. The locations of the Group's operations can also be in remote regions or in countries where it is increasingly difficult to recruit suitably qualified people.</p>	<p><b>Impact:</b> Failure to attract, develop and retain the right skills could significantly impair the Group's ability to meet current commitments, deliver projects and grow the business as planned.</p>	<p><b>Mitigation:</b> As a primary component of Laing O'Rourke's strategy, a comprehensive human capital agenda has been devised, focused on attraction, retention and development of the industry's most talented people, and their effective deployment across the Group. The Group Executive Committee is responsible for ensuring an appropriate suite of reward, development and succession planning structures is in place for all employee groups. Innovative partnerships with universities and a range of benefit schemes help position Laing O'Rourke as a progressive employer of choice.</p>
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**PROJECT SELECTION AND EXECUTION RISK** →

<p><b>Description:</b> Selecting and securing projects with an attractive risk and reward profile is a key determinant of the Group's financial performance.</p>	<p><b>Impact:</b> High bid costs and/or the Group taking on onerous contract conditions could result in increased project costs and reduced profitability.  Failure to meet delivery timetables, quality levels and budgets may impact cash flows and reduce profitability, and impact the Group's ability to deliver projects as well as harming its reputation.</p>	<p><b>Mitigation:</b> The Group's approach to project selection is guided by a detailed set of protocols known as Core Process and an associated project management approach – Enabling Process. These have defined delegated authority levels, for approving all tenders, depending on the size and complexity of the project under consideration. The mandatory application of Core and Enabling Processes, the DfMA methodology and our integrated delivery capabilities will result in greater surety of delivery. Building Information Modelling (BIM) and digital engineering technologies are used to achieve time and cost-certainty through a full visualisation of the build sequence. Regular project selection and review meetings are held to check progress against KPIs, and any deviations from the programme are acted upon quickly and appropriately.</p>
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## JOINT VENTURE RISK →

### Description:

Some of the Group's activities are undertaken through joint venture partnership arrangements with third-party organisations to better facilitate the funding and delivery of complex projects on an international basis. Risks are inherent in any jointly controlled entity where no single party has majority control.

### Impact:

Failure to implement consistent standards and processes in joint ventures can lead to higher costs, lower productivity, health, safety and environmental failures, which can have a negative bearing on the Group's operational performance, financial condition and reputation.

### Mitigation:

The Group seeks to work independently wherever possible and only participate in joint ventures to fulfil client expectations, accelerate its strategic objectives or meet expected project benefits. Joint venture partnerships are only established in which the Group's interests are complementary to those of its partners. Laing O'Rourke undertakes a thorough evaluation process to determine the financial, operational and reputational integrity of the joint venture partners before committing to any formal arrangement. Once established, implementation of robust governance procedures ensures full compliance with all contractual terms and practices within the joint venture.

## SUPPLY CHAIN RISK →

### Description:

The Group is dependent upon the delivery of materials and the provision of engineering and construction services by its supply chain in a timely and satisfactory manner, and in full compliance with contractual terms and conditions.

### Impact:

Non-delivery by the supply chain – either through non-performance or financial failure – could impact the Group's ability to deliver projects on time, budget and to the right quality.

### Mitigation:

A significant proportion of projects are self-delivered by Group companies, reducing the reliance on third-party service providers. Occasionally specialist engineering and construction contractors are used on a number of the Group's projects to meet specific delivery needs. This risk is mitigated through a robust and fully audit-trailed selection process, which includes fact-based analysis of the financial and operational viability of preferred supply chain partners. The list of preferred suppliers is also regularly reviewed to ensure all supply chain partners are complying fully with Group procurement and operating standards, applicable laws and industry regulations. Full contingency planning is also undertaken.

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

## REPUTATIONAL RISK →

### Description:

Protection and enhancement of the Group's brand reputation with clients and stakeholders directly affects its ability to tender for projects in specific sectors and markets to secure a future pipeline of prestigious projects and client relationships. It has very clear principles governing the way in which it conducts its business and expects all employees and partners to act in accordance with its published Global Code of Conduct and established systems and processes.

### Impact:

Delivery delays, poor asset performance post-handover, industrial accidents or stakeholder dissatisfaction, failure to prevent acts of fraud, bribery, corruption or anticompetitive behaviour can all adversely impact corporate reputation.

### Mitigation:

The Group's internal control environment is designed to promote policy adherence and prevent unlawful activities. Continuous awareness programmes ensure high levels of understanding of the Group's expectations and each individual's obligations. In addition, we use a range of strategic advisers to protect and enhance our brand and reputation in the eyes of key business influencers and opinion formers. The Group also implements a defined sustainability agenda – further information can be found on pages 60 to 81. At an operational level The LOR Way (Core and Enabling Processes) has been mandated across all global project sites to ensure a standardised approach to project delivery based on project controls and a continuous improvement loop, helping to reduce the risks associated with poor or non-delivery. The Group also has a well articulated and embedded Communication Policy which controls the management of reputation with external parties.

## SAFETY AND SUSTAINABILITY

### PERFORMANCE HIGHLIGHTS

- Strong health and safety performance maintained, resulting in a year-end Accident Frequency Rate (AFR) of 0.21.
- Global alignment of health, safety and human capital approach now established.
- Europe Hub endorses extensive sustainability targets for 2015 and 2020. Based on this, Australia Hub will agree a similar framework in the coming year.
- UK business awarded platinum status in the Business in the Community (BiTC) CR Index.
- Potential for innovation enhanced through the expansion of Engineering Excellence Group, with new appointments in the Europe and Australia Hubs.
- £49 million invested in research and development, education and Design for Manufacture and Assembly (DfMA).





In recent decades, our industry has seen a transformation in attitudes to health and safety. The most visible results of this can of course be seen in our workplaces – and through the behaviours of our people. But in striving to eliminate accidents, we have been compelled to rethink every facet of our operations.

This remains a powerful impetus for innovation, demanding ever smarter ways of working. Likewise, it continues to strengthen our management culture, encouraging a more enlightened generation of leaders.

In the same way, we believe there is enormous opportunity in the social, economic and environmental challenges we face today. As providers of the buildings and infrastructure upon which people across the world depend, the role construction and engineering have to play cannot be underestimated.

With fewer natural resources to support a growing population, we must all do more with less. In this market, decisions are based as much on long-term value as upfront cost. This opens up the scope for creativity, encouraging all parties – clients, contractors and communities – to adopt a more far-sighted view. By aligning our strategic objectives accordingly, we not only become a more responsible business, but a more successful one.

During the year, we formalised our approach through the creation of a wide-ranging sustainability framework. The comprehensive set of objectives defines how we will minimise our impact on the environment, engage with clients and communities, and provide our people with high-quality careers that enable them to achieve their potential.

The targets, which take us up to 2020, encompass carbon, water and waste, development and diversity, staff retention and succession planning, client satisfaction and ethical business, responsible sourcing, and research and development. We have already begun working towards these goals in our Europe Hub and, over the coming year, the framework will be refined in line with local requirements and implemented in our Australia Hub.

#### ◀ KENYA WATER TREATMENT PLANT, QUEENSLAND, AUSTRALIA

In Australia, our behaviour-based approach to health and safety sets us apart in the market – and has been welcomed both by our workforce and clients. In September 2012, the team at the Kenya Water Treatment Plant in Queensland celebrated two years without a lost-time incident, equating to 1.5 million hours. By year-end this exceptional performance remained unbroken. The facility is one of three for client QGC. In April 2013, the largest of the trio, Northern WTP, marked a year without a single incident resulting in the loss of one or more shifts. These complex facilities will house the infrastructure needed to process and purify water released during coal-seam gas extraction.



## Driving performance

The management of key sustainability issues is monitored at every level of the business through the governance framework outlined below. Specific targets relating to health and safety and human capital (employee engagement) are included within the performance contracts used to determine the remuneration levels of our 200 most senior employees.

As part of our annual appraisal process, all staff receive a formal performance rating – 10 per cent of which is determined by the Accident Frequency Rate within their business unit. 40 per cent is based on personal objectives – and from next year at least one of these must be sustainability related. A further 50 per cent is based on a defined set of behaviours (including engagement in and understanding of our sustainability agenda).

## Governance

We operate a comprehensive governance framework to ensure issues impacting on our sustainability are appropriately addressed. This is managed through a network of boards, all ultimately accountable to the Board and Group Executive Committee (GEC).

The GEC sets the strategic direction of our activities, allocates investment and oversees delivery. As a subcommittee of the GEC, our Safety and Sustainable Development Committee ensures risks and opportunities associated with health, safety and sustainability are given the highest priority across the Group.

Co-chaired by the Group Chairman and Group Chief Executive, the Human Capital Committee leads the formulation of our people and organisation agendas. Its main priority is to mitigate capability risk through targeted attraction, development and retention of a highly skilled, globally mobile workforce.

Primary authority for the day-to-day execution of business strategy is assumed by our Europe and Australia Hub Executive Committees, which are responsible for implementing the GEC's objectives in their respective jurisdictions. This includes targets relating to health and safety, human capital and other key performance indicators.

The explicit management of health, safety and sustainability is delegated to hub-level safety and sustainability leadership forums. Chaired by the Hub CEO, the forums are made up of the leaders of each of the relevant business units.

Business unit safety and sustainability leadership forums are responsible for ensuring hub-level strategy is implemented within each business unit. Chaired by the respective business unit leader, the forums are attended by senior personnel accountable for safety and sustainability.

In Europe, we have established a hub-level Sustainability Steering Committee to enhance engagement in our sustainability agenda by bringing greater levels of coordination to our activities. The committee is made up of individuals from a wide range of disciplines and supported by a number of regional forums, who are tasked with validating its proposals.

In Australia, the EPIC (Environment, People, Industry and Community) Senior Executive Standing Committee is chaired by the Hub CEO. The committee oversees strategy development for each of the core components of our sustainability agenda, sanctions investment and monitors performance. Specific actions are delegated to panels accountable for each of the above areas.

## About this report

This report describes our activities for the 2012/13 financial year. Specifically, it addresses the issues we regard as having the greatest material impact on the sustainability of our business. We have grouped these under four key headings: health and safety, people, environment and marketplace.

The figures published within these sections are sourced from centralised and hub-specific databases, and unless otherwise stated represent the consolidated global operations of the Laing O'Rourke Group.

Given the geographic spread of our operations, it is not always practical or appropriate to adopt uniform initiatives and measures. In particular, the scope of our sustainability activities will necessarily vary according to the size and maturity of our international businesses.

The Laing O'Rourke Group respects all national and international regulations to which it is subject and complies with the reporting requirements of the countries in which it operates. Local variations relating to the definition and measurement of performance data can, in some instances, make the task of reconciling figures complex. However, every effort has been made to overcome this.

## Audit and assurance

This report has been independently assured by sustainability experts, Two Tomorrows, in accordance with the globally recognised AA1000 Assurance Standard (2008). To verify key claims within this report, they have examined supporting evidence, interviewed senior personnel, and visited our projects, offices and other facilities.



## HEALTH AND SAFETY

Our goal is to protect the health and safety of everyone involved in or affected by our operations, eliminating all accidents by 2020.

**£8.9m**

Investment in health and safety training<sup>1</sup>

**0.21**

Group AFR<sup>2</sup>

**0.35**

Group DIFR<sup>3</sup>

**3.19**

Group AAFR<sup>4</sup>

1. This figure includes direct costs (venue hire, tuition fees, travel expenses, etc) and opportunity costs (employee salaries). Figures stated last year (with the exception of IIF training) do not incorporate opportunity costs.
2. AFR (Accident Frequency Rate): an accident resulting in more than three days' absence from work.
3. DIFR (Disabling Incident Frequency Rate): an accident resulting in the loss of one or more shifts.
4. AAFR (ALL Accident Frequency Rate): any accident at all, from serious injuries to minor incidents.



## PEOPLE

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

**£19.1m**

Investment in training and development<sup>1</sup>

**669**

Employees on development programmes

**64%**

Employee engagement score

**96%**

Employees receiving performance appraisals

1. This figure includes direct costs (venue hire, tuition fees, travel expenses, etc) and opportunity costs (employee salaries). Figures stated last year (with the exception of IIF training) do not incorporate opportunity costs.



## ENVIRONMENT

Our goal is to minimise the negative impacts of our operations and maximise the quality of the built environment for future generations.

**44%**

Reduction in construction waste against 2009/10 baseline

**96.5%**

Non-hazardous waste diverted from landfill



## MARKETPLACE

Our goal is to grow our business by delivering superior engineering strategies that meet the needs of individual clients, while responding to the wider challenges facing our industry.

**£30m**

Investment in R&D and DfMA<sup>1</sup>

**11**

Sponsored PhDs

**£429k**

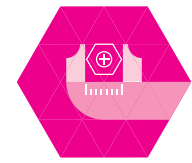
Corporate charitable donations

**39**

Laing O'Rourke sponsored masters students<sup>2</sup>

1. In 2011/12, we reported a £7 million investment (relating to UK operations only). This year's figure represents total investment across the Group.
2. This figure includes our own people and employees from other organisations across the industry.

# HEALTH & SAFETY



The elimination of all accidents from our operations is an objective of the highest strategic importance. Our health and safety performance defines our strength as a business – and determines our success in all other areas. For this reason, it is central to our sustainability, a precondition of our continued growth. But, most importantly, it is a measure of the value we place on our people.

In 2010, we launched Mission Zero, and with it our vision of a future where everyone goes home safe and well every single day. There are two key targets attached to this agenda.

The first is a 0.1 DIFR (Disabling Incident Frequency Rate) by 2015. This will mean reducing to one in ten the number of people who, over an entire career, sustain an injury resulting in an absence of one or more days.

The second is a 0.1 AAFR (All Accident Frequency Rate) by 2020. This includes even the most minor incidents. Today, this goal remains aspirational. But targets drive actions and attitudes – and we believe its very existence will help create the conditions for its achievement.

During the year, we realigned our Mission Zero strategy under five key pillars: consistency, learning, radical new thinking, empowerment and a just culture. At the heart of these, binding them together, is 'leadership that values people'. These are the qualities we believe are necessary to realise our ambitions – and this mindset will guide our activities.

## The year in review

We concluded the year in review with an overall Accident Frequency Rate (AFR) of 0.21. In our Australia Hub, our AFR decreased from 0.73 in March 2012 to 0.4 in March 2013. During the same period, rates in the Europe Hub remained steady, rising marginally from 0.12 to 0.14. While this is a strong performance, we will nevertheless need to deliver a three-fold improvement to meet our 2015 target.

Over the past 12 months, we have seen some notable successes around the business, with a number of projects recording exceptional results. In the Middle East, for example, we achieved an AFR of 0.02. Meanwhile, a substantial amount of work has been undertaken to refine the thinking behind our approach and the processes that underpin it.

## PERFORMANCE INDICATORS

£8.9m

Investment in health and safety training<sup>1</sup>

0.21

Group AFR<sup>2</sup>

0.35

Group DIFR<sup>3</sup>

3.19

Group AAFR<sup>4</sup>

1. This figure includes direct costs (venue hire, tuition fees, travel expenses, etc) and opportunity costs (employee salaries). Figures stated last year (with the exception of IIF training) do not incorporate opportunity costs.

2. AFR (Accident Frequency Rate): an accident resulting in more than three days' absence from work.

3. DIFR (Disabling Incident Frequency Rate): an accident resulting in the loss of one or more shifts.

4. AAFR (ALL Accident Frequency Rate): any accident at all, from serious injuries to minor incidents.

We have launched enhanced safety management systems in both Hubs, supported by more robust auditing and assurance procedures. In the UK, a new online knowledge-sharing portal is being developed, while a 'major projects forum' has been established to exchange learning and ideas. In Australia, we have rolled out a refreshed communications campaign: 'there's always a reason to stay safe'.

Our approach to health and safety is based on a culture of collective responsibility and individual empowerment. To this end, we have introduced a number of initiatives to strengthen relationships between employees at all levels, encouraging a spirit of cooperation and mutual respect.

In the UK, quarterly operational reviews will be carried out on each project by a senior member of the organisation (independent of the site team), with a strong emphasis on workforce interaction. Similarly, in the Australia Hub, our new engagement tours are designed to encourage leaders to demonstrate their commitment – and include work-planning and discussion sessions with the site team. This is part of a wider programme to ensure managers fully understand their accountabilities.

Working with leading Australian contractors and universities, we have formed a group called 'Safety Differently' to investigate fresh, alternative approaches. Here, we delivered our second round of supply chain health and safety forums, attended by more than 200 of our key partners.

In November, we celebrated our second annual global health and safety awareness day – with the focus this year on 'consistency and compliance'.

## MISSION ZERO

Mission Zero is our global campaign to eliminate all accidents from our operations by 2020. There are two key targets attached to this agenda:

- A 0.1 DIFR (Disabling Incident Frequency Rate) by 2015. This includes any accident resulting in the loss of one or more shifts.
- A 0.1 AAFR (All Accident Frequency Rate) by 2020. This encompasses all accidents, from serious injuries to minor incidents.



### Consistency and compliance

Our operations are diverse and complex, spanning many different sectors and geographies. This means our processes must respond to a range of requirements, while enabling us to achieve the same high standards in everything we do.

With this in mind, we have conducted an extensive review of our procedures to ensure they reflect our development as a business – both in terms of where we work and how we work.

### Safety Management System (SMS)

In our Europe and Australia Hubs, we have launched new safety management systems. The content and structure of each has been revised to make it more accessible and relevant. We have introduced a number of new sector-specific sections, along with enhanced guidance on the application of offsite manufacturing and onsite assembly methodologies. There is also greater emphasis on the role of non-delivery disciplines in eliminating risk through better planning and coordination, and greater levels of innovation.

In the Australia Hub, around 400 employees have completed an interactive two-day SMS course, with another 500 scheduled. In Europe, a web-based module is being developed, aimed at understanding how effectively employees are using the system.

### Audit and assurance

We have enhanced our assurance processes to measure more accurately levels of compliance across the business. In contrast to the traditional inspection-based approach, the new protocols will allow us to benchmark overall performance – while identifying specific areas for improvement.

Mission Zero assurance audits will be carried out annually at all workplaces by the health and safety function. This detailed process will take several days to complete. Based on the results, the project team will develop a specific action plan. Progress against this will be monitored by the lead auditor.

In Australia, we have successfully trialled a new assurance programme. A schedule of audits has been produced for the Hub, which will begin in June.

**Competence and commitment**

Our systems and processes are robust. But they are only as effective as the people who apply them. Every day, we rely on thousands of individuals around the world to make the right decisions. It is for this reason that we remain committed to our direct employment model as the best means of ensuring the correct levels of competency and commitment on our sites.

We invest heavily in training and development so that our people have the skills to carry out their duties safely and responsibly – and we expect everyone in our workplaces to actively support our Mission Zero vision.

**Training**

During the year, we invested £8.9 million in health and safety training. A range of programmes was delivered – to our own people as well as colleagues from client organisations, consultancies and our supply chain.

Particular attention has been paid to the development of our senior staff to make certain they have the capabilities and qualities to support our aspirations. In Europe, a refreshed safety leadership programme will be launched in June. The overarching objective is to encourage a more enlightened leadership culture, ensuring our people feel engaged, committed and, most importantly, valued.

We have developed a bespoke behavioural safety programme to be rolled out across the Europe Hub in April. The half-day workshop is tailored specifically to our business – and will examine in depth the ‘evolution’ of risk, demonstrating for example how decisions made at planning stage can have an impact during the delivery phase.

In Australia, we are piloting a relationship-based programme, as the natural progression from our behavioural approach. The aim is to create an interdependent culture where individuals come together to devise solutions to issues as they arise in the workplace. The programme also encourages employees to participate in wider discussions on more intractable challenges.

**Health and safety commitment interviews**

Last year, we introduced compulsory ‘one-to-one health and safety commitment interviews’ for all new-hires and transfers, including subcontractors. In 2012/13, we conducted 15,580 interviews in the UK, with 25 failures.

The aim of these sessions is to ensure everyone on our projects understands our approach to health and safety. As part of the process, individuals must confirm their commitment to our Mission Zero vision. Anyone failing to do so will be refused entry to the site.

Delivered wherever possible by the project leader, the interviews are also designed to open up lines of communication between management and the workforce, promoting greater levels of engagement on both sides.

The scheme has been welcomed by both staff and operatives, and received praise from clients and subcontractors. It is now being piloted on an oil and gas project in Australia, ahead of a wider roll-out across the Hub.

**Health and wellbeing**

We continue to broaden our occupational health provision, moving towards a more holistic approach. The prevention of work-related illness remains our most immediate priority,



**SEVERN TRENT WATER FRAMEWORK, UK**

In the UK, the 250 employees engaged on our Severn Trent Water Framework have completed over one million hours without a reportable injury. The application of innovative technology has ensured the flow of two-way communication between workers based remotely across a range of locations. This, coupled with regular audits, has helped enable the team to go home safely every day.



**PUBLIC SAFETY**

To minimise the chance of injury to drivers, pedestrians and cyclists, our vehicles are fitted with the latest safety features. These include tracking devices and video cameras to ensure our employees are observing the road rules at all times. Where required, we can set up a ‘geo fence’ to alert us when drivers deviate from authorised routes. Larger vehicles are installed with sensors linked to a ‘proximity alarm’ in the cab, left-turn beepers, cyclist warning stickers and side under-run bars.



along with the management of safety risks associated with poor health in the workplace. But beyond this we have a responsibility to protect the welfare of our people in a much wider sense.

The proportion of older workers in our industry is lower than in many other sectors. This is in part due to the physically demanding nature of traditional construction methods – and can in part be addressed through improved practices.

But it is true to say that we, as an industry, have not done enough to safeguard the wellbeing of many now in or approaching retirement. Historical exposure to hazardous materials continues to take a toll on the health of many former construction workers.

While we may not see measurable benefits for some time to come, it is incumbent upon us to take steps now to reverse this trend by promoting better health through stricter monitoring regimes and awareness campaigns.

#### **Health screenings**

During the year, 3,316 health screenings were carried out across our UK projects and offices. These ranged from mandatory medicals for safety-critical workers to voluntary lifestyle check-ups. No employees were found to be permanently unfit for work. Twenty-six were considered temporarily unfit and 168 individuals were referred to our occupational health service for assistance to stay at or return to work. We have now set ourselves the target of providing health surveillance to at least 90 per cent of our directly employed workforce over the coming year.

In the Middle East, 110 employees in high-risk roles were randomly selected for medical screenings. Additionally, there were 8,000 visits to our health clinic for complaints including dermatitis, hypertension and back-ache. In Hong Kong, 5,160 health screenings were conducted. Eighty-eight people were advised to seek treatment for high blood pressure. Following consultation, 36 were confirmed as fit to work.

In Australia, we have established a medical review team to bring greater consistency to our approach. To support this, a central database is being developed which will enable us to identify trends in employee wellbeing. This is being trialled in the business' western region and will be rolled out nationally in the coming year.

To ensure all of our people are being assessed to the same standards, we have appointed a single service provider to work with us across the country – replacing a larger number of regionally based agencies. This mirrors our existing approach in the UK.

There were no RIDDOR-reportable health issues identified anywhere in the Group.

#### **Manual handling**

Manual handling injuries and musculoskeletal disorders remain one of the industry's most prevalent health and safety risks. These conditions can, in the worst cases, be permanently impairing. Yet they often develop over a number of years, making them entirely preventable.

During the year, we developed an online 'job dictionary' in our Australia business, which captures in precise detail the physical impact of almost 500 manual handling tasks. The database will enable us to better understand and manage the risks associated with particular activities. It will also be used in pre-employment assessments, as well as rehabilitation and return-to-work programmes. In the UK, we offer a dedicated training programme to educate employees on safe manual handling practices.

#### **Awareness programmes**

In the UK, we have engaged an external supplier to deliver a new healthy eating programme. Topics covered will include understanding blood pressure and managing stress through better nutrition. The content will be delivered onsite through weekly toolbox talks and made available to staff on our intranet. In 2012/13, we rolled out a range of wellbeing initiatives in our Australia Hub, including men's health seminars and lifestyle assessments, with more to follow in the coming year.

#### **Drug and alcohol testing**

Laing O'Rourke operates a zero tolerance approach to drug and alcohol misuse. This is enforced through random and with-cause testing, along with pre-employment checks. Disciplinary action – up to and including dismissal – will be taken against anyone found in breach of our drugs and alcohol policy.

During the year in review, 3,806 tests were carried out in the UK, with 60 positive results (1.58 per cent). The main cause was cannabis (40 cases).

The cultural and religious demographics of our Middle East workforce mean drug and alcohol use is exceptionally rare. For this reason, we do not conduct random screenings. However, anyone suspected of being under the influence would be subject to removal and investigation.

In Australia, due to the stringent regulatory requirements associated with our core sectors (rail and resources), our employees are subject to routine checks. During the year, 394,311 tests were carried out. There were 188 failures – a rate of 0.048 per cent. Alcohol was the cause in 150 cases.

In Hong Kong, 186 people were tested for alcohol, with zero failures. We are currently sourcing a specialist drug screening provider.

We are committed to supporting any employee voluntarily seeking help for substance abuse. Assistance is delivered through independent rehabilitation services, backed by a programme of regular testing.

#### **Counselling**

Confidential counselling is available to all staff. The service can also help employees with the practical requirements associated with relocation between regions.

# ENVIRONMENT



Our planet is experiencing unprecedented pressures, driven by a growing population whose demands on its natural resources cannot be sustained.

## PERFORMANCE INDICATORS

44%

Reduction in construction waste against 2009/10 baseline

96.5%

Non-hazardous waste diverted from landfill

As societies in developing nations increasingly gravitate towards expanding urban centres, they will require new housing, schools, hospitals, transport systems and power networks. Meanwhile, in places such as Europe, North America and Australia, much of the existing stock is ageing and inefficient.

But the built environment is already our single biggest source of greenhouse gas emissions – and its construction accounts for around a third of the raw materials consumed annually. So our industry finds itself in a paradox: as both problem and solution. The need for our services will inevitably grow, but while addressing one issue we risk exacerbating the other.

With these challenges, though, come opportunities. By taking the long view, putting the performance of the finished product at the centre of all our design and delivery strategies, we can become powerful enablers of the low-carbon economy.

### The year in review

In February, the senior executive formally endorsed a wide-ranging suite of sustainability objectives for the Europe Hub. The new framework includes stretching targets to mitigate the environmental impact of our activities. Pending appropriate adjustments – in line with specific regional requirements – we hope to replicate this approach in our Australia Hub.

The targets take us up to 2020 and include: a 30 per cent reduction in carbon emissions (against 2008/9 levels), a 44 per cent reduction in construction waste (against 2009/10 levels) and the establishment of a water consumption baseline and improvement strategy. Beyond this, we are working towards an 80 per cent reduction in CO<sub>2</sub> by 2050.

We have begun to see the benefits of our investment in a more fuel-efficient plant and vehicle fleet. This has been strengthened by consistent efforts to limit site CO<sub>2</sub>. In recognition of these ongoing performance improvements, our UK business has been accredited for a third time under the Certified Emissions Measurement and Reduction Scheme (CEMARS).

In 2011/12, we set ourselves the challenge of cutting energy, water and waste by 10 per cent against the previous year's output. By March, we had recorded a 10.4 per cent decrease, saving the UK business £4.7 million. Over the next 12 months, we aim to reduce waste by a further 10 per cent, extending our energy target to 15 per cent.

### Carbon

Since 2011, Laing O'Rourke has been registered under the Australian Government's National Greenhouse and Energy Reporting Act. During the year, we commissioned an audit of our recording system to ensure full compliance. The findings did not identify any significant non-conformances, and were submitted along with our annual emissions statement as verification.

In July, the Australian Government's carbon tax came into effect. While we do not exceed the threshold for liability (25,000 tCO<sub>2</sub>e per year), we are exposed to price increases through our supply chain.

Meanwhile, the scope of the UK Government's low-carbon buildings agenda remains uncertain. While we can expect regulations to tighten, the extent of these changes and the rate of implementation are yet to be fully resolved.

What is clear is that, irrespective of the legislative landscape, a sustained reduction in CO<sub>2</sub> emissions must remain a core environmental objective. This necessarily means driving down the embodied carbon associated with our delivery activities. However, it is in the performance of the finished product where we can make the most enduring impact.



## SELECT FLEET RENEWAL

We have made a substantial investment in cleaner plant and machinery, with new excavators, piling rigs and cranes limiting diesel-particulate emissions to an industry-leading low, delivering significant benefits to local air quality.



## TERMINAL 2A HEATHROW, LONDON, ENGLAND

Laing O'Rourke has joined the BAA Heathrow Sustainability Partnership, supporting the organisation's vision to become a leader among its peers in world-class social and environmental performance. Our Heathrow Terminal 2A and Leadenhall projects both received Green Apple Awards in recognition of their strong environmental performance and high levels of community engagement.



Increasingly, our clients are seeking assurances on the 'real' operational efficiency of their assets, not simply the 'modelled' projections. We welcome this challenge as an opportunity to demonstrate – and further develop – the benefits of our Unique Business Offering.

### Innovation and collaboration

Our success depends on our ability to deliver something that differentiates us in the market and meets the demand for a more sustainable built environment. In this regard, we believe our Design for Manufacture and Assembly (DfMA) approach sets us apart.

#### Design

As the first step in the DfMA process, design is all-important. Unlike traditional methods, much of the delivery takes place offsite, with components manufactured in our facilities ahead of onsite assembly. To set this sequence of events in motion, final design must be substantially complete before work begins.

Naturally, this requires greater levels of collaboration with clients and other stakeholders. But bringing the design upfront also allows us to unlock benefits further downstream. By modelling energy performance early, we can make the most of the asset itself. Through careful management of internal airflow and the use of exposed concrete, we are able to regulate the absorption and release of heat from the building fabric, reducing the need for artificial temperature control.

The standards achieved through design-led offsite construction ensure that joints are more exact and therefore more airtight. Recently, our Dagenham Park School project achieved an airtightness rating of 1.44m<sup>3</sup>/m<sup>2</sup>/hr compared with the average 3-5 m<sup>3</sup>/m<sup>2</sup>/hr achieved in most buildings.

#### Manufacture

By using automated processes to manufacture components in a controlled environment, we are able to manage resources much more efficiently and return would-be waste back into production.

The superior quality of finish achieved at our Explore Industrial Park facility means our concrete does not need to be rendered. It is also denser than its in situ equivalent. Both of these factors vastly enhance its ability to store heat. We have also reduced the number of hours during which curing chambers are heated at production stage, without compromising quality or throughput.

By applying DfMA principles to building services systems, we are able to achieve a much higher degree of reliability. These preassembled units can be tested ahead of installation to ensure they will operate as efficiently as predicted.

At the same time, we are working to minimise the carbon footprint of our products through better design and lower-impact materials. This is monitored through our 'component library' which catalogues the embodied carbon of all our standard products.



### DAGENHAM PARK SCHOOL, LONDON, ENGLAND

Our DfMA approach offers a range of environmental benefits. By using automated processes to manufacture components in a controlled environment we can manage materials much more efficiently. Careful design helps maximise natural heat and light, and regulate internal ventilation. Likewise the standards achieved through this methodology ensure joints are more airtight. Recently, our Dagenham Park School project received an airtightness rating of 1.44m<sup>3</sup>/m<sup>2</sup>/hr compared with the average 3-5 m<sup>3</sup>/m<sup>2</sup>/hr for most buildings.

Figures compare well with the standard output for precast concrete (0.215kg CO<sub>2</sub>/kg): columns (0.113kg CO<sub>2</sub>/kg); twin wall (0.129kg CO<sub>2</sub>/kg); lattice plank (0.138kg CO<sub>2</sub>/kg); and sandwich panels (0.146kg CO<sub>2</sub>/kg).

This information can be used in the commercial quantification process and – when integrated with our digital engineering technologies – enables us to analyse with greater accuracy the CO<sub>2</sub> associated with a specific structure.

#### Assembly

As we move from manufacture to assembly, the benefits follow. To put these to the test, we have established a set of environmental indicators. Evidence collected shows carbon and waste reductions of up to 75 per cent can be achieved at any given point in the construction process. Water consumption decreases by almost a third and the risk of pollution incidents diminishes. Additionally, there are fewer vehicle movements around our sites, resulting in less noise and congestion.

#### Operation

The advantages of DfMA are reinforced through the application of our digital engineering capability, enabling us to predict operational performance with much greater certainty. By exploiting the latest prototyping technologies, we can create multifaceted models that integrate data about a structure's design, construction and function.

This information can be incorporated into facilities management systems to streamline building services. As part of a robust aftercare strategy, it can substantially mitigate the 'human factor' – ensuring occupants understand how to use their assets efficiently.

Through Crown House Technologies, we have established an 'Energy Bureau Platform' which remotely monitors performance, diagnosing consumption patterns that deviate from modelled expectations.

#### Waste

We continue to focus on eliminating construction waste from our activities, progressing successfully towards a 50 per cent reduction by 2020. In 2012/13, our UK operations generated 144,645 cubic metres of construction waste – a 44 per cent improvement on our 2009/10 baseline.

This is supported by the application of DfMA. In particular, the development of our SmartWall product range has the potential to eradicate the use of plasterboard on our projects – our biggest source of construction waste.

We operate strict environmental protocols on all our sites, including mandatory recycling quotas. In the UK, we diverted 96.5 per cent of non-hazardous waste from landfill during the year, 1.7 per cent up on 2011/12. This puts us on track to meet our target of 100 per cent by 2020.

We have standardised our approach to data capture in Australia with the introduction of our 'waste tracker' system. The web-based tool, which is already used in the UK and Middle East, replaces numerous individual site registers, bringing our information on to a central platform giving us an up-to-date view of performance.

The system was rolled out as part of a campaign aimed at reducing waste to landfill. This included the implementation of a waste management policy. All projects, facilities and offices were asked to conduct a review of their practices and develop specific improvement strategies. Our objective now is to establish a baseline against which meaningful targets can be set.

In partnership with Community Wood Recycling (CWR), we have put more than 1,000 tonnes of waste timber back into use, helping to fund permanent jobs in the process. CWR is a network of UK-based social enterprises that provides a wood collection service, while giving disadvantaged people employment and training opportunities.

#### Water

In Europe, significant variations in rainfall – combined with the pressures of a large population on often-ageing infrastructure – have brought the subject of water into sharper focus over recent years. Likewise, in the more arid regions of Australia and across the Middle East, it remains a rare commodity. Even where reserves are in abundance, the environmental impact associated with its treatment and transportation makes careful management key.

We have developed a suite of best practice guidelines to support our projects – and encourage the use of 'grey' water wherever possible. We are now working to establish a baseline, with reduction targets in place by 2015.

At the same time, we are exploring smarter ways to minimise waste. In Australia, we have successfully implemented efficiency strategies on many projects. This includes the collection of rainwater from site accommodation for use in a range of processes where potable water is not required. Projects applying these measures have reported a significant reduction in consumption.

On our Leadenhall project, in the City of London, we have piloted a new minimal-discharge system for flushing pipework prior to commissioning. The process uses around 95 per cent less water than conventional methods, which in this instance alone would have required around seven million litres – roughly enough to fill three Olympic-sized swimming pools. It also uses fewer chemicals, generating minimal effluent, and is much quicker and therefore less energy-intensive.

### Assurance and accreditation

We are committed to the highest standards of environmental compliance and management. All Laing O'Rourke Group businesses operate to ISO 14001-accredited environmental management systems.

In our Australia Hub, we have comprehensively revised our environmental management system (EMS), with increased focus on managing risks and resources at an operational level through better application of control measures. The system has also been reconfigured to improve its usability.

### Responsible sourcing

Our approach to responsible sourcing is outlined in our Global Code of Conduct, which mandates the selection of products and services with the lowest environmental impact. This includes the use of non-hazardous and/or re-usable materials wherever practical.

We require our timber suppliers to provide 100 per cent FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) accredited materials and collect chain of custody information, as required, on each project. This is verified through environmental audits and other assessment standards, including BREEAM. There were no non-conformances identified during the year.

For the second year in a row, our Explore Manufacturing business has been awarded 'good' status under BRE's responsible sourcing standard, BES 6001. Ours are the first composite precast concrete components to be certified under the scheme – and will mean automatic BREEAM points for projects using these products. We are now working to increase our rating to 'very good' by 2015 and 'excellent' by 2020.

The accreditation recognises best practice in the sustainable procurement and production of construction materials. To qualify, manufacturers must demonstrate that their products are made from responsibly sourced materials, while providing detailed evidence of the way in which social, environmental, health and safety, and other ethical issues are managed – within the business and across the supply chain.

While we do not routinely monitor the use of recycled content, we expect to achieve a minimum of 20 per cent across the board – and can increase this where required.

### Certified Emissions Measurement and Reduction Scheme (CEMARS)

For the third successive year, our UK business has received CEMARS accreditation, demonstrating a commitment to reduce our greenhouse gas emissions. As part of this process, companies must open up their carbon management and measurement processes to external scrutiny. This, in turn, provides us with increased assurance on the accuracy of our CO<sub>2</sub> data.

### Environmental incidents

During the year, our Hong Kong business was prosecuted for breach of a construction noise permit. Corrective action has been taken, and all activity planned during restricted hours must be reviewed and approved by senior management. There were no other prosecutions anywhere in the Group.

Two environmental notices were served in the Australia Hub. A notice was received from the Queensland Department of Environment and Heritage Protection, relating to the submission of a number of incomplete waste transport certificates. This has now been rectified. We have also undertaken an audit of our systems and processes.

A second notice was issued under the National Industrial Chemicals Notification and Assessment Scheme, which requires companies to register for the importation of industrial chemicals. We have now registered under the scheme.

There were no Category 1 environmental incidents anywhere in the Group. There were 25 Category 2 incidents and 374 Category 3. 750 environmental hazards and near-misses were reported. In 2012/13, we conducted 158 internal audits.

### Summary of carbon emissions<sup>1</sup>

	UK <sup>2</sup>				Australia <sup>3</sup>	
	2008/9 (Baseline)	2010/11	2011/12	2012/13 <sup>1</sup> (provisional)	2010/11	2011/12 (baseline)
Scope 1	80,833	47,931	53,525	46,230	19,159	19,828
Scope 2	17,600	16,057	11,509	14,037	6,538	6,711
Total (Scope 1 & 2)	98,433	63,988	65,034	60,267	25,697	26,539
Scope 3 (Excl. waste)	8,230	4,573	4,335	4,213	N/A	N/A
Total (Scope 1, 2 & 3)	106,663	68,561	69,369	64,480	25,697	26,539
Waste (Scope 3 – excluded from baseline)		5,150	4,432	4,350	N/A	N/A

1. All figures are absolute.

2. All figures up to and including 2011/12 CEMARS accredited. 2012/13 to be verified through CEMARS accreditation process in July. The UK is working to reduction targets of 20 per cent by 2015 and 30 per cent by 2020 (taking into account changes in work volume, measured by turnover). We are currently on track to meet the first of these targets.

3. 2010/11 and 2011/12 (baseline) figures verified under the NGER Act; 2012/13 will be verified and available in October.

# PEOPLE



The capacity to attract, develop and retain the correct capabilities is fundamental to the success of any organisation. In this regard, however, our sector faces a number of distinct challenges.

The proportion of young people entering construction and engineering is in decline, putting our sustainability at considerable risk. In certain regions, the shortage of adequately qualified individuals is near-critical, jeopardising the development of the wider economy.

At the same time, the increasing complexity of our delivery methods raises the threshold for entry, with the balance tipping towards higher-skilled, higher-value roles. This, in the long term, should prove an attractor, challenging certain perceptions of our industry. But, for now, creating the requisite pipeline of talent will demand a far-reaching set of solutions.

Our ability to expand into new markets relies on robust human capital processes that allow us to monitor skills levels objectively, anticipate potential gaps and take pre-emptive action to mitigate them. While the development of our people directly supports the development of our business – and more

## Total employees

	Staff	Workforce	Total
Europe	3,858	7,350	11,208
Australia	2,117	2,026	4,143
<b>Total</b>	<b>5,975</b>	<b>9,376</b>	<b>15,351</b>

## Employees: staff to workforce ratio

	2013	2012
Staff	39%	36%
Workforce	61%	64%

## Workforce age profile

	2013	2012
25 and under	10%	11%
26-35	31%	33%
36-45	29%	28%
46-55	20%	18%
Over 55	10%	10%

## Staff: male to female ratio

	2013	2012
Male	81%	81%
Female	19%	19%

## PERFORMANCE INDICATORS

£19.1m

Investment in training and development<sup>1</sup>

64%

Employee engagement score

669

Employees on development programmes

21

Laing O'Rourke masters students

96%

Employees receiving performance appraisals

1. This figure includes direct costs (venue hire, tuition fees, travel expenses, etc) and opportunity costs (employee salaries). Figures stated last year (with the exception of IIF training) do not incorporate opportunity costs.

generally raises the status of our sector – this alone does not address future resourcing issues. Here, more inspired intervention is necessary.

If we are to compete for the best, we must work harder to claim our place among the great global industries. This will require a sustained and explicit commitment to innovation and education. For this reason, we continue to invest in research, development and learning through our partnerships with leading universities.

## Employees on development programmes

	2013	2012
Apprentices	265	207
Graduates	186	135
Scholars and Cadets	135	140
Young Guns	32	43
Guns	30	29
Masters students	21	8
<b>Total</b>	<b>669</b>	<b>562</b>

## Staff length of service

	2013	2012
Less than 6 months	7%	6%
6 months to 1 year	10%	13%
1-2 years	15%	12%
2-3 years	8%	5%
3-5 years	14%	20%
5 years+	46%	44%

## Staff age profile

	2013	2012
25 and under	8%	8%
26-35	30%	31%
36-45	29%	28%
46-55	22%	21%
Over 55	11%	12%

### DARTFORD GRAMMAR SCHOOL, ENGLAND

Sponsored by Laing O'Rourke, a team from Dartford Grammar School beat off ten others in the southeast of England to win 'best project' of the year. The award is part of an annual competition run by the Engineering Education Scheme, which challenges students to devise innovative solutions to technical problems. Will Lyu, Dan Hyett, Connor Felstead and George Casselton with teacher Martin Pentecost (all pictured) developed a 'scissor lift anti-crush device' using distance sensors linked to the apparatus' control box to prevent individuals being trapped and injured. A prototype was created using digital visualisation software and a scaled model.



Beyond this, we are engaging schools and colleges to help students make informed career choices by demonstrating the quality and variety of opportunities available to them.

### The year in review

The appointment of Anna Stewart as Group Chief Executive during the year validates the strength of our succession-planning strategy. Likewise, the subsequent selection of our senior executive team confirms our ability to grow our leaders from within – many of whom are long-serving employees who began their careers with us in entry-level positions.

Our priority now is to embed this process deeper across the organisation, with immediate focus on identifying short, medium and long-term successors for all high-ranking roles, as well as those considered critical to business continuity. This expands on our current approach, which includes comprehensive contingency planning to address emerging skills requirements.

Our preference, wherever possible, is to promote our own people – and we remain committed to ensuring those with potential receive the right opportunities through structured talent review and development programmes. This is augmented as required through the targeted recruitment of specialist capabilities that enable us to keep pace with our aspirations, while building the expertise of our existing employee base.

**“If we are to compete for the best, we must work harder to claim our place among the great global industries. This will require a sustained and explicit commitment to innovation and education.”**



### LAING O'ROURKE DOCTORAL CONFERENCE

In January Laing O'Rourke held its first doctoral conference, hosted by our sponsored PhD students and their academic supervisors. The event was designed to enhance employees' awareness of our research activities.

One such example is our Engineering Excellence Group (EnEx.G), which brings together leading figures from industry and academia. During the year, the EnEx.G was substantially enlarged through a combination of internal and external resourcing.

While its primary purpose is to drive our innovation agenda, the EnEx.G also functions as an educational resource for the wider business. To exploit these benefits to the full, professionals at all levels will rotate through the group, exposing experienced personnel and junior entrants alike to new ways of thinking.

### Attraction and retention

Our capacity to attract and retain the best talent relies ultimately on our ability to provide high-quality careers that allow our people to achieve their ambitions. But, beyond this, there are many different factors that together determine the day-to-day experiences of our employees and define our standing in the marketplace. For this reason, we continually review all aspects of our offering.

### Employee engagement

An important component of this is our annual 'Shape' survey, which provides all members of staff with a platform to share their opinions on the issues that have the greatest impact on their working lives. This allows us to identify areas in need of improvement and take steps to address them. Subjects covered include career development and line management, safety and sustainability, communication and corporate strategy.

Of particular significance is our 'employee engagement' score – which is based on responses to a defined set of questions relating to personal fulfilment and motivation, pride in the company and confidence in its management.

In essence, it is a measure of how satisfied our people are in their roles and how connected they feel to our aspirations. There is, therefore, a direct correlation between employee engagement and other key performance indicators such as client satisfaction, revenue levels and retention rates. For this reason, we have formally linked senior executive remuneration to this figure.

In 2013, we recorded an overall score of 64 per cent, against a global average of 57 per cent<sup>1</sup>. This is a strong result, but nonetheless 5 per cent down on 2012. In response, a working group has been established and detailed analysis undertaken, with a number of key themes identified.

Particular attention will be paid to our performance management processes to help individuals better understand how their activities support our success – and ensure they feel recognised for their contribution. At the same time, the team will examine ways to empower employees to achieve their career aspirations by taking advantage of development and progression opportunities.

The anonymous survey is delivered on our behalf by leading independent research specialists, Ipsos MORI. In the interests of open and transparent communication, we publish the results in full on our intranet.

### Reward and recognition

Our sustained success in what remains a challenging economic environment is a tribute to the perseverance and professionalism of our people. Likewise, our ongoing investment in our employees is borne out in the high degree of productivity we see across our business – as demonstrated through the 8 per cent increase in turnover per head achieved during the year.

## ENGINEERING EDUCATION

We continue to promote engineering education, working across the academic spectrum from local schools to world-renowned institutions. Through our partnerships with the University of Cambridge and Imperial College London (pictured), we have developed two unique masters degrees. We currently support 39 students on these courses – including our own people and others from organisations across the sector.



The combination of these factors makes retention a priority. For this reason, we align our reward levels to the upper quartile of the markets where we operate – and regularly benchmark ourselves against our competitors. During the year, we began a comprehensive review of staff remuneration to satisfy ourselves that we are meeting this commitment.

### Diversity

Laing O'Rourke is committed to providing a supportive working environment in which diversity is valued and respected. Our approach is outlined in our Global Code of Conduct, which mandates the fair and impartial treatment of all individuals in relation to selection, promotion and development. We also operate strict policies against bullying, harassment and discrimination.

There is significant evidence to validate the view that organisations with greater diversity, particularly at leadership level, perform better financially. In 2012, we began monitoring ethnic diversity through our employee profiling system.

In 2012/13, we reviewed the salaries of our female staff to ensure reward levels were correct. As part of this process we grouped all employees by job grade, job family and discipline, and compared the salaries of our female staff with their male equivalents. Any differential was flagged and investigated. This process will now take place on a quarterly basis.

We also conducted an analysis of gender ratios across the business. The results showed that women were significantly under-represented – particularly in leadership roles and on our high-potential programmes.

It will take time – and considerable effort – to reverse this trend, not least because our industry is still regarded as a predominantly male domain. But we are committed to addressing this issue by building gender equality into our talent management practices and removing all barriers to entry. This must include a review of our operational culture – in particular, our approach to flexible working – as well as routine assessments of our policies and procedures.

In response, our Australia business has developed a detailed gender equality strategy, while in Europe we have set long-term targets to deliver a year-on-year increase in the percentage of female employees at all levels.

Additionally, by 2015 all UK projects will be required to have diversity action plans in place. These tailored strategies will outline how, through local recruitment and engagement activities, our workplaces can better reflect the socioeconomic and cultural demographics of the communities in which we work.

“Our sustained success in what remains a challenging economic environment is a tribute to the perseverance and professionalism of our people.”

1. Ipsos MORI's average global engagement score is based on interviews conducted with over 50,000 employees (working in companies of more than 100 people) across 36 countries. Results are weighted against International Labour Organization/Eurostat official data (with criteria based on: industry, occupation, age, gender) which guarantees representativeness of the results in each country.

### Development

In 2012/13, we invested £19.1 million in training and development to meet the full spectrum of professional and trades-based capability requirements. We have a well-established suite of programmes, designed to provide our high-potential employees with a structured route into senior roles and create a continued flow of talent from entry-level upwards.

We currently support 669 employees on development programmes, ranging from apprenticeships to our sponsored masters courses.

To ensure we are meeting our objectives, we regularly monitor the development of past and present participants. During the year, we conducted an extensive review of our graduate programme, which concluded that average progression and retention rates for alumni were below expectation.

In addressing these interrelated issues, a number of changes have been proposed. So that we are attracting the right people in the first place, consideration will be given to our selection procedures, with more rigorous analysis of candidates' long-term capacity for growth. Likewise, closer attention must be paid to supporting those who have completed the programme.

### Performance management

It is essential that each of our employees is working demonstrably towards our business objectives. For this reason, we operate a stringent goal-setting and appraisal process. In 2012/13, 96 per cent of staff completed a year-end performance review, globally.

These two-way feedback sessions are designed to promote constructive communication between employees and managers, giving both parties a chance to discuss strengths and weaknesses. As part of this process, we actively encourage our staff to create personal development plans.

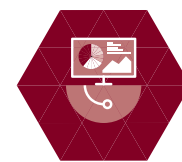
To ensure our people better understand what they need to do to progress, we have created a suite of career toolkits for project delivery disciplines and supporting functions. These contain detailed information of the capabilities and qualifications required at each level – and have now been integrated into our performance management system.

We have also introduced a new 'potential rating' to our mid-year review process, through which managers can evaluate employees' readiness for promotion or transfer. This will allow us to identify suitable candidates rapidly from within the business, where vacancies or new roles arise. It will also be used to support our long-term succession-planning strategy. In both cases, the aim is to ensure we are deploying our resources effectively, while developing our people appropriately.

### Education

Through our partnerships with the University of Cambridge and Imperial College London, we have developed two unique masters degrees. Open to applicants around the world, the programmes seek to develop the next generation of industry innovators, challenging candidates to rethink current practices. We currently support 39 students on these courses. These include our own people and others from organisations across the sector.

# MARKETPLACE



As an industry whose practices have altered little over the past century, we find ourselves today on the threshold of transformation. The way buildings and infrastructure are designed, procured and delivered is changing – swiftly and substantially.

This is being driven by a range of interconnected social, economic and environmental factors. Our growing global population needs a more sustainable built environment – and the resulting pressure on natural resources is forcing the issue to the fore. Quite simply, clients and communities want durable assets that are cost-effective to construct and operate, and can stand the test of time in the face of rising energy prices.

In this market, those who can deliver the greatest long-term value will achieve the competitive advantage. Innovation is certainly essential to creating the necessary efficiencies. But collaboration is critical to ensuring clients are better able to evaluate the benefits of one solution against another.

New technology makes it easy for contractors to reconfigure proposed designs, meaning clients may receive a range of options at tender stage. While cost is one measure of value, it is often difficult to quantify the advantages of a shorter programme or compare the performance of different products.

This will require different skills-sets, of all parties. For us, it demands a new breed of professional, one who is prepared to challenge conventional thinking and embrace collaboration as fundamental to his or her practice.

To develop this kind of talent, we will need to invest in all types of learning, internally and externally. We will also need to demonstrate in a more compelling way the opportunities our industry offers – through our interactions with the communities around us. Only this way can we compete for the best and brightest, and rise to the challenges ahead.

## The year in review

Our innovation agenda remains at the centre of our strategic growth plans. During the year, we committed £30 million to the research and development of new products and processes.

We continue to promote world-class engineering education, working in partnership with leading academic institutions. We currently support 39 masters students through our centres at the University of Cambridge and Imperial College London. These include our own people and others from organisations across the sector.

In January, we held our first doctoral conference, hosted by our sponsored PhD students and their academic supervisors. The event was designed to enhance employees' awareness of our research activities.

## PERFORMANCE INDICATORS

£30<sub>m</sub>

Investment in R&D and DfMA<sup>1</sup>

11

Sponsored PhDs

£429<sub>k</sub>

Corporate charitable donations

39

Laing O'Rourke sponsored masters students<sup>2</sup>

£256<sub>k</sub>

Employee charitable donations

£65<sub>k</sub>

Value of materials donated

1. In 2011/12, we reported a £7 million investment (relating to UK operations only). This year's figure represents total investment across the Group.

2. This figure includes our own people and employees from other organisations across the industry.

Members of our Engineering Excellence Group delivered a series of 'lunchtime lectures' – broadcast via our intranet. Topics included: 'how to build a 75-storey tower in 30 days' and 'the future of megacities'.

In July, Laing O'Rourke attended the UK's first Government Construction Summit, where Chairman Ray O'Rourke and Europe Hub CEO Roger Robinson both delivered keynote speeches calling for greater collaboration. The aim of the event was to provide a platform to discuss the industry's role in driving economic growth, outline investment plans and explore ways to create sustainable momentum. The second of these takes place in July 2013.

Our integrated procurement approach has been recognised as the highest-performing across the portfolio of 20 projects engaged in the delivery of Europe's largest engineering scheme, Crossrail. Based on this, suggestions will be taken to Crossrail's innovation workshops from which best practice models will be developed and rolled out to other contractors.

Additionally, our Farringdon advanced works became the first to be awarded under Crossrail's Greenline Recognition Scheme, also topping its Supplier League for Environment. Liverpool Street became the first station to receive the award. This was due in large part to our investment in cleaner plant and machinery, which exceeds the client's emissions control requirements. The adoption of these standards across the entire programme of works is now being considered.

### External recognition

In November, Ferndene Hospital in Northumberland received the National Constructing Excellence Award for Integration and Collaborative Working. Judges noted that a 'common purpose' and 'long-established relationship' had enabled the project team to deliver real value for the end-user.





## SUPPORTING LOCAL COMMUNITIES

Laing O'Rourke employees on our Strategic Indigenous Housing and Infrastructure Program in Australia's Northern Territory. Here, and in other remote and regional areas, we are working with local indigenous communities to support economic development through employment and business opportunities.

The Institute of Structural Engineers named Tunbridge Wells Hospital in Kent best education/healthcare building of 2012. The project, which commenced in 2008, was acknowledged as 'one of the earliest uses of BIM in building design'.

At the 2012 British Precast Awards, Manchester Metrolink won the prestigious 'Project Award'. The scheme is being delivered by M-Pact Thales (a consortium which includes Laing O'Rourke) and is based around a modular solution developed with our Explore Manufacturing business.

### Clients

Our clients create the pipeline of work that keeps us in business – and are without doubt our most important stakeholder group. For this reason, we consider client satisfaction a key indicator of our sustainability.

To achieve the competitive advantage, we must ensure our offering is consistently the most attractive. In this regard, we believe collaboration and innovation are central to our success. First we must understand what 'best value' means to our clients, then we must create it.

The degree to which we deliver against these expectations is ultimately borne out in our order book – and in particular the proportion of clients who return to us as partner of first choice.

We continually monitor levels of repeat business, which is measured as the proportion of managed revenue generated by clients with whom we have had a previous commercial relationship. In 2012/13, repeat business accounted for 76 and 66 per cent of managed revenue in the Europe and Australia Hubs respectively.

We believe long-term relationships benefit both sides and are committed to achieving ongoing improvement – both in the ratio of repeat business and the duration of individual partnerships.

By working closely with a client over many years, we gain valuable insights into their organisational culture, objectives and aspirations, enabling us to deliver informed solutions that consistently meet their needs.

This in turn changes the dynamic of clients' buying decisions, reducing the importance of price as a sole factor. In its place, 'proven value' becomes a key consideration. In the long run, this enables us to enhance our delivery practices by giving us the scope to explore innovations whose true benefits may not emerge until further downstream.

Data on key client opinions is also collected through stakeholder surveys. These are conducted during and on completion of the relevant project, and provide an opportunity to share views on our strengths and weaknesses.

### Quality

In an increasingly value-conscious market, quality is what sets successful brands apart. Laing O'Rourke operates robust processes to ensure predictable outcomes that satisfy our clients and drive ongoing improvement. We are continually refining our ISO 9001-certified quality management system to ensure our standards keep pace with expectations.

### Innovation

The primary objective of our innovation agenda is to grow our business by delivering superior engineering strategies that meet the needs of individual clients, while responding to the wider challenges facing our industry.

Through our Engineering Excellence Group (EnEx.G), we are engaged in a range of collaborative research and development projects with our partner universities. We currently sponsor 11 PhD projects at the University of Cambridge, Imperial College London, University College London and the University of Oxford.

Areas of study include the use of fibre-optics in underground construction, wireless sensors for systems commissioning, phase-change materials for heat storage, smart ventilation for low-energy buildings, emerging technologies in digital fabrication, and bio safety and security.

This is complemented by our in-house research and development capability, which centres on devising product and process innovations for direct application on our projects. While much of this activity is driven in response to specific technical issues, 'repeatability' is key to its commercial viability.

To this end, we are developing a range of flexible products based on a configurable set of components that can be adapted to meet the needs of individual projects. Examples include: a precast water-retaining tank system (Beckton and Crossness Water Treatment Plant); modular railway platform solution (Manchester Metrolink); SmartWall internal walling system (Bristol Royal Infirmary); modular M&E assemblies (Heathrow T2A and other projects); award-winning schools solution; structural facade system (for faster delivery of lower-energy buildings); our E:6 structural flooring solution; and a set of standardised precast bridges, underpasses and other structural elements for the Highways Agency.

**Suppliers**

The role our suppliers play in supporting our delivery activities is central to our standing in the marketplace. For this reason, we work closely with our trading partners to ensure they share our dedication to excellence.

We operate a dynamic procurement approach that harnesses the benefits of long-term partnerships, while encouraging competition. Depending on the scale of our investment (and the nature of individual relationships), we categorise our suppliers as ‘strategic’, ‘preferred’ or ‘transactional’. As circumstances change, businesses may move up and down this framework. This flexibility incentivises high levels of productivity and opens up opportunities for new entrants.

As a condition of engagement, we expect our suppliers to comply with all applicable national and international regulations. This includes legislation relating to working hours, wages, welfare and human rights – along with the principles outlined through the International Labour Organization’s Core Conventions.

**E:6 STRUCTURAL FLOORING SOLUTION**

This lightweight concrete plank system has many advantages over conventional construction techniques:

- Quicker to erect;
- Removal of multiple interfaces;
- Reduction in waste;
- Improved safety;
- Enhanced quality control;
- Faster follow-on trades;
- Early client access.



Commitment to our own health, safety, environmental and people development objectives is an important factor in the selection process and key trades must agree to work to strict targets. We continually monitor the performance of our suppliers, applying the same rigorous criteria to all.

In this regard, we believe in supporting our partners by sharing knowledge and best practice. During the year, we held four regional supply chain forums in Australia and one in Hong Kong. In the UK, there was one national and two regional events. In July, we hosted our first ‘innovation day’ in the UK. Representatives from our own in-house businesses, along with members of our supply chain, were invited to showcase products designed to maximise health and safety.

**Respectful relationships**

We are committed to maintaining the highest ethical standards in all our commercial interactions – and our supplier relationships are founded, first and foremost, on respect. Only by acting in a way that is at all times honest and considerate can we attract the best partners and make the most of their valuable contribution.

We regard prompt payment as a matter of both good conduct and business resilience. Timely reimbursement enables suppliers to make the necessary investments in their businesses and, in doing so, mitigates customers’ exposure to risk. In 2013, we signed up to the UK Government-backed ‘prompt payment code’. Signatories to the code commit to paying their suppliers within clearly defined terms and ensuring correct processes are in place for addressing any issues.

**Communities**

With operations around the world, Laing O’Rourke plays a role in many different communities. In each of these interactions, we strive to create a positive impression of our industry – as one that is compassionate, enlightened and welcoming to all.

As good neighbours, we actively encourage our employees to understand the needs of those they work alongside and do what they can to make a difference. During the year, individuals from every part of the business lent their time to local initiatives. In total, we recorded 2,849 volunteer days (up from 1,507 in 2011/12). Additionally, £256,940 was raised for charitable causes, with £65,252 worth of materials donated.

In the UK, we have established a fund to help our people continue their good work. Known as ‘transforming the future’, the aim of the programme is to support projects that have a long-term impact on individual prospects, equipping people

from all backgrounds with the confidence and capabilities required for successful lives.

As such, our key areas of focus will be education, employability and engagement. This builds on our existing approach and will include working with schools to encourage more young people to study science and maths related subjects, and helping individuals prepare for their careers through enterprise events, work experience and other programmes.

Through our recently developed sustainability framework, we have set a number of targets to ensure we are appropriately meeting the socioeconomic needs of communities – with 50 per cent and 100 per cent of workplaces creating tailored action plans by 2015 and 2020 respectively.

Over the same period, 50 per cent of projects (rising to 100 per cent) will be working to deliver employability activities to marginalised groups, while 40 per cent (rising to 100 per cent) will engage with at least one social enterprise. To support this, we are training social enterprise mentors across the business.

In Australia, seven community grants totalling £22,876 were awarded to a variety of not-for-profit groups. The funds were used to support a range of initiatives, including a careers expo for secondary school students in the Hunter region north of Sydney, indigenous industry traineeships and a gym for young people in the remote Port Hedland area. Additionally, £28,105 was invested through our projects in local charities.

#### Building skills

Our long-term objective is to promote a sustainable pipeline of skills through the creation of high-value employment and learning opportunities. By demonstrating the contribution construction and engineering make to the world around us, we also seek to enthuse young people as they begin to make the decisions that will shape their working lives.

In partnership with CITB-ConstructionSkills, we have established national skills academies on a number of different projects. In Q3, our Leadenhall skills academy was the highest performing in the UK, with Salford Building Schools for the Future (BSF) topping the list in Q4.

In October, our Barnsley BSF programme received a 'highly commended' at the Barnsley and Rotherham Chamber of Commerce Awards. The project, which achieved skills academy status, created 46 apprenticeships.

At the Leadenhall Building, in the City of London, we are supporting 26 new apprenticeships, 123 new NVQs and 87 ongoing NVQs. We have also opened up 40 new positions.

So far, 362 young people have benefited from work experience, pre-employment courses and taster days at our national construction college. In recognition of its engagement with the community, the project received a Green Apple Award.

Through the redevelopment of its town hall complex, Laing O'Rourke has collaborated with Manchester City Council on its 'regeneration, employment and skills plan' – which aims to bring new jobs and specialist skills to the area. The project team has already employed 61 apprentices, with a further intake in progress. In addition, it has delivered 91 work experience placements and 34 school engagement events.

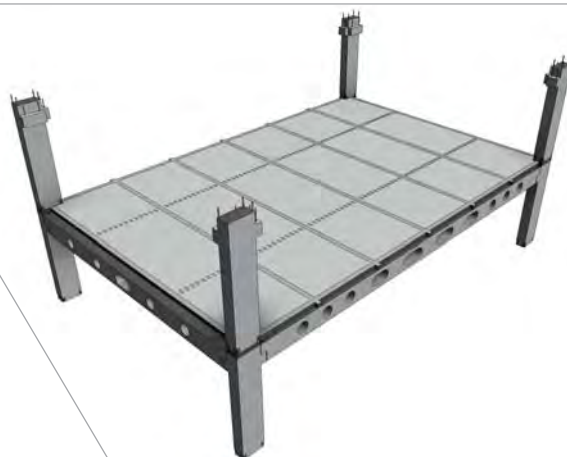
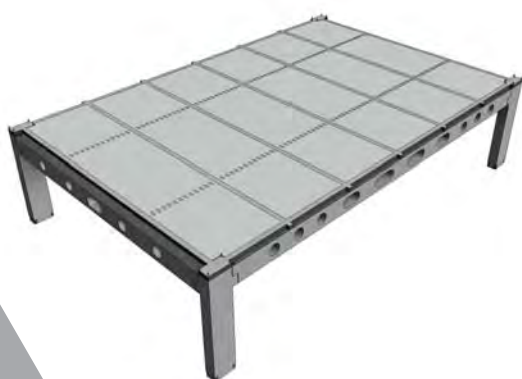
Also with Manchester City Council, we have assisted in the establishment of the South Manchester Enterprise Network. The 20-member organisation – made up largely of small-to-medium businesses and social enterprises – aims to encourage the growth of local commerce through networking opportunities, seminars and mentoring.

In Australia, we are working in regional and remote areas to support the economic development of indigenous communities – in line with the objectives set out through our 'reconciliation action plan' (RAP). Laing O'Rourke is a member of Supply Nation which encourages and supports indigenous businesses.

In November, Laing O'Rourke employee Patrick Sanchez was named Indigenous Apprentice of the Year at the Australian Industry Trade College Awards.

Through a joint initiative with the local indigenous community of Port Hedland in Western Australia, we have delivered a ten-week training programme in rail infrastructure. As a result, eight participants graduated with recognised qualifications and are now employees. On many of our projects in this region, the workforce is up to 50 per cent Aboriginal and Torres Strait Islander.

Following an intensive four-week pre-employment course, ten indigenous students were hired on our Ichthys LNG project in the Northern Territory. Here, around ten per cent of our workforce is Aboriginal and Torres Strait Islander. To engage more locals of all backgrounds – and support our RAP targets – we will continue to run similar initiatives across this and other sites.



**Considerate construction**

As a benchmark of good practice, we actively participate in the UK's Considerate Constructors Scheme (CCS). This year, 25 of our projects were recognised with CCS awards: five gold, eight silver and 12 bronze. Three were named national runners-up for 'Most Considerate Site'. The average score achieved across the 90 sites registered was 35.7/40, representing standards that are consistently 'high level above compliance'.

**Corporate charities**

In 2012/13, we donated a total £429,437 to a range of causes. In March, we became an official patron of RedR – an international engineering charity that provides expert training and technical advice to help rebuild the lives of people affected by natural and man-made disasters. As passionate believers in the transformational power of learning, we continue to support the work of Cancer Research UK and the Integrated Education Fund in Northern Ireland. In Australia, we have engaged with MATES in Construction, which seeks to raise awareness of mental health and wellbeing issues within our industry. The charity is facilitating a series of workshops across our projects.

**Ethical business conduct**

Ethical business is the foundation of sustainable commercial success. Laing O'Rourke expects every employee to behave at all times in a way that is honest, lawful, transparent and respectful.

This is mandated through our Global Code of Conduct, which sets out our standards for working together and with others – and describes the way we manage the social, economic and environmental impacts of our operations. To ensure our people understand their responsibilities, the document provides practical guidance on issues such as bribery and corruption, equal opportunities and human rights, safety and security.

Compliance with the Code (and all applicable criminal and civil legislation) is monitored through the activities of our Group security and business resilience function – working closely with our legal and internal audit teams. Anyone found in breach of these expectations will be subject to disciplinary action, up to and including dismissal.

The Code is available in hardcopy and online. As part of our induction process, all new-starters must confirm their commitment to uphold its principles.

An independent ethics helpline is available for anyone wishing to raise a concern. During the year, 14 cases of misconduct were reported. None represent significant material risk to the business.

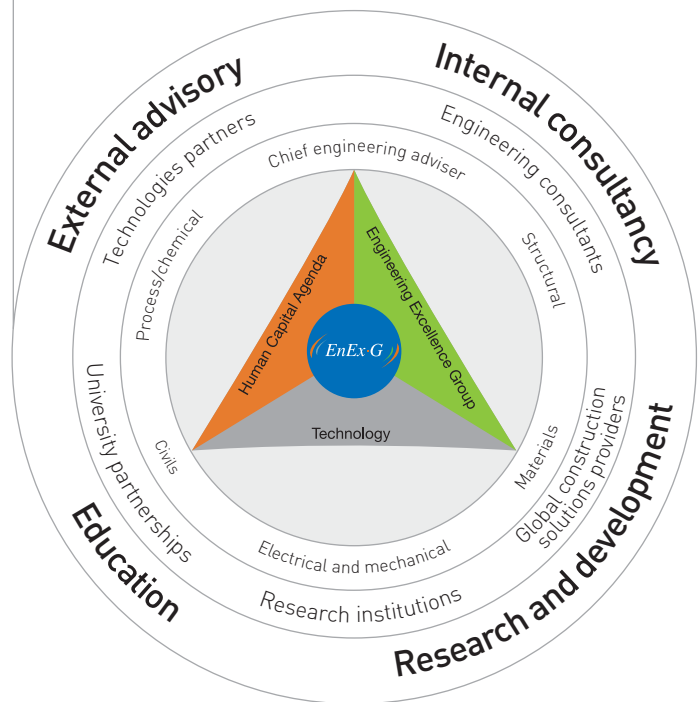
The UK Government's Bribery Act 2010 imposes wide-ranging requirements on companies to actively prevent corruption, both in the UK and internationally. Laing O'Rourke has an established framework for ensuring full compliance across the Group. This includes an anti-bribery and corruption policy, 'gifts and hospitality' and 'conflict of interest' registers, and compulsory training for all staff.

# ENGINEERING EXCELLENCE GROUP (EnEx.G)

The challenges that face our industry will require a collaborative and multidisciplinary approach if we are to resolve them – and the EnEx.G's mandate is to be a catalyst for this.

Bringing together some of industry's and academia's most respected authorities, its principal role is to drive our innovation agenda, creating competitive advantage through the delivery of superior engineering strategies.

This unique in-house consultancy integrates seamlessly with clients, partners and project teams, examining challenges from new angles and seeking out transferable solutions from other sectors. It also participates in collaborative research and development projects through the Laing O'Rourke centres sited at our partnering universities.



**1. PROFESSOR ROBERT MAIR**  
CHAIR, EnEx.G

**2. DAVID SCOTT**  
DIRECTOR, STRUCTURAL  
ENGINEERING

**3. PAUL HOHNSBEEN**  
DIRECTOR, BUSINESS  
DEVELOPMENT

**4. JEREMY COOPER**  
DIRECTOR, CIVIL ENGINEERING

**5. DR ANDREW HARRIS**  
DIRECTOR, CHEMICAL AND  
PROCESS ENGINEERING

**6. DR PHILLIP CARTWRIGHT**  
DIRECTOR, ELECTRICAL  
ENGINEERING

**7. DR GAVIN DAVIES**  
DIRECTOR, MECHANICAL  
ENGINEERING

**8. DANIEL GRAY**  
DIRECTOR, ARCHITECTURE



To drive ongoing development, key staff rotate through the EnEx.G. This provides young engineers with specialist insight, while giving experienced project personnel the opportunity to convert their site-acquired knowledge into future innovation.

Led by experts from key engineering disciplines including heavy civils, structural, mechanical, electrical, electronic, chemical process and manufacturing, the EnEx.G has four primary roles: external advisory, internal consultancy, research and development, and education.

### External advisory

As trusted engineering advisers, the EnEx.G offers existing and prospective clients innovative solutions to specific challenges. This is a collaborative and complementary service. It generates goodwill and loyalty from customers, our supply chain, delivery partners, governments and others, including charities and not-for-profit organisations. It also allows us to seek out some of the most pressing matters facing our industry and bring together teams of collaborators to solve them.

### Internal consultancy

The EnEx.G is an intellectual resource for Laing O'Rourke's design and delivery businesses. Its expertise covers benchmark design, manufacturing and construction processes and troubleshooting operational issues. It provides thought leadership to help win major new projects through alternative approaches. It also responds to technical issues that arise on existing projects, bringing the best engineering knowledge to bear in solving them. In all cases, the emphasis is on innovation.

### Innovation: research and development

Internally, the EnEx.G manages Laing O'Rourke's research agenda, spearheading our ambition to innovate across our target sectors and markets. This includes expanding our Target Design for Manufacture and Assembly (DfMA) capabilities. It also participates in research and development programmes through our partnerships with leading academic institutions. This is complemented by our more conventional commercially focused in-house research and development capability.

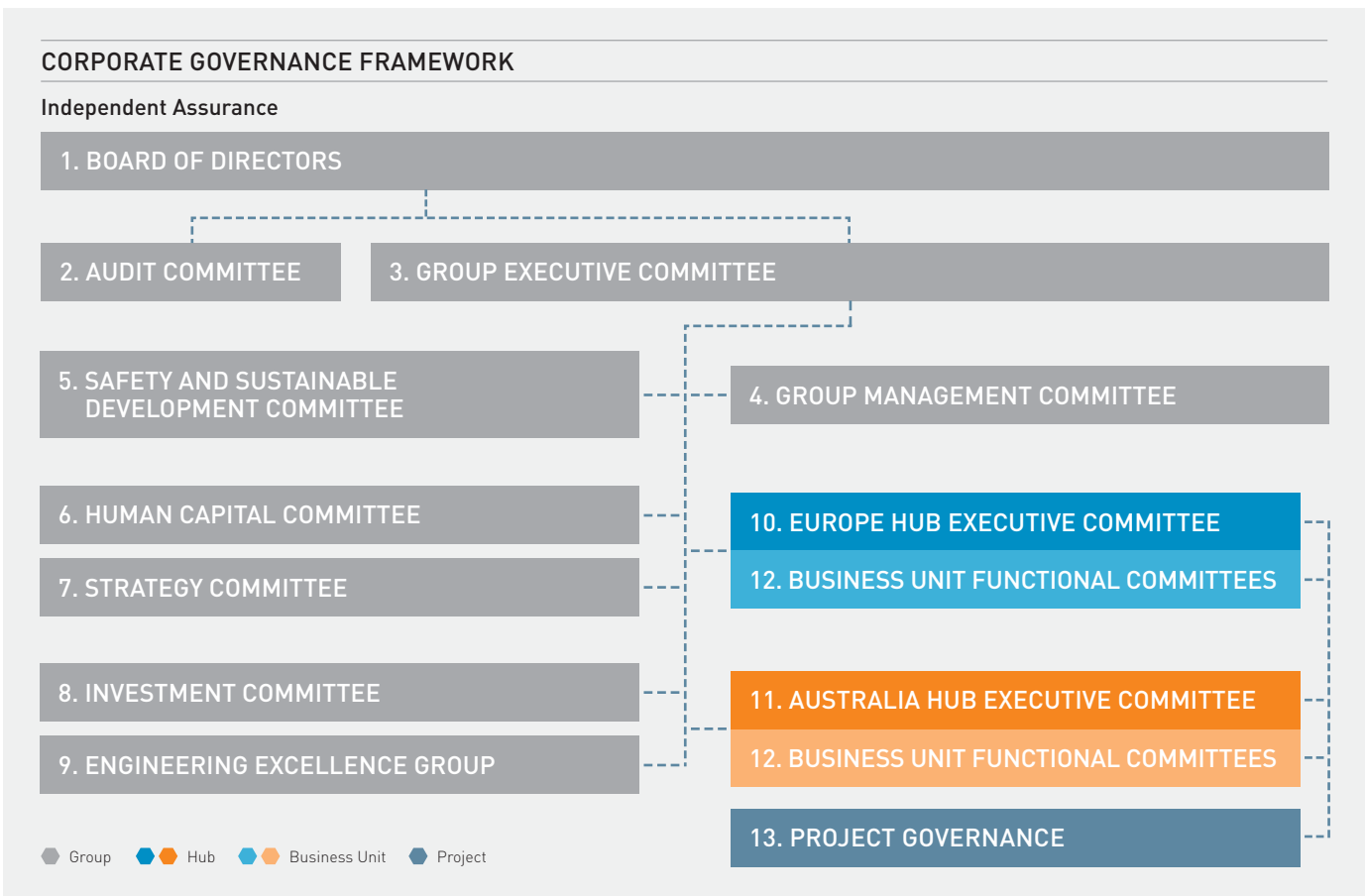
Laing O'Rourke also engages with universities in other countries where we operate. The role of the EnEx.G is to interact with these institutions and support research projects, ensuring they are adding value to our activities, while enabling the development of sophisticated and enlightened industry professionals.

### Education

The EnEx.G participates in Laing O'Rourke's existing education networks and leads the development of new relationships. Acting as thought leaders, it supports the creation of stimulating education and training programmes to inspire and equip the next generation to be more radical in advancing our innovation agenda. This approach builds on the platforms that Laing O'Rourke has established with our partner universities. The EnEx.G is also involved with internal talent development programmes, such as Young Guns and Guns, building skills that will develop tomorrow's leaders.

# COMMITTED TO GOOD GOVERNANCE

Laing O'Rourke is committed to achieving corporate governance standards that meet the highest possible levels of integrity and compliance for a privately owned enterprise. We evaluate the effectiveness of our decision making, accountability and audit processes against similarly sized publicly listed corporations. We believe this is the best way of ensuring sustainable long-term growth and the success of the Group.



The company's governance framework is based on the leadership principles outlined in the UK Corporate Governance Code. The core activities of the Board and its committees are documented and planned on an annual basis, and this forms the basic structure within which the Board operates.

The Board has clear terms of reference that reflect principles contained in the Code, and cover the following:

- Strategy – reviewing and agreeing strategy.
- Performance – monitoring the performance of the Group and also evaluating its own performance.

- Code of Conduct – setting standards and values to guide the affairs of the Group.
- Oversight – ensuring an effective system of internal controls is in place, ensuring that the Board and its nominated subcommittees receive timely and accurate information on the performance of the Group and the proper delegation of authority.
- People – ensuring the Group is managed by individuals with the necessary skills and experience, and that senior appointments are managed effectively.

**Good corporate governance is integral to the shareholders' and Board's objective to sustain an organisational culture based on the Group's vision and values, placing strong emphasis on upholding the highest standards of business conduct, ethics and integrity amongst the Group's employees, supply chain and other business partners. This approach is encompassed in our Global Code of Conduct, which provides detailed guidance on a range of standards, including compliance with the UK Bribery Act 2010.**

### Corporate governance framework

As a large privately owned, internationally focused engineering and construction Group, Laing O'Rourke aspires to the highest standards of governance. For that reason, the Board seeks to ensure that the Group's corporate governance arrangements align with those principles set out in the UK Corporate Governance Code which are deemed to be applicable and appropriate given the private ownership of the Group. The Group's businesses operate within an established and externally benchmarked corporate governance framework that is underpinned by the Group's vision and values (see page 21). A key function of Laing O'Rourke's corporate governance framework is the identification, management

and mitigation of operational and financial risks. At every governance level, we ensure the necessary committee processes are functioning correctly, in line with developments in company laws, corporate governance and best practice.

The recent separation of roles of Group Chairman and CEO, with the appointment of Anna Stewart as Group Chief Executive, has been an occasion to review the Group's corporate governance arrangements and their appropriateness to support the Group in achieving long-term growth. This has led to a number of adjustments being made to our existing corporate governance framework, with some additions and some further clarifications. Thus, in addition to the statement of matters reserved for the Board, the Board has adopted a formal statement clearly defining the roles of the Group Chairman and the Group Chief Executive. The terms of reference of the Board's various committees and subcommittees (see below) have also been reviewed and refreshed where necessary, as has been the scheme of delegation of authority thus strengthening the Board's ability to discharge its duties both of stewardship and supervision of the Group's affairs. Alongside this review of our governance arrangements, a performance review is currently under way, overseen by the Chairman of the Audit Committee, to ensure the effectiveness of the various committees.

## 1. BOARD OF DIRECTORS ('BOARD')

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

An effective Board and its associated committees are central in providing the necessary checks and balances required to operate the Group's corporate governance regime. They consist of directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Authority for the day-to-day running of the Group is delegated to the Group Executive Committee. In addition to Ray O'Rourke, the current members of the Board are Christakis Klerides, Victor Papadopoulos, Stelios Anastasiades and Anna Stewart (with effect from 1 April 2013).

## 2. AUDIT COMMITTEE

The Audit Committee provides an element of independent assurance to the Board regarding the management of the Group's affairs and oversees the Group's financial reporting, risk management and internal controls and provides a formal reporting link with the external auditors. The Group's external auditors are PricewaterhouseCoopers.

### Main responsibilities:

- Monitoring the integrity of the financial statements and formal communications relating to the Group's financial performance.
- Reviewing significant financial reporting issues and accounting policies and disclosures in financial reports.
- Reviewing the effectiveness of the Group's internal control procedures and risk management systems.
- Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board.
- Making recommendations to the Board on the appointment or reappointment of the Group's external auditors.
- Ensuring that an effective whistle-blowing procedure is in place.

### 3. GROUP EXECUTIVE COMMITTEE (GEC)

The GEC is responsible to the Board for creating sustainable shareholder value through the management by the Hub Executive Committees (see page 85) of the constituent businesses within the governance framework. Its role includes recommending to the Board the Group's overall business strategy and driving its implementation, driving the Group's human capital agenda, driving safety and sustainable development performance across the Group, reviewing and monitoring the performance of management, ensuring the integrity of the Group's financial information, and setting, and ensuring compliance with, the Group's internal controls and risk management procedures. The internal risk assurance function reports to the GEC through the Chairman of the Audit Committee on a regular basis. The members of the GEC are set out on pages 88 and 89.

The GEC has further delegated authority to a series of subcommittees which focus on particular Group-wide functions and business units.

#### Main responsibilities:

- Recommending the Group's overall strategy to the Board.
- Approving material acquisitions and disposals, material contracts, major capital expenditure projects and budgets.
- Setting and monitoring the Group's risk management procedures and internal controls.
- Overseeing the Group's succession planning.
- Overseeing the Group's corporate governance and compliance arrangements.
- Recommending the Group's corporate policies to the Board for approval.

### 4. GROUP MANAGEMENT COMMITTEE (GMC)

A subcommittee of the GEC, the newly created GMC has operational responsibility for coordinating preparation of the Group strategy and Group Budget and Business Plan. It also has accountability for the day-to-day implementation of the Group's strategy and associated plans as approved by the GEC and the Board. Its remit further includes recommending the prioritisation of projects and business development opportunities, and determining the appropriate allocation of capital within the limits of the Board-approved Group Budget and Business Plan.

#### Main responsibilities:

- Coordinating the development and implementation of the Group's strategy and monitoring Excellence Plus performance.
- Coordinating the Group's Budget and Business Plan process.
- Allocating capital across the Group within Board and GEC-approved limits.
- Coordinating the development of Group Policies and Standards.
- Maximising Group synergies, including practices, resources and procurement.
- Driving senior talent management and development (in liaison with the GEC and the Human Capital Committee).

### 5. SAFETY AND SUSTAINABLE DEVELOPMENT COMMITTEE

A subcommittee of the GEC, this forum ensures risks and opportunities associated with safety and sustainability are given the highest priority within the Group. It also directly supports the delivery of business strategy through the management of sustainable development issues covering social, economic and environmental matters.

#### Main responsibilities:

- Reviewing the development of policies and guidelines for managing safety and sustainable development (SD) issues.
- Reviewing the implementation and performance of the Group with regard to these policies.
- Monitoring reports covering matters relating to material safety and SD risks and liabilities.
- Monitoring incidents, including key impacts and mitigation actions and, where appropriate, ensuring these are communicated Group-wide.
- Considering domestic and international regulatory and technical developments affecting safety and SD management.

### 6. HUMAN CAPITAL COMMITTEE

The committee is co-chaired by the Group Chairman and the Group Chief Executive, with members drawn from the GEC and relevant business units and functional disciplines. The main purpose of the committee is to lead the formulation and endorsement of the Group's people and organisation agenda, and ensure total alignment with Group business strategy.

#### Main responsibilities:

- Setting guidelines for the types of skills, experience and diversity of human capital necessary to achieve the Group's strategic goals.
- Ensuring the human resources function regularly reviews and updates talent and succession plans.
- Ensuring the necessary investment in development and education activities, including the Guns programmes and education networks to meet current and future talent requirements.
- Overseeing the Group's recruitment and resource mobilisation plans to meet operational demands in the field.
- Establishing and developing the Group's general policy on employee remuneration.
- Determining specific remuneration packages for specialist disciplines.
- Considering legal and regulatory developments affecting human capital management.




## 7. STRATEGY COMMITTEE

The Strategy Committee draws its membership from senior management representing the two Hubs and the main Group functions. The committee has an advisory role and monitors the implementation of the Group-wide strategy on behalf of the GMC.

### Main responsibilities:

- Developing, reviewing, assessing and advising on the Group's medium and long-term business strategy, having regard to the interests of its shareholders, customers, employees and other stakeholders before its submission for approval to the Board.
- Coordinating the Group-wide annual strategy cycle.
- Monitoring the implementation of the strategy approved by the Board.

 **We continue to evolve our governance arrangements in line with the changing needs of our business strategy and the constant pursuit of best practice.”**

## 8. INVESTMENT COMMITTEE

The committee is chaired by the Chief Officer, Investments and Corporate Finance, and is responsible for investment and treasury policy decisions. It oversees the commercial prioritisation of development and Private Finance Initiative (PFI)/Public Private Partnership (PPP) investment opportunities and the Group's capital expenditure programme for sanction by the GEC. Investment funding for acquisition, disposal, partnering and joint venturing transactions, and related commercial decisions are also managed by this committee.

### Main responsibilities:

- Proposing the Group's investment strategy to the GEC and monitoring the implementation of the investment policy and procedures.
- Monitoring compliance with legislation, rules and regulations affecting the Group's investment activities.
- Considering and recommending to the GEC for approval the appointment of external investment advisers, managers of the company's investments and/or custodians, including agreeing remuneration, approving engagement terms, and monitoring performance.
- Considering all investment and divestment proposals.
- Approving internal processes relating to investment transactions.

## 9. ENGINEERING EXCELLENCE GROUP (EnEx.G)

The EnEx.G is chaired by the Group Chairman and led by the Group's Chief Engineering Adviser, Professor Robert Mair. Its membership comprises the EnEx.G technical engineering specialists. It is responsible for leading the development and execution of the Group's innovation agenda by devising engineering strategies to give us competitive advantage and, ultimately, drive industry-wide transformation.

### Main responsibilities:

- Identifying, proposing, prioritising and monitoring areas where engineering excellence can add value to existing projects, new bids and opportunities.
- Collaborating with clients, supply chain partners, government bodies and other organisations (including charities and not-for-profit entities) to generate goodwill, loyalty and new opportunities.
- Leading the research agenda to innovate across the Group's target sectors and markets, including extending DfMA capabilities into new product areas.
- Partnering with leading universities and research providers to support our research agenda, complemented by our commercialised in-house R&D capability.
- Overseeing programmes utilising existing and new partner universities to support mentoring of graduate engineers, junior and senior engineers, technical and construction specialists, project managers and management across the business.

## 10. EUROPE HUB EXECUTIVE COMMITTEE

This hub-level executive committee has primary authority for the day-to-day management of business operations across the constituent territories within agreed limits set by the GEC. Its members are drawn from senior management in our construction, infrastructure and specialist services businesses and key supporting functions. The committee is also responsible for driving the implementation of health, safety and sustainable development policies and monitoring the performance of related activities.

## 11. AUSTRALIA HUB EXECUTIVE COMMITTEE

This hub-level executive committee has primary authority for the day-to-day management of business operations across the constituent territories within agreed limits set by the GEC. Members are drawn from senior management in its various regions and key supporting functions. The committee is also responsible for driving the implementation of health, safety and sustainable development policies and monitoring the performance of related activities.

## 12. BUSINESS UNIT/FUNCTIONAL COMMITTEES

As subcommittees of the main hub-level executive committees (10 and 11), these forums have delegated authority for the day-to-day management of individual business unit operations, ensuring the alignment of business plans with strategic targets and that operational performance is in line with, or ahead of, approved budget plans.

## 13. PROJECT GOVERNANCE

### Tender and post-tender review boards

These governance forums are chaired by the commercial and project delivery leads on each tender, and membership consists of key client and delivery-side project representatives as well as accountable senior management from key finance, commercial and supporting functions.

The review boards are responsible for ensuring the financial integrity of the project pre-delivery phase and are supported by appropriate project controls to assure the achievement of pre-agreed financial targets during all stages of construction.

### Project delivery review boards

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

Through the Core and Enabling Processes (Laing O'Rourke's approved business quality management system), the project boards ensure project activities are performed in line with legislation, regulations, codes of practice and the requirements of BS EN ISO 9001:2008 quality management assurance accreditations.

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

### Effectiveness

All directors are advised regularly of likely time commitments and are asked to seek approval from the Board if they wish to take on additional external appointments. The ability of individual directors to allocate sufficient time to the discharge of their responsibilities is considered as part of the directors' annual performance review process overseen by the Group Chairman. Any issues concerning the Group Chairman's time commitments are dealt with by the Board.

An induction programme is agreed for all new directors aimed at ensuring that they are able to develop an understanding and awareness of the company's governance structure and Core and Enabling Processes, its people and businesses. In addition to the above, as part of the induction process, new directors will

**We are committed to ensuring that efficient and effective control processes are in place to identify, manage and, to the greatest extent possible, mitigate business risk across the Group's operations."**

typically visit the Group's principal operations in order to meet employees and gain an understanding of the Group's projects and services. Ongoing training is provided for individual directors as required. The Group Chairman, with the assistance of our newly appointed Group Company Secretary, is responsible for ensuring that directors are supplied with iPad-based information in a timely manner that is in a form and of a quality appropriate to enable directors to discharge their duties. In the normal course of business, such information is provided in a regular report to the GEC and the Board that includes information on operational matters, strategic developments, reports on the performance of Group operations, financial performance relative to the business plan, business development, corporate responsibility and client/stakeholder relations.

### Independent assurance

The Group Company Secretary is responsible for ensuring the effectiveness and integrity of the Group's governance framework. The financial statements are independently assured by external auditors PricewaterhouseCoopers. The Group's internal risk and audit function provides assurance to the Audit Committee and, through it, the Board of the adequacy of the internal control environment across all of Laing O'Rourke's operations. This includes ensuring that efficient and effective control processes are in place to identify, manage and, to the greatest extent possible, mitigate business risk across the Group's operations.

The independent external auditors report to the members of Laing O'Rourke Corporation Limited and the Board of Directors, on the financial position of the Group. Their audit opinion on the financial statements is set out on page 95 of this Annual Review.

Additional independent assurance and accreditation is also carried out on the Group's position and statements pertaining to business risk and its health, safety and sustainable development performance.

# BOARD OF DIRECTORS

In addition to the Group Chairman, Ray O'Rourke, and Group Chief Executive, Anna Stewart (with effect from 1 April 2013), the current members of the Board are:



**1. CHRISTAKIS KLERIDES**  
DIRECTOR

Age 62. Joined the Board in September 2007, when Laing O'Rourke Corporation was incorporated in Cyprus. Fellow of the UK Chartered Association of Certified Accountants. As a senior partner of KPMG, he specialised in banking, finance and insurance. In 1999, he was appointed by the President of the Republic of Cyprus to the post of Minister of Finance (until 2003). During his term as a Minister, he introduced a major tax reform and oversaw the harmonisation with EU laws of the taxation, shipping and competition laws of Cyprus. Since 2003, he has been involved in a number of directorships in quoted companies in London, Oslo and Cyprus in financial, shipping, property and IT sectors as well as participating in corporate governance committees.



**2. VICTOR PAPAPOPOULOS**  
DIRECTOR

Age 60. Joined the Board in September 2007, when Laing O'Rourke Corporation was incorporated in Cyprus. He is an experienced senior banking executive, founding member of the London Forfeiting Company and previously Chief Executive of LFC Cyprus, spearheading the Group's trade finance and capital market operations in the Middle East and Asia, developing a substantial network of operations involving offices in Moscow, Mumbai, Bangkok and Hong Kong. In more recent times, he has served on the boards of several international financial institutions and private equity groups.



**3. STELIOS S ANASTASIADES**  
DIRECTOR

Age 59. Joined the Board in September 2007, when Laing O'Rourke Corporation was incorporated in Cyprus. He is a qualified mechanical engineer with a first-class honours BSc (Eng) from Queen Mary College, and MSc and DIC from Imperial College London. He is currently Managing Director of KONE Elevators Cyprus Ltd and is President of the Cyprus Lifts Association. He is also Vice President of the Nicosia Chamber of Commerce and Industry, and is a member of the Cyprus Technical Chamber and the Labour Court.

## SENIOR LEADERSHIP TEAM

The senior team has the breadth of expertise and depth of experience necessary to maintain our strategic focus. Despite continuing difficult market conditions, they continued to drive implementation of our strategy, while in parallel delivering a profitable performance from our core business operations.



### 1. RAY O'ROURKE KBE

CHAIRMAN

Age 66. Major shareholder and founder of the Laing O'Rourke Group. He chairs the Group Executive Committee and is responsible for leading the strategic direction and operational management of the Group's business activities. Ray founded R O'Rourke & Son in 1977 and commenced trading the following year. The business acquired the construction arm of John Laing PLC in 2001 and, with the acquisition of Barclay Mowlem in 2006, created today's extended international engineering and construction group. Ray has a passion for developing and promoting engineering and project delivery talent to meet global construction challenges, and has a keen focus on safety performance.

**Committee membership:** 1, 3, 6, 9

**Other appointments:**

Non-Executive Director of Anglo American PLC

### 2. DES O'ROURKE

DEPUTY CHAIRMAN

Age 64. Shareholder and co-founding director of the Laing O'Rourke Group. Des provides Board-level support to the Executive Chairman and Group Chief Executive in their operational management of the Group's business activities. Des has a proven track record in project delivery, mobilising large teams of people on to complex projects around the world.

**Committee membership:** 3, 10

### 3. ANNA STEWART

GROUP CHIEF EXECUTIVE

Age 49. Joined the Group with the acquisition of Laing Construction by R O'Rourke & Son in 2001. Anna was appointed Group Chief Executive with effect from April 2013. She was previously Group Commercial Director from 2004 and was appointed Group Director of Finance and Commerce in March 2010. Anna is responsible for leading the operational and performance management of the Group within the limits agreed by the Board, including the development and delivery of the Group's strategy, budget, business plan and corporate policies. She is a member of the Group Executive Committee and chairs the newly formed Group Management Committee.

Anna was a Commercial Director at Laing Limited, where she had been employed in a number of senior commercial and general management roles since joining as a trainee in 1982.

**Committee membership:** 1, 3, 4, 6, 9

**Other appointments:**

from 1 November 2012, Non-Executive Director of Babcock International PLC

### 4. CALLUM TUCKETT

GROUP DIRECTOR, FINANCE AND COMMERCE

Age 38. Joined the Group with the acquisition of Laing Construction by R O'Rourke & Son in 2001. Callum was appointed Group Director, Finance and Commerce effective April 2013, and was most recently Managing Director of the Construction business in the UK. He is responsible for the

Group's finance, commercial and work-winning functions, as well as supporting business development and Group strategy formulation. He is a member of the Group Management Committee and several of its subcommittees.

He joined John Laing Construction in 1992 and previous roles included Commercial Services Director for Europe as well as Commercial Director for Laing O'Rourke's Middle East and South Asia portfolio of businesses from 2006 to 2009. Callum is a Chartered Quantity Surveyor and was an inaugural member of the Young Guns programme for high-potential leaders in 2003 and subsequently the Guns programme in 2008.

**Committee membership:** 3, 4, 8, 11

## 5. GEORGE ROSE

NON-EXECUTIVE CHAIRMAN, EUROPE HUB

Age 61. Joined Laing O'Rourke in September 2011 as a Non-Executive Director. Reporting jointly to the Executive Chairman and Group Chief Executive, he is Chairman of the Europe Hub and has oversight responsibility for the Audit Committee, with the objective of enhancing confidence in the integrity of our processes and procedures relating to internal control and corporate financial reporting. This includes a continuous review of our financial internal reporting systems and the work of the external auditor. The Audit Committee also plays a key role in enterprise-wide risk management.

A chartered management accountant, George's previous roles include Finance Director of Leyland DAF UK and Director of Finance and Treasury at British Aerospace. Following this in 1998, George was appointed to the Board of BAE Systems PLC as Group Finance Director. He retired from BAE Systems at the end of March 2011.

**Committee membership:** 2, 10

**Other appointments:**

Non-Executive Director of National Grid PLC, Genel Energy PLC, Experian PLC

## 6. JIM SLOMAN OAM

EXECUTIVE CHAIRMAN, AUSTRALIA HUB

Age 68. Joined the Group and appointed a director in 2010. He has oversight responsibility for corporate direction, as well as implementation of the construction and investment strategy across the territories of the Australia Hub. During a long and distinguished career, Jim has held a number of high-profile roles in the engineering and construction industry, including Chief Operating Officer responsible for the delivery of the Sydney Olympic and Paralympic Games in 2000.

**Committee membership:** 11

**Other appointments:**

Independent Director of Goodman PLUS Trust, Non-Executive Director of ISIS Holdings Pty Ltd, Chairman of MI Associates Pty Ltd

## 7. ROGER ROBINSON

CHIEF EXECUTIVE OFFICER, EUROPE HUB

Age 62. Joined the Group and appointed a director in 2009. Became Chief Executive Officer of the Europe Hub in 2010 and is a member of the Group Executive Committee. Roger has a broad executive remit covering strategic business development and operational management across the Group's largest and most complex project delivery activities. Prior to joining Laing O'Rourke, he was Executive Director for Construction Services and a main board member of Carillion PLC. He is a Fellow of the Institution of Civil Engineers, and has worked for major contractors throughout his career.

**Committee membership:** 3, 5, 10

## 8. DAVID STEWART

CHIEF EXECUTIVE OFFICER, AUSTRALIA HUB

Age 61. Joined the Group in 2012 and appointed Chief Executive Officer, Australia Hub in April 2013. He is a member of the Group and Australia Hub Executive Committees. David has a broad executive remit covering strategic business development and operational management across the Group's most growth-oriented infrastructure markets. David was previously Chief Executive of Leighton Holding PLC.

A civil engineer by profession, with experience of managing large international contracting operations throughout Australia, Southeast Asia and the Middle East in mining, power and transportation, David brings global market knowledge at a time of significant growth in the large infrastructure sectors.

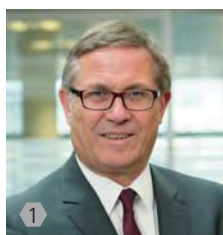
**Committee membership:** 3, 5, 6, 11

### COMMITTEE MEMBERSHIP

- |   |   |
|---|---|
| 1. BOARD OF DIRECTORS                           | 7. STRATEGY COMMITTEE                   |
| 2. AUDIT COMMITTEE                              | 8. INVESTMENT COMMITTEE                 |
| 3. GROUP EXECUTIVE COMMITTEE                    | 9. ENGINEERING EXCELLENCE GROUP         |
| 4. GROUP MANAGEMENT COMMITTEE                   | 10. EUROPE HUB EXECUTIVE COMMITTEE      |
| 5. SAFETY AND SUSTAINABLE DEVELOPMENT COMMITTEE | 11. AUSTRALIA HUB EXECUTIVE COMMITTEE   |
| 6. HUMAN CAPITAL COMMITTEE                      | 12. BUSINESS UNIT FUNCTIONAL COMMITTEES |

### GROUP

1. STEVE HOLLINGSHEAD  
GROUP HUMAN CAPITAL DIRECTOR
2. CERI RICHARDS  
GROUP INVESTMENT DIRECTOR
3. VALERIE TELLER  
COMPANY SECRETARY
4. PHILIP WAINWRIGHT  
GROUP BUSINESS IMPROVEMENT AND SUPPLY CHAIN DIRECTOR





Laing O'Rourke is an integrated engineering enterprise with a substantial global portfolio of building, social and economic infrastructure projects and extensive self-delivery construction capabilities. This wide range of skills and resources coupled with our geographic diversity enables the Group to deliver valued solutions to some of the world's most prestigious public and private sector client organisations.

The Group continued to deliver a resilient overall financial performance in 2012/13 with profit before tax, prior to exceptional items, increasing by 81 per cent to £77.9 million (2011/12: £43.0 million), benefiting from the restoration of performance in our Australian operations through strengthened leadership, commercial discipline, strict bid criteria and delivery process efficiency. Notwithstanding the extremely challenging market in the UK, we delivered strong contributions from our core delivery businesses. This increase in profitability is also as a direct consequence of our selectivity in securing more complex, higher-margin engineering contracts including those in the oil and gas sector.

“Continuing management prudence has ensured that we remain balanced and strong with an effective capital structure supported by healthy operational cash flows and a stable order book.”

Managed revenue, including share of joint ventures and associates, increased by 2 per cent in 2012/13 to £4.4 billion (2011/12: £4.3 billion), primarily due to continued growth in our Australian business and the resilience of our integrated business model despite the ongoing challenging conditions in the UK and Middle East construction markets. The results for the Group's two main operating divisions are considered in the operational review section of this document.

### Gross margin

Gross margin pre-exceptional items improved to 9.3 per cent, reflecting the turnaround in our Australian business, effective cost management and greater commercial discipline. Gross margin is a key indicator of performance and earnings quality. We expect gross margins to remain tight over the period to 2015, particularly in the UK. At the same time, continued focus on cost efficiency, greater deployment of our DfMA delivery methodology and changes in our geographic and sector mix should ensure our profit performance is maintained.

### Cash flow and borrowings

The Group ended the financial year with gross cash of £684 million, reflecting our continued focus on strong cash management and counter-cyclical benefits of geographic diversity which saw our net funds position increase by 27 per cent at the year-end to £410 million – the strongest performance to date by the Group. The Group also retained strong average month-end cash balances during the 2012/13 period, which provides coverage surety to accommodate contract-specific cyclical flows. At the year-end, the Group had undrawn facilities of £159 million.

Gross debt remained broadly flat during the year, reducing £5 million to £274 million. Our UK property debt facility was reduced by £30 million in the year, offset by short-term funding in Australia to support the proprietary McLachlan and Ann Street development, which we remain confident will be sold during the 2013/14 period facilitating full repayment of the associated debt.

Joint venture borrowings solely relate to non-recourse debt within Public Private Partnership (PPP) and Private Finance Initiative (PFI) investments in which the Group participates.

### Order book

The Group order book was maintained at £8.2 billion (2011/12: £8.2 billion) as we continued to replenish our pipeline of secured work with high-quality contract wins in prioritised sectors such as oil and gas exploration and processing in Australia, and rail engineering in the UK. Order book quality has also improved following a number of reappointments by existing clients, as well as securing a number of new client accounts, giving us good forward visibility of earnings over the next three-year period.

### Cost management

The Group continued to focus on improving the cost efficiency of its operations, benefiting in the current year from cost containment and reduction measures implemented since the commencement of the global financial crisis in 2009. These early and decisive steps have allowed a continuation of a longer-term investment programme in our Group strategy to develop core capabilities, including establishing the Engineering Excellence Group and digital engineering function.

Given the strength of our balance sheet, strong cash position, and secured banking and bonding facilities, we remain confident we have the financial resources to fund our growth and achieve our strategic targets.”

### Taxation

The Group tax charge for 2012/13 is £13.2 million on profit before tax of £57.0 million, which equates to an effective tax rate for 2012/13 of 23.2 per cent. This is broadly in line with the UK corporate tax rate of 24 per cent. In 2013/14, we expect the Group to be a net payer of tax at a rate similar to the prevailing UK corporate tax rate.

### Pensions

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

### Insurance

Insurance broking globally is consolidated with Marsh, given its technical expertise in underwriting engineering-based projects, combined with international market coverage.

During 2012/13, the Group continued to experience low levels of claims, although we carefully monitor the balance between insurance risk retained by the Group through its insurance captive, and that which we purchase in the external market. Our insurance profile closely tracks and correlates with our safety performance, which this year was again low with a rolling Accident Frequency Rate of 0.21. We remain comfortable with the level of insurance risk we are carrying internally.

### Exceptional items

Total exceptional costs before tax of £23.4 million have been recognised in the year. The Group continues to monitor its exposure to land and development and £23.3 million of this charge is a non-cash impairment against this portfolio.

Further details are provided in note 4 to the financial statements.

### Goodwill and intangible assets

The Group carries £338 million of goodwill in the consolidated balance sheet. Goodwill is not amortised under International Financial Reporting Standards, but is tested annually for impairment.

In accordance with IAS 36, the recoverable amount has been tested by reference to four-year forecasts, discounted at the Group's estimated weighted average cost of capital. As at 31 March 2013, based on the internal value-in-use calculations, the Board concluded that the recoverable value of the cash-generating units exceeded the carrying amount. Details of this test can be found in note 13 to the financial statements.

### Finance and treasury

The Group maintained sufficient financial capacity to support its long-term contracting commitments and accommodate future economic and operational challenges. The quantum of the cash and committed credit lines to which the Group has access to satisfy the current and future funding requirements of the Group's business plan totalled £843 million (2011/12: £762 million). The Group has successfully renegotiated and extended the term by three years for a revolving credit facility which is currently fully undrawn.

The Group's centralised treasury function has prudently managed the Group's liquidity, funding and financial risks arising from movements in areas such as interest rates and foreign currency exchange rates.

The Group continues to review its credit support requirement and broaden its base of key financial stakeholders, including key banking relationships and surety bonding providers who support our long-term strategic growth agenda.

We will continue to ensure our treasury policy is appropriate for the scale, complexity and operating environment of our business. We will further develop our credit support capacity in line with the requirements of our core markets and to ensure we are optimising the Group's significant cash position.

### Risk and accounting policies

The Group's risk management framework and processes are largely unchanged from 31 March 2012. The Board continuously assesses and monitors risks affecting the Group and the Chairman's Statement, Chief Executive Review and Hub operating reviews include consideration of the relevant uncertainties affecting the business. Further details of how the Group has managed key financial and operational risks such as credit and liquidity risks are set out on pages 54 to 59.

As an EU-domiciled company, Laing O'Rourke reports its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap 113. The Group's significant accounting policies and measures are explained in the Notes to the Financial Statements on pages 101 to 135.

### Conclusion

The Group has performed well and, as we had planned, built additional resilience in 2012/13. We have an appropriate capital structure, good cash flows and a strong order book providing sufficient financial resources, which combined with a Unique Business Offering and long-term relationships with major clients and supply chain partners across high-value sectors and markets put us in a strong position to move forward with confidence.

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

**CALLUM TUCKETT**  
GROUP DIRECTOR, FINANCE AND COMMERCE

July 2013

# DIRECTORS, OFFICERS AND ADVISERS

## Directors

R G O'Rourke KBE  
S Anastasiades  
C Klerides  
V Papadopoulos  
A M Stewart

## Company secretary

PricewaterhouseCoopers Associates Limited  
Julia House  
3 Themistocles Dervis Street  
CY-1066 Nicosia  
Cyprus

## Company number

190393

## Registered office

Julia House  
3 Themistocles Dervis Street  
CY-1066 Nicosia  
Cyprus

## UK contact address

Laing O'Rourke plc  
Bridge Place  
Anchor Boulevard  
Admirals Park  
Crossways  
Dartford  
Kent DA2 6SN  
United Kingdom

## Independent auditors

PricewaterhouseCoopers Limited  
Julia House  
3 Themistocles Dervis Street  
CY-1066 Nicosia  
Cyprus



## Bankers

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



Santander  
17 Ulster Terrace  
Regent's Park  
London NW1 4PJ  
United Kingdom



HSBC  
8 Canada Square  
London E14 5HQ  
United Kingdom



Commonwealth Bank  
Darling Park Tower 1  
201 Sussex Street  
Sydney NSW 2000  
Australia



## Insurance advisers

Marsh Limited  
Tower Place  
London EC3R 5BU  
United Kingdom



## Insurers

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





# DIRECTORS' REPORT

for the year ended 31 March 2013

The Board of Directors present their annual report together with the audited financial statements of the Laing O'Rourke Corporation Limited consolidated group (the 'Group') for the year ended 31 March 2013.

## Principal activities

The Group's principal activities are:

### Construction

- Programme management
- Construction and building
- Civil engineering
- Mechanical and electrical engineering
- Core enabling and logistics management services
- Infrastructure and support services
- Construction and maintenance of utilities
- Architectural and environmental services
- Plant hire and operations
- Building products
- Design services
- Building operations management
- Manufacturing construction products

### Capital

- Property development
- Housebuilding

A list of principal subsidiaries, jointly controlled entities, jointly controlled operations and associates can be found on pages 134 and 135 in note 38 to the financial statements.

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

A review of the Group's activities and performance for the year is presented on pages 1 to 81.

## Parent undertaking

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

## Results and dividends

The results for the year are set out in the Consolidated Income Statement on page 96 and show a profit for the year after tax of £41.1m (2012: £28.7m).

The Company paid dividends of £nil during the year (2012: £8.8m). The Directors do not recommend the payment of a final dividend (2012: £nil).

## Health, safety and welfare

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

## Employment policy

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

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

## Payment of creditors

The Group's policy for the period to 31 March 2014 for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. The number of days billing from suppliers outstanding as at 31 March 2013 was 35 days (2012: 31 days).

## Directors and their interests

The current membership of the Board is as set out on page 92. The only change to the Board since the last financial statements was the appointment of A M Stewart on 1 April 2013. R G O'Rourke KBE is the ultimate beneficiary of the trust which owns the majority of the shareholding of the Company. No other Director has an interest in the shares of the Company. Details of related party transactions can be found on pages 132 and 133 in note 34 to the financial statements.

## Charitable contributions

During the year the Group contributed £0.4m (2012: £0.3m) to its nominated charities.

## Research and development

Details of the Group's research and development activities are set out on pages 76 to 77.

## Risk management

Details of the Group's policies and procedures for managing risk are set out on pages 54 to 59.

Key judgements and estimation uncertainty are detailed on page 107 in note 2.23 to the financial statements.

Financial risks are detailed on pages 126 to 130 in note 31 to the financial statements.

## Share capital

Details of the Company's share capital are set out on page 125 in note 28 to the financial statements.

## Post balance sheet events

On 30 April 2013, Explore Capital Limited, a subsidiary of the Group, acquired 100 per cent of the share capital of Sycamore Properties Limited. Further details regarding the acquisition can be found on page 133 in note 36 to the financial statements.

There were no other post balance sheet events requiring disclosure.

## Statement of Directors' responsibilities for the Annual Review

Company law in Cyprus requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Group's profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure the financial statements comply with the Cyprus Companies Law, Cap. 113. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. Cyprus legislation governing preparation and dissemination of financial statements may therefore differ from that in other jurisdictions. The maintenance and integrity of the Group's website at [www.laingorourke.com](http://www.laingorourke.com) is also part of the Directors' responsibilities.

## Independent Auditors and Disclosure of information to Auditors

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

The auditors, PricewaterhouseCoopers Limited, have indicated their willingness to continue in office as auditors of the Group. A resolution for the reappointment of PricewaterhouseCoopers Limited as auditors of Laing O'Rourke Corporation Limited will be proposed at the Annual General Meeting.

## Approval

This report was approved by the Board on 25 July 2013 and signed on its behalf by:

**C KLERIDES**  
DIRECTOR

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

## Report on the Consolidated financial statements

We have audited the accompanying consolidated financial statements of Laing O'Rourke Corporation Limited (the 'Company') and its subsidiaries (the 'Group') on pages 96 to 135 which comprise the consolidated statement of financial position as at 31 March 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Board of Directors' responsibility for the consolidated financial statements

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Laing O'Rourke Corporation Limited and its subsidiaries as at 31 March 2013, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

## Report on other legal and regulatory requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 93 and 94 is consistent with the consolidated financial statements.

## Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

## ANDROULLA S PITTAS

CERTIFIED PUBLIC ACCOUNTANT AND REGISTERED AUDITOR

For and on behalf of

## PRICEWATERHOUSECOOPERS LIMITED

CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED AUDITORS

Nicosia, 25 July 2013

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2013

	Note	Pre-exceptional Items 2013 £m	Exceptional items (note 4) 2013 £m	Total 2013 £m	Pre-exceptional Items 2012 £m	Exceptional items (note 4) 2012 £m	Total 2012 £m
<b>Continuing operations</b>							
Total revenue		3,566.9	–	3,566.9	3,544.6	–	3,544.6
Less: share of joint ventures' and associates' revenue		(339.3)	–	(339.3)	(639.6)	–	(639.6)
<b>Revenue</b>	3	3,227.6	–	3,227.6	2,905.0	–	2,905.0
Cost of sales		(2,928.0)	(14.7)	(2,942.7)	(2,641.0)	(17.2)	(2,658.2)
<b>Gross profit</b>		299.6	(14.7)	284.9	264.0	(17.2)	246.8
Administrative expenses		(226.8)	(2.6)	(229.4)	(238.9)	(3.8)	(242.7)
Other operating income	7	1.2	2.4	3.6	1.1	4.2	5.3
<b>Operating profit</b>	5	74.0	(14.9)	59.1	26.2	(16.8)	9.4
Share of post-tax profit of joint ventures and associates	14	7.1	(6.0)	1.1	25.5	(2.8)	22.7
<b>Profit from operations</b>		81.1	(20.9)	60.2	51.7	(19.6)	32.1
Net non-operating (expense)/income	8	(0.4)	–	(0.4)	0.2	–	0.2
Finance income	9	8.9	–	8.9	6.0	–	6.0
Finance expense	10	(11.7)	–	(11.7)	(14.9)	–	(14.9)
Net financing expense		(2.8)	–	(2.8)	(8.9)	–	(8.9)
<b>Profit before tax</b>		77.9	(20.9)	57.0	43.0	(19.6)	23.4
Income tax (expense)/benefit	11	(16.8)	3.6	(13.2)	7.9	3.5	11.4
<b>Profit for the year from continuing operations</b>		61.1	(17.3)	43.8	50.9	(16.1)	34.8
<b>Discontinued operations</b>							
Loss for the year from discontinued operations	27	(0.2)	(2.5)	(2.7)	(1.1)	(5.0)	(6.1)
<b>Profit for the year</b>		60.9	(19.8)	41.1	49.8	(21.1)	28.7
Attributable to:							
Equity holders of the Parent		60.1	(19.8)	40.3	49.5	(21.1)	28.4
Non-controlling interests		0.8	–	0.8	0.3	–	0.3
		60.9	(19.8)	41.1	49.8	(21.1)	28.7

The notes on pages 101 to 135 form part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Note	Pre- exceptional Items 2013 £m	Exceptional items (note 4) 2013 £m	Total 2013 £m	Pre- exceptional Items 2012 £m	Exceptional items (note 4) 2012 £m	Total 2012 £m
<b>Profit for the year</b>		<b>60.9</b>	<b>(19.8)</b>	<b>41.1</b>	49.8	(21.1)	28.7
<b>Other comprehensive income after tax:</b>							
Exchange differences on translating foreign operations		7.6	-	7.6	(3.7)	-	(3.7)
Available-for-sale financial assets		0.3	-	0.3	(0.4)	-	(0.4)
Cash flow hedges		1.1	-	1.1	-	-	-
Share of other comprehensive income of joint ventures and associates		0.9	-	0.9	1.4	-	1.4
<b>Other comprehensive income for the year, net of tax</b>	11	<b>9.9</b>	<b>-</b>	<b>9.9</b>	(2.7)	-	(2.7)
<b>Total comprehensive income for the year</b>		<b>70.8</b>	<b>(19.8)</b>	<b>51.0</b>	47.1	(21.1)	26.0
Attributable to:							
Equity holders of the Parent	29	69.8	(19.8)	50.0	46.5	(21.1)	25.4
Non-controlling interests	29	1.0	-	1.0	0.6	-	0.6
		<b>70.8</b>	<b>(19.8)</b>	<b>51.0</b>	47.1	(21.1)	26.0

The notes on pages 101 to 135 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

Assets	Note	2013 €m	2012 €m
<b>Non-current assets</b>			
Intangible assets	13	345.8	339.8
Investments in joint ventures and associates	14	51.5	54.6
Loans to joint ventures	14	59.1	72.8
Other investments	15	–	4.2
Property, plant and equipment	16	268.0	256.1
Investment property	17	59.0	38.8
Deferred tax assets	26	26.5	26.4
Trade and other receivables	22	24.8	20.0
Restricted financial assets	20	0.3	0.4
<b>Total non-current assets</b>		<b>835.0</b>	<b>813.1</b>
<b>Current assets</b>			
Inventories	21	289.7	274.3
Trade and other receivables	22	499.4	453.6
Available-for-sale financial assets	18	0.7	3.5
Derivative financial instruments	19	2.8	0.2
Other investments	15	4.2	–
Current tax assets		–	0.5
Assets held-for-sale	27	6.6	13.8
Cash and cash equivalents		684.0	600.6
<b>Total current assets</b>		<b>1,487.4</b>	<b>1,346.5</b>
<b>Total assets</b>		<b>2,322.4</b>	<b>2,159.6</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	23	(152.6)	(97.9)
Trade and other payables	24	(1,295.1)	(1,227.3)
Provisions	25	(15.5)	(7.5)
Derivative financial instruments	19	(0.7)	(0.7)
Current tax liabilities		(18.1)	(8.4)
Liabilities held-for-sale	27	(1.2)	(4.9)
<b>Total current liabilities</b>		<b>(1,483.2)</b>	<b>(1,346.7)</b>
<b>Non-current liabilities</b>			
Borrowings	23	(121.8)	(181.3)
Trade and other payables	24	(70.6)	(30.1)
Provisions	25	(25.3)	(28.8)
Deferred tax liabilities	26	(6.4)	(8.0)
<b>Total non-current liabilities</b>		<b>(224.1)</b>	<b>(248.2)</b>
<b>Total liabilities</b>		<b>(1,707.3)</b>	<b>(1,594.9)</b>
<b>Net assets</b>		<b>615.1</b>	<b>564.7</b>
<b>Equity</b>			
Share capital	28	–	–
Share premium	28	286.4	286.4
Fair value reserve	29	(1.4)	(1.7)
Hedging reserve	29	1.1	–
Foreign currency translation reserve	29	55.7	47.4
Retained earnings	29	270.3	230.0
<b>Total equity attributable to equity holders of the Parent</b>		<b>612.1</b>	<b>562.1</b>
Non-controlling interests	29	3.0	2.6
<b>Total equity</b>		<b>615.1</b>	<b>564.7</b>

The financial statements were approved by the Board of Directors on 25 July 2013 and were signed on its behalf by:

**R G O'ROURKE KBE**  
DIRECTOR

**C KLERIDES**  
DIRECTOR

The notes on pages 101 to 135 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Note	2013 £m	2012 £m
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		57.0	23.4
Loss before tax from discontinued operations	27	(3.7)	(6.6)
Adjustments for:			
Non-cash exceptional items	4	14.9	21.8
Depreciation and amortisation	5	52.9	54.2
Profit on disposal of property, plant and equipment		(2.5)	(4.5)
Loss on disposal of intangibles		0.1	-
Net financing costs		2.8	8.9
Share of post tax profit of joint ventures and associates		(1.1)	(22.7)
(Increase)/decrease in trade and other receivables		(32.9)	154.9
Increase in inventories		(47.9)	(30.1)
Increase/(decrease) in trade and other payables and provisions		68.9	(71.5)
Other		(0.1)	6.5
<b>Cash generated from operations</b>		<b>108.4</b>	<b>134.3</b>
Interest paid		(11.7)	(14.9)
Tax paid		(4.6)	(4.3)
<b>Net cash generated from operating activities</b>		<b>92.1</b>	<b>115.1</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(29.4)	(18.5)
Purchase of intangible assets	13	(6.3)	(1.4)
Acquisition of subsidiaries, net of cash acquired		-	(6.9)
Payments to acquire joint ventures and associates	14	(3.9)	(0.3)
Disposal of available-for-sale financial assets	18	2.8	6.2
Disposal of property, plant and equipment		20.3	15.9
Disposal of intangibles		0.1	-
Disposal of investment property	17	1.7	0.3
Disposal of joint ventures and associates		0.6	-
Loans to joint ventures and associates	14	(4.9)	(34.7)
Loans repaid by joint ventures and associates	14	2.3	0.2
Interest received		8.9	6.1
Distributions received from joint ventures and associates	14	23.3	30.7
<b>Net cash generated from/(used in) investing activities</b>		<b>15.5</b>	<b>(2.4)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new bank loans		58.9	36.8
Repayments of bank loans		(57.2)	(81.3)
Finance lease principal repayments		(39.4)	(44.8)
Reduction in share premium	28	-	(33.0)
Dividends paid to non-controlling interests	29	(0.6)	(0.6)
Dividends paid	12	-	(8.8)
<b>Net cash used in financing activities</b>		<b>(38.3)</b>	<b>(131.7)</b>
Net increase/(decrease) in cash and cash equivalents		69.3	(19.0)
Cash and cash equivalents at beginning of year		600.6	619.3
Effect of exchange rate fluctuations on cash held		14.1	0.3
<b>Cash and cash equivalents at end of year</b>		<b>684.0</b>	<b>600.6</b>
Non-cash transactions principally relate to new hire purchase and finance lease agreements taken out during the year amounting to £39.0m (2012: £31.2m).			
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and on hand		646.9	565.7
Short-term bank deposits	32	37.1	34.9
		<b>684.0</b>	<b>600.6</b>

The notes on pages 101 to 135 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Note	Share capital and share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m	Non- controlling interests £m	Total equity £m
At 1 April 2011		319.4	48.7	210.4	578.5	2.6	581.1
Profit for the year		-	-	28.4	28.4	0.3	28.7
Other comprehensive income after tax		-	(3.0)	-	(3.0)	0.3	(2.7)
Total comprehensive income for the year		-	(3.0)	28.4	25.4	0.6	26.0
Reduction in share premium	28	(33.0)	-	-	(33.0)	-	(33.0)
Dividends paid	12	-	-	(8.8)	(8.8)	(0.6)	(9.4)
At 31 March 2012		<b>286.4</b>	<b>45.7</b>	<b>230.0</b>	<b>562.1</b>	<b>2.6</b>	<b>564.7</b>
Profit for the year		-	-	40.3	40.3	0.8	41.1
Other comprehensive income after tax		-	9.7	-	9.7	0.2	9.9
Total comprehensive income for the year		-	9.7	40.3	50.0	1.0	51.0
Dividends paid	12	-	-	-	-	(0.6)	(0.6)
<b>At 31 March 2013</b>		<b>286.4</b>	<b>55.4</b>	<b>270.3</b>	<b>612.1</b>	<b>3.0</b>	<b>615.1</b>

Additional disclosure and details are provided in note 29.

The notes on pages 101 to 135 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 1 General Information

Laing O'Rourke Corporation Limited (the 'Company') is a company incorporated and domiciled in Cyprus. The Company prepares parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113. The address of the registered office is given on page 92. The nature of the Group's operations and its principal activities are set out in note 38 and in the Group Financial Review on pages 90 to 91. The consolidated financial statements of the Company for the year ended 31 March 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, jointly controlled entities and jointly controlled operations.

## 2 Significant Accounting Policies

### 2.1 Statement of compliance

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

### 2.2 Basis of preparation

The Group consolidated financial statements are presented in pounds sterling, rounded to the nearest hundred thousand and include the results of the holding company, its subsidiary undertakings and the Group's interest in associates, jointly controlled entities and jointly controlled operations for the year ended 31 March 2013. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings (prior to the adoption of IFRS), available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The principal accounting policies which have been consistently applied for all consolidated entities including subsidiaries, joint ventures and associates are set out below.

The following standards, amendments and interpretations became effective in the year ended 31 March 2013 and have been adopted:

- a) Amendment to IFRS 7, Disclosures – Transfers of financial assets, (effective for accounting periods beginning on or after 1 July 2011)
- b) Amendments to IAS 12, Deferred tax – Recovery of underlying assets, (effective for accounting periods beginning on or after 1 January 2012)

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

The Directors have considered recently published IFRSs, new interpretations and amendments to existing standards that are mandatory to the Group's accounting periods commencing on or after 1 April 2013.

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

- a) Amendment to IFRS 7, Disclosures – Offsetting assets and financial liabilities, (effective for accounting periods beginning on or after 1 January 2013)
- b) IFRS 9, Financial Instruments, (effective for accounting periods beginning on or after 1 January 2015)
- c) IFRS 10, Consolidated Financial Statements, (effective for accounting periods beginning on or after 1 January 2013)
- d) IFRS 11, Joint Arrangements, (effective for accounting periods beginning on or after 1 January 2013)
- e) IFRS 12, Disclosures of Interests in Other Entities, (effective for accounting periods beginning on or after 1 January 2013)
- f) Amendments to IFRS 10, 11 and 12, Transition guidance, (effective for accounting periods beginning on or after 1 January 2013)
- g) Amendments to IFRS 10, 12 and IAS 27, Investment entities, (effective for accounting periods beginning on or after 1 January 2014)
- h) IFRS 13, Fair Value Measurement, (effective for accounting periods beginning on or after 1 January 2013)
- i) Amendment to IAS 1, Presentation of other comprehensive income, (effective for accounting periods beginning on or after 1 July 2012)
- j) IAS 19 (revised 2011), Employee benefits, (effective for accounting periods beginning on or after 1 January 2013)
- k) IAS 27, Separate Financial Statements, (effective for accounting periods beginning on or after 1 January 2013)
- l) IAS 28, Associates and Joint ventures, (effective for accounting periods beginning on or after 1 January 2013)
- m) Amendment to IAS 32, Offsetting assets and financial liabilities, (effective for accounting periods beginning on or after 1 January 2014)

## 2 Significant Accounting Policies continued

The effect on the Group financial statements of adopting these new standards, amendments and interpretations has been determined to be minimal with the exception of those detailed below:

IFRS 9 is expected to replace IAS 39 Financial Instruments: Recognition and Measurement from 2015, subject to EU adoption. IFRS 9 is being completed in stages, new requirements for impairments and hedge accounting were issued in March 2013 and are currently undergoing review. The requirements of IFRS 9 in issue at 31 March 2013 would result in the Group's available for sale financial assets being reclassified as this is a category that will no-longer exist under the new standard. The assets will be measured either at amortised cost or fair value through profit or loss, as a result movements in the fair value of these assets would no longer be recognised in other comprehensive income. Retrospective application of this standard would result in the closing balance of the fair value reserve (£1.4m) being transferred to retained earnings.

IFRS 10, 11, 12 and IAS 27 and 28 are effective for periods beginning on or after 1 January 2013 but all can be early adopted if all applied simultaneously. The new standards and amendments were developed to eliminate the choice of accounting treatments available for interests in other entities and allow for further comparability between financial statements of different companies. With the application of this suite of standards, certain of the Group's jointly controlled entities may change between equity accounting and proportional consolidation. The change in treatment of these entities will have no impact on the Group's net assets or EBIT, but will effect the presentation of the joint ventures balances in the primary financial statements.

### 2.3 Basis of consolidation

a) The Group financial statements include the financial statements of the Company and subsidiaries controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are deconsolidated from the date control ceases.

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

- b) Associates are operations over which the Group has the power to exercise significant influence but not control, generally accompanied by a share of between 20 per cent and 50 per cent of the voting rights. Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income. If the Group's share of losses in an associate equals its investment, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate, in which case a provision is recognised.
- c) Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. In a number of these, the Group's share of the underlying assets and liabilities may be greater than 50 per cent but the terms of the relevant agreements make it clear that control is not exercised. Jointly controlled entities are accounted for using the equity method from the date that the jointly controlled entity commences until the date that joint control of the entity ceases. If the Group's share of the losses in the jointly controlled entity equals or exceeds its interest in the undertaking, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity, in which case a provision is recognised.

## 2 Significant Accounting Policies continued

- d) Jointly controlled operations are where the Group undertakes a joint venture, established by contractual agreement, without establishing a separate entity. The Group uses its own assets and incurs its own liabilities, the joint venture agreement provides a means by which revenue and any joint expenses are shared amongst the venturers. The Group recognises its share of the assets it controls, liabilities and cash flows it incurs and its share of the results under each relevant heading in the income statement and the statement of financial position.
- e) Intra-Group balances and transactions together with any unrealised gains arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities and jointly controlled operations are eliminated to the extent of the Group's interest in the entity. The Group's share of unrealised gains arising from transactions with associates is eliminated against the investment in the associate. The Group's share of unrealised losses is eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 2.4 Foreign currency translation

#### Functional and presentation currency

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

#### Transactions and balances

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

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

#### Group companies

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

- i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- ii) income and expenses for each income statement are translated at average exchange rates; and
- iii) all resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

### 2.5 Property, plant and equipment

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

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

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

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

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

## 2 Significant Accounting Policies continued

### 2.6 Goodwill and other intangible assets

#### Goodwill

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

#### Other intangible assets

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

Brands	8-10 years
Computer software and licences	2-4 years

#### Impairment of non-financial assets

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

### 2.7 Investment property

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

### 2.8 Financial investments

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

### 2.9 Derivative financial instruments

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

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

## 2 Significant Accounting Policies continued

### 2.10 Cash and cash equivalents

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

### 2.11 Trade and other receivables

Trade receivables are initially recorded at fair value and subsequently measured at amortised cost as reduced by 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.

### 2.12 Trade and other payables

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

### 2.13 Provisions

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

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

### 2.14 Revenue recognition

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

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

Revenue on private housing and commercial property is recognised on legal completion of the sale.

### 2.15 Construction and service contracts

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

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

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

Private Finance Initiative (PFI)/Public Private Partnership (PPP) bid costs are expensed as incurred until the Group is appointed preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is virtually certain, PFI/PPP bid costs incurred after the appointment as preferred bidder are included within receivables. The PFI/PPP bid costs are expensed on reimbursement at financial close. Any surplus on reimbursement of costs compared with those recorded in receivables is recognised in the income statement.

### 2.16 Inventories

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

### 2.17 Leases and hire purchase commitments

Assets obtained under hire purchase contracts and leases, where a significant portion of the risks and rewards of ownership is transferred to the Group, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the liability and finance charge to produce a constant rate of interest on the finance lease balance outstanding. Assets held for use in such leases are included in 'Property, plant and equipment' (note 16) and are depreciated to their residual values over the estimated useful lives or the lease term as appropriate and are adjusted for impairment losses. Obligations under such agreements are included in 'Borrowings' (note 23).

## 2 Significant Accounting Policies continued

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

### 2.18 Pension costs

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

### 2.19 Tax

Tax expense represents the sum of the tax currently payable and deferred tax. The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are neither taxable nor deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially 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 substantially enacted at the balance sheet date and are expected to apply when the related asset is realised or liability settled. Deferred tax is charged or credited

in the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also included in equity.

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

### 2.20 Borrowings and borrowing costs

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

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

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

### 2.21 Exceptional items

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

### 2.22 Trading analysis

Trading analysis information is based on the Group's internal reporting structure of two operational hubs. Further information on the business trading activities is set out in the Operating Overview on pages 30 to 31. Trading analysis results represent the contribution directly attributable for the different hubs to profit of the Group. Transactions between hubs are conducted on an arm's length basis.

## 2 Significant Accounting Policies continued

### 2.23 Key judgements and estimation uncertainty

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

- a) **Revenue and margin recognition**  
The Group's revenue recognition and margin recognition policies, which are set out in notes 2.14 and 2.15, are central to the way the Group values the work it has carried out in each financial year and have been consistently applied. These policies require forecasts to be made of the outcomes of long-term construction and service contracts, which require assessments and judgements to be made on changes in work scopes, contract programmes and maintenance liabilities.
- b) **Disputes**  
Management's best judgement has been taken into account in reporting disputed amounts, legal cases and claims but the actual future outcome may be different from this judgement.
- c) **Impairment of goodwill**  
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires an estimation to be made of the timing and amount of future cash flows expected to arise from the cash generating unit, and a suitable discount rate in order to calculate the present value. The discount rate used, carrying value of goodwill and further details of the impairment loss calculation are included in note 13.
- d) **Taxation**  
The Group is subject to tax in a number of jurisdictions and judgement is required in determining the worldwide provision for income taxes including the recognition of deferred tax assets. The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based upon management's assessment of exposures. Assets are only recognised where it is reasonably certain additional tax will become payable in future periods and when the asset can be utilised.
- e) **Development land and work in progress**  
Determining whether land developments are impaired requires an estimation of the fair values of expected selling prices and costs to complete. A detailed review was completed at 31 March 2013 which resulted in an exceptional impairment of £23.3m being recognised. Further details are included in note 4.
- f) **Investment property**  
Determining the fair value of investment properties requires an estimation of future rental yields compared to current market evidence. In certain cases comparable market price information is limited due to the current economic conditions and management have exercised their best judgements in determining the fair value of investment properties.
- g) **Captive insurance company**  
The Group operates a captive insurance company which provides reinsurance exclusively to the Group. Provision is made on actuarial assessment of the reserve for future claims, which necessarily includes estimates of the likely trend of future claims costs and the emergence of further claims subsequent to the year-end. An actuarial review of claims is performed annually. To the extent that actual claims differ from those projected, the provisions could vary significantly.
- h) **Financial risk management**  
In the course of its business, the Group is exposed to foreign currency risk, liquidity risk, interest rate risk and credit risk. The overall aim of the Group's financial risk management policies is to use judgement to minimise potential adverse effects on financial performance and net assets. Further details are provided in note 31 to these financial statements.

### 3 Trading Analysis

	Europe Hub 2013 €m	Australia Hub 2013 €m	Total Group 2013 €m
<b>Performance by geography:</b>			
<b>Managed revenue</b>	2,570.1	1,824.5	4,394.6
Less: Inter-segment revenue	(616.2)	(211.5)	(827.7)
<b>Total revenue</b>	1,953.9	1,613.0	3,566.9
Less: Share of joint ventures' and associates revenue	(227.0)	(112.3)	(339.3)
<b>Revenue</b>	1,726.9	1,500.7	3,227.6
<b>Profit from operations post-exceptional items</b>	35.7	24.5	60.2
<b>Profit before tax post-exceptional items</b>	35.8	21.2	57.0
<b>EBIT post-exceptional items</b>	33.6	23.9	57.5
<b>EBITDA post-exceptional items</b>	69.6	40.8	110.4
<b>Profit from operations pre-exceptional items</b>	51.1	30.0	81.1
<b>Profit before tax and exceptional items</b>	51.2	26.7	77.9
<b>EBIT pre-exceptional items</b>	49.0	29.4	78.4
<b>EBITDA pre-exceptional items</b>	85.0	46.3	131.3

	Europe Hub 2012 €m	Australia Hub 2012 €m	Total Group 2012 €m
<b>Managed revenue</b>	2,787.3	1,524.6	4,311.9
Less: Inter-segment revenue	(623.7)	(143.6)	(767.3)
<b>Total revenue</b>	2,163.6	1,381.0	3,544.6
Less: Share of joint ventures' and associates revenue	(418.0)	(221.6)	(639.6)
<b>Revenue</b>	1,745.6	1,159.4	2,905.0
<b>Profit from operations post-exceptional items</b>	66.6	(34.5)	32.1
<b>Profit before tax post-exceptional items</b>	62.1	(38.7)	23.4
<b>EBIT post-exceptional items</b>	69.5	(35.1)	34.4
<b>EBITDA post-exceptional items</b>	105.4	(17.0)	88.4
<b>Profit from operations pre-exceptional items</b>	79.9	(28.2)	51.7
<b>Profit before tax and exceptional items</b>	75.4	(32.4)	43.0
<b>EBIT pre-exceptional items</b>	82.8	(28.8)	54.0
<b>EBITDA pre-exceptional items</b>	118.7	(10.7)	108.0



### 3 Trading Analysis continued

	Note	Pre- exceptional items 2013 £m	Exceptional items (note 4) 2013 £m	Total 2013 £m	Pre- exceptional items 2012 £m	Exceptional items (note 4) 2012 £m	Total 2012 £m
<b>EBIT and EBITDA Reconciliation:</b>							
Profit from operations		81.1	(20.9)	60.2	51.7	(19.6)	32.1
Adjusted for:							
Net non-operating (expense)/income	8	(0.4)	-	(0.4)	0.2	-	0.2
JV net finance income	14	(2.6)	-	(2.6)	(5.0)	-	(5.0)
JV tax expense	14	0.3	-	0.3	7.1	-	7.1
<b>EBIT</b>		<b>78.4</b>	<b>(20.9)</b>	<b>57.5</b>	<b>54.0</b>	<b>(19.6)</b>	<b>34.4</b>
Depreciation	5	49.8	-	49.8	51.7	-	51.7
Amortisation	5	3.1	-	3.1	2.3	-	2.3
<b>EBITDA</b>		<b>131.3</b>	<b>(20.9)</b>	<b>110.4</b>	<b>108.0</b>	<b>(19.6)</b>	<b>88.4</b>

There is no material difference between revenue by origin and revenue by destination. Revenue includes £2,735.4m on construction contracts (2012: £2,529.4m) calculated on the definition included in IAS 11, Construction Contracts. Revenue arising from the sale of goods amounted to £145.4m (2012: £115.0m) and from the sale of services amounted to £346.8m (2012: £260.6m).

Contracts in progress at the balance sheet date comprise contract costs incurred plus recognised profits less losses of £6,026.7m (2012: £4,693.4m).

### 4 Exceptional Items

	2013 £m	2012 £m
Impairments of land and developments	23.3	21.2
Gain on renegotiation of debt	(2.4)	-
Closure costs	2.5	3.0
Impairment of group owner occupied property	-	2.0
Impairment of receivables	-	2.6
Gain on acquisition of a business	-	(4.2)
<b>Exceptional costs before tax</b>	<b>23.4</b>	<b>24.6</b>
Income tax credit on exceptional items	(3.6)	(3.5)
<b>Exceptional costs after tax</b>	<b>19.8</b>	<b>21.1</b>

#### Impairments of land and developments

During the year the Directors reviewed the carrying value of the Group's residential and mixed-use development assets in accordance with current accounting standards. The valuations incorporated forecast selling prices based on recent market conditions and in certain instances the Directors assumed appropriate planning consents will be granted. Costs to complete (including finance costs) were assessed at the balance sheet date. As a result of the review, the Group recognised exceptional impairments of £23.3m (2012: £21.2m).

#### Gain on renegotiation of debt

During the year the Directors renegotiated the debt facility of a property development subsidiary of the Group. A final payment was accepted by the lender on 19 October 2012 as full and final settlement for the outstanding loan and security over the development site was released. This restructure resulted in an exceptional gain of £2.4m which has been recognised within other operating income.

#### 4 Exceptional Items continued

##### Impairment of group owner occupied property and closure costs

Following the approval of the Group's management and Directors on 9 February 2012 to sell Naturstein Vetter GmbH the assets were reclassified as held-for-sale (see note 27). The sale of the assets was completed on 27 September 2012, and the loss on sale recognised in the current year was £2.5m, which has been recognised within discontinued operations in the income statement. In the prior year land and buildings were impaired by £2.0m and closure costs of £3.0m were also recognised as discontinued operations in the income statement.

##### Impairment of receivables

During the prior year an outstanding debt was only partially recovered after the client went into administration, resulting in a £2.6m loss.

##### Exceptional gain on acquisition of a business

During the prior year the Group secured full control of Bison Holdings Limited and Bison Manufacturing Limited, recognising an exceptional gain of £4.2m on acquisition.

#### 5 Operating Profit

	Note	2013 £m	2012 £m
<b>Operating profit is stated after charging/(crediting):</b>			
Staff costs	6	<b>867.1</b>	774.8
Depreciation of property, plant and equipment:	16		
Owned assets		<b>27.0</b>	23.4
Under finance leases		<b>22.8</b>	28.3
Impairment of plant and equipment	16	<b>-</b>	1.0
Operating lease rentals and short term hires:			
Property, plant and equipment		<b>80.3</b>	79.3
Amortisation of other intangible assets	13	<b>3.1</b>	2.3
Profit on disposal of plant and equipment		<b>(2.7)</b>	(3.9)
Loss on disposal of intangibles		<b>0.1</b>	-
Foreign exchange gains		<b>(3.6)</b>	(1.3)
Investment property income	17	<b>(2.4)</b>	(1.7)
Cost of inventories recognised as an expense:			
Amount of inventories recognised as an expense		<b>75.5</b>	68.7
Amount of inventories written off as an expense		<b>21.9</b>	21.2
Auditors' remuneration (see below)		<b>3.0</b>	2.2

	Note	2013 £m	2012 £m
<b>Auditors' remuneration</b>			
Fees payable to the Company's auditor for the audit of:			
The Company's annual financial statements and consolidated financial statements		<b>0.3</b>	0.3
The Company's subsidiaries pursuant to legislation		<b>0.9</b>	0.9
<b>Total audit fees</b>		<b>1.2</b>	1.2
Fees payable to the Company's auditor and its associates for other services:			
Services relating to taxation		<b>0.8</b>	0.8
All other services		<b>1.0</b>	0.2
<b>Total non-audit fees</b>		<b>1.8</b>	1.0
<b>Total fees</b>		<b>3.0</b>	2.2

The fees stated above include £0.2m for other non-assurance services and £0.1m for audit fees charged by the Company's statutory audit firm PricewaterhouseCoopers Limited Cyprus.

## 6 Staff Costs and Employee Numbers

	2013 Number	2012 Number
<b>Number of employees</b>		
The average monthly number of employees (including Directors) during the period was:		
Europe Hub	11,208	11,048
Australia Hub	4,143	3,810
<b>Total number of employees</b>	<b>15,351</b>	14,858

	2013 £m	2012 £m
<b>Aggregate remuneration and related costs, including Directors:</b>		
Wages and salaries	773.6	701.8
Social security costs	57.2	39.0
Other pension costs	36.3	34.0
	<b>867.1</b>	774.8

At 31 March 2013 £1.4m (2012: £1.4m) was payable in respect of defined contribution schemes and included in other payables (see note 24).

### Transactions with key management personnel

The Group's key management personnel during the period include the four Directors and seven other members (2012: four Directors and eight other members) who served on the Group Executive Committee during the year.

The compensation of key management personnel is as follows:

	2013 £m	2012 £m
Salaries and other short-term employee benefits	4.1	4.4

### Directors' remuneration

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

	2013 £m	2012 £m
Salaries and other short-term benefits	0.3	0.5

None of the directors are accruing benefits under a defined contribution scheme (2012: nil). No post-retirement benefits were paid on behalf of Directors (2012: £nil).

## 7 Other Operating Income/(Expense)

	2013 £m	2012 £m
Exceptional gain on acquisition of a business (see note 4)	-	4.2
Exceptional gain on renegotiation of debt (see note 4)	2.4	-
Loss on sale of subsidiary	(0.2)	-
Investment income	0.1	0.8
Rents received	0.8	0.2
Other operating income	0.5	0.1
	<b>3.6</b>	5.3

**8 Net Non-operating (Expense)/Income**

	2013 £m	2012 £m
(Loss)/profit on sale of property	(0.2)	0.6
Profit on sale of investments	0.1	-
Impairment of investments	(0.3)	(0.4)
	<b>(0.4)</b>	0.2

**9 Finance Income**

	2013 £m	2012 £m
Bank interest	7.2	4.9
Other interest and similar income	1.7	1.1
	<b>8.9</b>	6.0

**10 Finance Expense**

	2013 £m	2012 £m
Interest payable on bank loans and overdrafts	7.4	8.7
Finance lease charges	3.3	4.7
Other interest payable and similar charges	1.0	1.5
	<b>11.7</b>	14.9

**11 Income Tax**

	2013 £m	2012 £m
<b>Cyprus corporation tax</b>		
Current tax on income for the year	0.3	0.6
<b>Foreign tax</b>		
Current tax on income for the year	16.5	5.7
Adjustment in respect of prior years	(3.3)	(2.4)
<b>Total current tax</b>	<b>13.5</b>	3.9
Net origination of temporary differences	(0.3)	(14.6)
Impact of change in tax rate	-	(0.7)
<b>Total deferred taxation</b>	<b>(0.3)</b>	(15.3)
<b>Tax expense/(benefit) for the year</b>	<b>13.2</b>	(11.4)

The overall tax expense for the year of £13.2m is explained relative to the UK statutory rate of 24 per cent below:

	2013 £m	2012 £m
<b>Total tax reconciliation</b>		
Profit before tax	57.0	23.4
Tax at the UK corporation tax rate of 24% (2012: UK 26%)	13.7	6.1
Effects of		
- lower overseas tax rates	(0.3)	(9.0)
- other expenditure that is not tax deductible	1.4	1.4
- adjustments in respect of prior years	(3.3)	(5.3)
- unutilised losses	3.3	2.3
- tax effect of joint ventures	(0.3)	(5.3)
- impact of change in UK tax rate	(0.3)	(0.7)
- other adjustments	(1.0)	(0.9)
<b>Total tax charge/(credit)</b>	<b>13.2</b>	(11.4)

## 11 Income Tax continued

The total tax expense for the year of £13.2m includes an exceptional tax credit of £3.6m (2012: £3.5m) in relation to tax allowable exceptional expenditure for impairments of land and developments, gain on renegotiation of debt and disposal of a subsidiary (see note 4 and note 7).

A number of changes to the UK corporation tax system were announced in the 2012 Autumn Statement and the March 2013 UK Budget Statement. The main rate of corporation tax reduces to 21 per cent from 1 April 2014 and to 20 per cent from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions in the main rate of corporation tax to 21 per cent from 1 April 2014 and to 20 per cent from 1 April 2015 are both expected to be enacted as part of the Finance Act 2013. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £0.7m.

### Tax effects relating to each component of comprehensive income

	2013			2012		
	Before-tax amount £m	Tax expense £m	Net-of-tax amount £m	Before-tax amount £m	Tax credit £m	Net-of-tax amount £m
Exchange differences on translating foreign operations	7.6	-	7.6	(3.7)	-	(3.7)
Available-for-sale financial assets	0.4	(0.1)	0.3	(0.5)	0.1	(0.4)
Cash flow hedges	1.6	(0.5)	1.1	-	-	-
Share of other comprehensive income of joint ventures and associates	0.9	-	0.9	1.4	-	1.4
	<b>10.5</b>	<b>(0.6)</b>	<b>9.9</b>	<b>(2.8)</b>	<b>0.1</b>	<b>(2.7)</b>

## 12 Dividends

	2013 £m	2012 £m
Interim dividends paid of £nil per ordinary share (2012: £972).	-	8.8

The Directors do not recommend the payment of a final dividend (2012: £nil).

### 13 Intangible Assets

	Goodwill £m	Brands £m	Computer software and licences £m	Total £m
<b>Cost</b>				
At 1 April 2012	336.2	2.6	17.6	356.4
Acquisitions	–	–	4.3	4.3
Additions	–	–	2.0	2.0
Disposals	–	–	(1.6)	(1.6)
Exchange differences	3.1	0.1	0.3	3.5
<b>At 31 March 2013</b>	<b>339.3</b>	<b>2.7</b>	<b>22.6</b>	<b>364.6</b>
<b>Accumulated amortisation and impairment</b>				
At 1 April 2012	0.8	1.9	13.9	16.6
Amortisation for the year	–	0.3	2.8	3.1
Impairment	0.3	–	–	0.3
Disposals	–	–	(1.3)	(1.3)
Exchange differences	–	–	0.1	0.1
<b>At 31 March 2013</b>	<b>1.1</b>	<b>2.2</b>	<b>15.5</b>	<b>18.8</b>
<b>Net book value at 31 March 2013</b>	<b>338.2</b>	<b>0.5</b>	<b>7.1</b>	<b>345.8</b>

<b>Cost</b>				
At 1 April 2011	335.9	2.6	16.3	354.8
Additions	–	–	1.4	1.4
Disposals	–	–	(0.1)	(0.1)
Transferred to disposal group classified as held-for-sale	–	–	(0.1)	(0.1)
Exchange differences	0.3	–	0.1	0.4
At 31 March 2012	336.2	2.6	17.6	356.4
<b>Accumulated amortisation</b>				
At 1 April 2011	–	1.5	12.0	13.5
Amortisation for the year	–	0.4	1.9	2.3
Impairment	0.8	–	–	0.8
Disposals	–	–	(0.1)	(0.1)
Exchange differences	–	–	0.1	0.1
At 31 March 2012	0.8	1.9	13.9	16.6
Net book value at 31 March 2012	335.4	0.7	3.7	339.8
Net book value at 31 March 2011	335.9	1.1	4.3	341.3

#### Acquisitions

On 1 June 2012, the Group acquired the trade and certain assets of Symmetry Digital and Visual Limited, a company incorporated in Hong Kong. The consideration included £4.3m relating to computer software and is included within acquisitions above.

#### Current year impairment

During the year the Group fully impaired goodwill of £0.3m which related to an Australian scaffolding business, this amount is recognised in net non-operating (expense)/income.

### 13 Intangible Assets continued

#### Impairment tests for cash-generating units containing goodwill

The following units have significant amounts of goodwill

	2013 £m	2012 £m
Australia	59.3	56.5
United Kingdom	278.9	278.9
	338.2	335.4

The recoverable amount of goodwill attached to each cash generating unit is based on value in use calculations in accordance with IAS 36, Impairment of Assets. Each calculation uses cash flow projections based on four-year financial budgets approved by management and a perpetual growth rate of 3 per cent (2012: 3 per cent), discounted at the Group's estimated pre-tax weighted average cost of capital of 10.0 per cent (2012: 12.5 per cent). Budgeted gross margins are based on past performance and management's market expectations. The estimated perpetual growth rate of 3 per cent (2012: 3 per cent) does not exceed the long-term average growth rate for the business in which the cash-generating unit operates and is consistent with industry forecast reports. The weighted average cost of capital is a prudent estimate from listed industry competitors, adjusted for changes in capital structures.

As at 31 March 2013, based on the internal value in use calculations, management concluded that the recoverable value of the cash generating units exceeded their carrying amount.

#### Amortisation charge

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

	2013 £m	2012 £m
Administrative expenses	3.1	2.3

## 14 Investments in Joint Ventures and Associates

	Joint ventures equity investments £m	Associates equity investments £m	Loans to joint ventures £m	Total £m
<b>Cost</b>				
At 1 April 2012	19.2	13.3	115.3	<b>147.8</b>
Equity investment purchases	3.9	–	–	<b>3.9</b>
Equity investment disposals	(0.7)	–	–	<b>(0.7)</b>
Loans advanced	–	–	4.9	<b>4.9</b>
Loans repaid	–	–	(2.3)	<b>(2.3)</b>
Impairment	–	–	(2.6)	<b>(2.6)</b>
Exchange differences	–	–	2.8	<b>2.8</b>
<b>At 31 March 2013</b>	<b>22.4</b>	<b>13.3</b>	<b>118.1</b>	<b>153.8</b>
<b>Share of post-acquisition results</b>				
At 1 April 2012	(22.3)	0.1	–	<b>(22.2)</b>
Share of results for the year after tax	1.1	–	–	<b>1.1</b>
Distributions received	(23.3)	–	–	<b>(23.3)</b>
Exchange differences	(1.1)	0.7	–	<b>(0.4)</b>
<b>At 31 March 2013</b>	<b>(45.6)</b>	<b>0.8</b>	<b>–</b>	<b>(44.8)</b>
<b>Net book value at 31 March 2013</b>	<b>(23.2)</b>	<b>14.1</b>	<b>118.1</b>	<b>109.0</b>
<b>Cost</b>				
At 1 April 2011	19.2	13.0	86.5	118.7
Equity investment purchases	–	0.3	–	0.3
Loans advanced	–	–	34.7	34.7
Loans repaid	–	–	(0.2)	(0.2)
Impairment	–	–	(1.2)	(1.2)
Exchange differences	–	–	(4.5)	(4.5)
At 31 March 2012	19.2	13.3	115.3	147.8
<b>Share of post-acquisition results</b>				
At 1 April 2011	(16.1)	–	–	(16.1)
Share of results for the year after tax	22.7	–	–	22.7
Distributions received	(30.7)	–	–	(30.7)
Exchange differences	1.8	0.1	–	1.9
At 31 March 2012	(22.3)	0.1	–	(22.2)
Net book value at 31 March 2012	(3.1)	13.4	115.3	125.6
Net book value at 31 March 2011	3.1	13.0	86.5	102.6

The Group's share of joint venture and associate equity investments and loans to joint ventures are presented above. IAS 31, Interests in Joint Ventures, and IAS 28, Investments in Associates, require the following presentation adjustments:

- where the Group has already accounted for an obligation to fund net liabilities of a joint venture or associate this is deducted from loans made to the joint venture or associate; and
- where the Group's obligation to fund net liabilities of a joint venture or associate exceeds the amount loaned, a provision is recorded (see note 25).



## 14 Investments in Joint Ventures and Associates continued

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

	2013 £m	2012 £m
Investments in joint ventures and associates	51.5	54.6
Loans to joint ventures	59.1	72.8
Provisions	(1.6)	(1.8)
	<b>109.0</b>	<b>125.6</b>

No impairment losses to equity investments were brought forward at 31 March 2013 or charged in the year (2012: £nil).

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

	Joint ventures 2013 £m	Associates 2013 £m	Total 2013 £m	Joint ventures 2012 £m	Associates 2012 £m	Total 2012 £m
<b>Revenue</b>	<b>339.3</b>	<b>-</b>	<b>339.3</b>	639.4	0.2	639.6
Expenses	(334.5)	-	(334.5)	(611.9)	(0.1)	(612.0)
Exceptional items (see note 4)	(6.0)	-	(6.0)	(2.8)	-	(2.8)
<b>Operating (loss)/profit</b>	<b>(1.2)</b>	<b>-</b>	<b>(1.2)</b>	24.7	0.1	24.8
Net finance income/(expense)	2.6	-	2.6	5.1	(0.1)	5.0
<b>Profit before tax</b>	<b>1.4</b>	<b>-</b>	<b>1.4</b>	29.8	-	29.8
Tax expense	(0.3)	-	(0.3)	(7.1)	-	(7.1)
<b>Profit after tax</b>	<b>1.1</b>	<b>-</b>	<b>1.1</b>	22.7	-	22.7
<b>Non-current assets</b>						
Goodwill	-	4.4	4.4	-	4.4	4.4
Property, plant and equipment	23.7	-	23.7	28.2	-	28.2
Other non-current assets	298.3	0.9	299.2	249.6	0.8	250.4
<b>Current assets</b>						
Cash and cash equivalents	239.3	-	239.3	202.8	-	202.8
Other current assets	135.3	10.3	145.6	164.9	9.6	174.5
<b>Total assets</b>	<b>696.6</b>	<b>15.6</b>	<b>712.2</b>	645.5	14.8	660.3
<b>Current liabilities</b>						
Borrowings	-	(0.5)	(0.5)	-	-	-
Other current liabilities	(211.2)	-	(211.2)	(205.0)	(0.2)	(205.2)
<b>Non-current liabilities</b>						
Borrowings	(473.4)	(1.0)	(474.4)	(404.5)	(1.2)	(405.7)
Other non-current liabilities	(35.2)	-	(35.2)	(39.1)	-	(39.1)
<b>Total liabilities</b>	<b>(719.8)</b>	<b>(1.5)</b>	<b>(721.3)</b>	(648.6)	(1.4)	(650.0)
<b>Net assets</b>	<b>(23.2)</b>	<b>14.1</b>	<b>(9.1)</b>	(3.1)	13.4	10.3
Financial commitments	0.1	-	0.1	-	-	-
Capital commitments	-	-	-	-	-	-

## 15 Other Investments

Fair Value	2013 £m	2012 £m
At 1 April	4.2	4.5
Impairment	-	(0.3)
<b>At 31 March</b>	<b>4.2</b>	<b>4.2</b>
Disclosed within:		
Non-current assets	-	4.2
Current assets	4.2	-
	<b>4.2</b>	<b>4.2</b>

Other investments relates to mezzanine debt in a property development company. At 31 March 2013 the book value equated to fair value and is expected to be recovered within the next year.

## 16 Property, Plant and Equipment

	Group owner occupied property £m	Other land and buildings £m	Plant, equipment and vehicles £m	Total £m
<b>Cost</b>				
At 1 April 2012	16.3	26.5	488.7	<b>531.5</b>
Additions	-	0.4	67.4	<b>67.8</b>
Disposals	-	(0.6)	(58.3)	<b>(58.9)</b>
Transferred to disposal group classified as held-for-sale	-	-	(4.5)	<b>(4.5)</b>
Exchange differences	0.2	0.5	10.0	<b>10.7</b>
<b>At 31 March 2013</b>	<b>16.5</b>	<b>26.8</b>	<b>503.3</b>	<b>546.6</b>
<b>Accumulated depreciation</b>				
At 1 April 2012	1.6	15.2	258.6	<b>275.4</b>
Depreciation charge for the year	0.2	1.6	48.0	<b>49.8</b>
Disposals	-	(0.4)	(47.8)	<b>(48.2)</b>
Transferred to disposal group classified as held-for-sale	-	-	(4.0)	<b>(4.0)</b>
Exchange differences	-	0.4	5.2	<b>5.6</b>
<b>At 31 March 2013</b>	<b>1.8</b>	<b>16.8</b>	<b>260.0</b>	<b>278.6</b>
<b>Net book value at 31 March 2013</b>	<b>14.7</b>	<b>10.0</b>	<b>243.3</b>	<b>268.0</b>

<b>Cost</b>				
At 1 April 2011	21.2	26.7	508.9	556.8
Additions	1.6	0.2	47.9	49.7
Acquisitions	7.9	-	-	7.9
Disposals	(1.5)	(0.4)	(57.1)	(59.0)
Transferred to disposal group classified as held-for-sale	(12.2)	-	(11.7)	(23.9)
Exchange differences	(0.7)	-	0.7	-
At 31 March 2012	16.3	26.5	488.7	531.5
<b>Accumulated depreciation</b>				
At 1 April 2011	7.2	13.7	259.4	280.3
Depreciation charge for the year	0.2	1.7	50.0	51.9
Impairment	2.0	-	1.0	3.0
Disposals	(1.5)	(0.2)	(45.9)	(47.6)
Transferred to disposal group classified as held-for-sale	(6.0)	-	(6.0)	(12.0)
Exchange differences	(0.3)	-	0.1	(0.2)
At 31 March 2012	1.6	15.2	258.6	275.4
Net book value at 31 March 2012	14.7	11.3	230.1	256.1
Net book value at 31 March 2011	14.0	13.0	249.5	276.5

Exceptional impairment charges were made during the prior year of £2.0m (see note 4).

## 16 Property, Plant and Equipment continued

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

	2013 £m	2012 £m
Cost at 1 April	256.1	264.6
Accumulated depreciation at 1 April	(101.3)	(99.2)
Net book value at 1 April	154.8	165.4
Additions/acquisitions	38.3	28.5
Cost of disposals/transfers out	(124.3)	(37.3)
Depreciation on disposals/transfers out	75.2	26.3
Depreciation charge for the year	(22.8)	(28.3)
Exchange differences	1.8	0.2
<b>Net book value at 31 March</b>	<b>123.0</b>	<b>154.8</b>

Finance lease terms are between one and five years, see note 23 for ageing of finance lease obligations.

## 17 Investment Property

	Freehold 2013 £m	Freehold 2012 £m
<b>Net book value</b>		
At 1 April	38.8	22.1
Transfers in	22.4	17.4
Disposals	(1.7)	(0.3)
Exceptional impairment	(0.6)	-
Exchange differences	0.1	(0.4)
<b>At 31 March</b>	<b>59.0</b>	<b>38.8</b>

Investment property income earned by the Group, all of which was received under operating leases, amounted to £2.4m (2012: £1.7m) and is shown as revenue in the income statement. Direct operating expenses arising on investment properties generating rental income in the year amounted to £0.4m (2012: £0.3m). Direct operating expenses arising on investment properties not generating rental income in the year amounted to £nil (2012: £nil).

The Group's investment properties are let under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The Group's future operating lease income commitments comprise:

	2013 £m	2012 £m
<b>Expiry date:</b>		
Due within one year	1.7	1.5
Due between one and five years	2.5	2.5
Due after more than five years	14.9	16.1
	<b>19.1</b>	<b>20.1</b>

## 18 Available-For-Sale Financial Assets

	2013 £m	2012 £m
<b>Fair value</b>		
At 1 April	3.5	10.3
Disposals	(2.8)	(6.2)
Exchange differences	-	(0.2)
Net losses transferred to equity	-	(0.4)
<b>At 31 March</b>	<b>0.7</b>	<b>3.5</b>
Available-for-sale financial assets include the following:		
Listed securities	-	2.8
Unlisted securities	0.7	0.7
	<b>0.7</b>	<b>3.5</b>

The fair value of available-for-sale financial assets is determined from quoted prices in active markets.

## 19 Derivative Financial Instruments

	2013		2012	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>Current portion:</b>				
Foreign exchange fair value hedges	-	-	0.1	-
Foreign exchange cash flow hedges	2.6	-	-	-
Forward foreign exchange contracts	0.2	(0.7)	0.1	(0.7)
<b>Total derivative financial instruments</b>	<b>2.8</b>	<b>(0.7)</b>	<b>0.2</b>	<b>(0.7)</b>

### Foreign Exchange Fair Value Hedges

During the year the Group fully repaid funds borrowed in a foreign currency to hedge the foreign currency exposure of future income. No gains or losses were recognised in the period to 31 March 2013 (2012: £nil). There were no ineffective portions to be recognised in the profit or loss account arising from fair value hedges (2012: £nil).

### Foreign Exchange Cash Flow Hedges

The cashflow hedge is to hedge forecast revenue which is denominated in a foreign currency. The hedge instruments are forward exchange contracts designed to minimise the risk of exchange fluctuation in future revenue.

The gain from remeasuring the hedge instruments at fair value is recognised in other comprehensive income to the extent that the hedge is effective. In the year ended 31 March 2013, the ineffective hedge portion recognised in the income statement is £nil (2012: £nil).

### Forward Exchange Contracts

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

## 20 Restricted Financial Assets

	2013 £m	2012 £m
Restricted cash deposits	0.3	0.4

At 31 March 2013 £0.3m (2012: £0.4m) relates to bank deposits held as collateral in relation to specific construction and development projects. It is a contractual requirement that permission from third parties is obtained to withdraw these monies. The Directors consider the carrying amount of the restricted cash deposits to be at fair value.

## 21 Inventories

	2013 £m	2012 £m
Development land and work in progress	277.7	257.9
Raw materials and consumables	8.4	10.4
Finished goods and goods for resale	3.6	6.0
	<b>289.7</b>	<b>274.3</b>

Development land and work in progress at 31 March 2013 includes assets to a value of £144.7m (2012: £193.2m) expected to be consumed after more than one year.

Capitalised specific borrowing costs attributable to qualifying assets and included in development land and work in progress increased in the year by £0.1m (2012: decreased by £1.0m).

Inventories carried at fair value less costs to sell at 31 March 2013 had a carrying value of £47.7m (2012: £8.9m).

## 22 Trade and Other Receivables

	2013 £m	2012 £m
<b>Amounts expected to be recovered within one year:</b>		
Gross amounts due from customers on construction contracts	307.6	247.2
Trade receivables	123.3	137.4
Prepayments and accrued income	29.0	29.5
Other receivables	39.5	39.5
	<b>499.4</b>	<b>453.6</b>
<b>Amounts expected to be recovered after more than one year:</b>		
Gross amounts due from customers on construction contracts	17.5	7.4
Trade receivables	2.4	2.6
Other receivables	4.9	10.0
	<b>24.8</b>	<b>20.0</b>
<b>Total trade and other receivables</b>	<b>524.2</b>	<b>473.6</b>

At 31 March 2013, trade and other receivables include retentions of £86.9m (2012: £94.1m) relating to construction contracts of which £17.5m (2012: £7.4m) are non-current assets.

For construction contracts in progress at 31 March 2013, £335.1m (2012: £356.1m) was received as an advance and is included within advance payments on construction contracts in trade and other payables (see note 24).

At 31 March 2013 the bad debt provision for trade receivables amounted to £11.7m (2012: £15.6m). The net losses recognised via write off or impairment of trade and other receivables in the year to 31 March 2013 amounted to £1.2m (2012: £12.1m) which has been recognised in administrative expenses, £5.9m of debts previously provided for have now been fully written off, the remaining £0.8m movement is a result of exchange rate fluctuations.

## 23 Borrowings

	2013 £m	2012 £m
<b>Amounts expected to be settled within one year:</b>		
Bank loans	119.6	65.3
Finance lease obligations	33.0	32.6
	<b>152.6</b>	<b>97.9</b>
<b>Amounts expected to be settled after more than one year:</b>		
Bank loans	72.4	132.2
Finance lease obligations	49.4	49.1
	<b>121.8</b>	<b>181.3</b>
<b>Total borrowings</b>	<b>274.4</b>	<b>279.2</b>

Bank loans amounting to £192.0m (2012: £197.5m) are secured on the assets to which they relate.

### Finance lease obligations

Finance lease obligations are payable as follows:

	Interest 2013 £m	Principal 2013 £m	Minimum lease payments 2013 £m	Interest 2012 £m	Principal 2012 £m	Minimum lease payments 2012 £m
Less than one year	2.6	33.0	35.6	2.9	32.6	35.5
Between one and five years	2.0	48.7	50.7	2.5	49.1	51.6
More than five years	-	0.7	0.7	-	-	-
	<b>4.6</b>	<b>82.4</b>	<b>87.0</b>	<b>5.4</b>	<b>81.7</b>	<b>87.1</b>

Obligations under finance leases are secured by legal charges on certain non-current assets of the Group with an original cost of £172.7m (2012: £256.1m) and total net book value of £123.0m (2012: £154.8m).

## 24 Trade and Other Payables

	2013 £m	2012 £m
<b>Amounts expected to be settled within one year:</b>		
Advance payments on construction contracts	315.1	356.1
Trade payables	316.4	257.8
Other tax and social security	24.9	32.9
Other payables	106.8	109.0
Accruals and deferred income	531.9	471.5
	<b>1,295.1</b>	<b>1,227.3</b>
<b>Amounts expected to be settled after more than one year:</b>		
Advance payments on construction contracts	20.0	-
Trade payables	20.8	11.0
Other payables	3.0	2.2
Accruals and deferred income	26.8	16.9
	<b>70.6</b>	<b>30.1</b>
<b>Total trade and other payables</b>	<b>1,365.7</b>	<b>1,257.4</b>

At 31 March 2013, trade and other payables include retentions of £71.2m (2012: £80.8m) relating to construction contracts of which £20.2m (2012: £10.3m) are non-current liabilities.

## 25 Provisions

	Insurance technical provisions £m	Employee provisions £m	Joint venture provisions £m	Total provisions £m
At 1 April 2012	29.4	5.1	1.8	36.3
Provisions created	4.6	0.7	0.1	5.4
Provisions utilised	(0.6)	-	(0.3)	(0.9)
<b>At 31 March 2013</b>	<b>33.4</b>	<b>5.8</b>	<b>1.6</b>	<b>40.8</b>
Disclosed within:				
Current liabilities	10.9	3.0	1.6	15.5
Non-current liabilities	22.5	2.8	-	25.3
	<b>33.4</b>	<b>5.8</b>	<b>1.6</b>	<b>40.8</b>
At 1 April 2011	25.3	5.0	4.1	34.4
Provisions created	5.2	0.1	0.5	5.8
Provisions utilised	(1.1)	-	(2.8)	(3.9)
At 31 March 2012	29.4	5.1	1.8	36.3
Disclosed within:				
Current liabilities	3.0	2.7	1.8	7.5
Non-current liabilities	26.4	2.4	-	28.8
	29.4	5.1	1.8	36.3

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

The Group provides in full for obligations to remedy net liabilities of jointly controlled entities in excess of amounts already loaned. At 31 March 2013 these provisions amounted to £1.6m (2012: £1.8m) which were measured in accordance with the Group's accounting policies. Amounts provided are assessed based on judgements of contract costs, contract programmes and maintenance liabilities and are expected to be paid within one year.

## 26 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following;

	Assets 2013 £m	Assets 2012 £m	Liabilities 2013 £m	Liabilities 2012 £m	Net 2013 £m	Net 2012 £m
<b>Recognised deferred tax assets and liabilities</b>						
Property, plant and equipment	2.5	0.1	(6.4)	(8.0)	(3.9)	(7.9)
Other items	24.0	14.0	–	–	24.0	14.0
Tax losses carried forward	–	12.3	–	–	–	12.3
Deferred tax assets/(liabilities)	26.5	26.4	(6.4)	(8.0)	20.1	18.4

The ageing of deferred tax assets/(liabilities) at the year-end was:

Less than one year	19.8	15.1	(0.4)	(3.4)	19.4	11.7
More than one year	6.7	11.3	(6.0)	(4.6)	0.7	6.7
	26.5	26.4	(6.4)	(8.0)	20.1	18.4

### Movements in deferred tax assets and liabilities during the year

	As at 1 April 2012 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	As at 31 March 2013 £m
Property, plant and equipment	(7.9)	–	4.0	–	(3.9)
Other items	14.0	2.0	8.6	(0.6)	24.0
Tax losses carried forward	12.3	–	(12.3)	–	–
	18.4	2.0	0.3	(0.6)	20.1

	As at 1 April 2011 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	As at 31 March 2012 £m
Property, plant and equipment	(7.1)	(1.7)	0.9	–	(7.9)
Intangible assets	(0.2)	0.2	–	–	–
Other items	8.7	3.1	2.1	0.1	14.0
Tax losses carried forward	0.1	(0.1)	12.3	–	12.3
	1.5	1.5	15.3	0.1	18.4

Other items relate to Laing O'Rourke Australia Pty Limited where employee benefits, project accruals and cost provisions have been charged in one period but will be taxed in another.

### Unrecognised deferred tax assets and liabilities

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

	2013 £m	2012 £m
Tax losses	7.1	12.2

The Group has unrecognised deferred tax assets of £7.1m relating to unused tax losses. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future taxable profits and the constraints in using the losses.

## 27 Non-current Assets Held-for-sale and Discontinued Operations

Discontinued operations relate to the assets and liabilities of the Group's German operations following the approval to sell by the group's management and Directors on 9 February 2012. The sale of the assets completed on 27 September 2012.

Held-for-sale assets relate to certain items of plant and equipment held by Laing O'Rourke Australia Holdings Limited, a subsidiary of the Group. The held-for-sale assets are no-longer required by the Group and the carrying value is expected to be recovered by sale within the next year, hence the assets have been reclassified from Property, Plant and Equipment to held-for-sale in accordance with IFRS 5, Assets held-for-sale and Discontinued Operations.

	2013 Discontinued operations £m	2013 Held-for-sale £m	2013 Total £m	2012 Total £m
<b>Assets of disposal group classified as held-for-sale</b>				
Property, plant and equipment	0.2	5.5	5.7	11.9
Inventory	-	-	-	1.3
Other current assets	0.9	-	0.9	0.6
	1.1	5.5	6.6	13.8
<b>Liabilities of disposal group classified as held-for-sale</b>				
Trade and other payables	(1.1)	-	(1.1)	(3.8)
Other current liabilities	(0.1)	-	(0.1)	(1.1)
	(1.2)	-	(1.2)	(4.9)
<b>Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held-for-sale</b>				
Foreign exchange translation adjustments	(3.2)	-	(3.2)	(4.0)
<b>Cash flows of discontinued operations</b>				
Operating cash flow	(3.2)	-	(3.2)	(0.5)
Investing cash flow	3.9	-	3.9	0.1
Financing cash flow	-	-	-	-
	0.7	-	0.7	(0.4)

### Analysis of the results of discontinued operations, and the result recognised on re-measurement of disposal groups

	Discontinued Operations	
	2013 £m	2012 £m
Revenue	2.1	5.2
Expenses	(3.3)	(6.8)
Exceptional items (see note 4)	(2.5)	(2.1)
Loss before tax of discontinued operations	(3.7)	(3.7)
Income tax benefit/(expense)	1.0	(0.1)
<b>Loss after tax of discontinued operations</b>	<b>(2.7)</b>	<b>(3.8)</b>
Pre-tax loss recognised on the re-measurement of assets of disposal group	-	(2.9)
Income tax benefit	-	0.6
<b>Post tax loss recognised on the re-measurement of assets of disposal group</b>	<b>-</b>	<b>(2.3)</b>
<b>Loss for the year from discontinued operations</b>	<b>(2.7)</b>	<b>(6.1)</b>

Closure costs and re-measurement of assets of the disposal group are included as exceptional items, see note 4.



## 28 Share Capital and Premium

	Number of €1 shares	Share premium €m
At 1 April 2012 and at 31 March 2013	9,000	286.4

The authorised share capital of Laing O'Rourke Corporation Limited at 31 March 2013 was 18,000 ordinary shares of €1 each (2012: 18,000 shares).

## 29 Reconciliation of Movements in Shareholders' Equity

	Called-up share capital €m	Share premium €m	Fair value reserve €m	Hedging reserve €m	Foreign currency translation reserve €m	Retained earnings €m	Total shareholders' equity €m	Non- controlling interests €m	Total equity €m
At 1 April 2011	-	319.4	[1.3]	-	50.0	210.4	578.5	2.6	581.1
Profit for the year	-	-	-	-	-	28.4	28.4	0.3	28.7
Other comprehensive income after tax	-	-	[0.4]	-	[2.6]	-	[3.0]	0.3	[2.7]
Total comprehensive income for the year	-	-	[0.4]	-	[2.6]	28.4	25.4	0.6	26.0
Reduction in share premium	-	[33.0]	-	-	-	-	[33.0]	-	[33.0]
Dividends paid	-	-	-	-	-	[8.8]	[8.8]	[0.6]	[9.4]
At 31 March 2012	-	286.4	[1.7]	-	47.4	230.0	562.1	2.6	564.7
Profit for the year	-	-	-	-	-	40.3	40.3	0.8	41.1
Other comprehensive income after tax	-	-	0.3	1.1	8.3	-	9.7	0.2	9.9
Total comprehensive income for the year	-	-	0.3	1.1	8.3	40.3	50.0	1.0	51.0
Dividends paid	-	-	-	-	-	-	-	[0.6]	[0.6]
At 31 March 2013	-	286.4	[1.4]	1.1	55.7	270.3	612.1	3.0	615.1

### Share premium

During the prior reporting period, Laing O'Rourke Corporation Limited passed a resolution to reduce its share premium by €37.7m.

### Fair value reserve

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

### Hedging reserve

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

### Foreign currency translation reserve

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

### Retained earnings

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

### 30 Guarantees and Contingent Liabilities

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

At 31 March 2013, Group companies are parties to disputes from which legal actions have arisen or may arise in the ordinary course of business. While the outcome of these disputes is uncertain, the Directors believe that, except where provided in these financial statements, no material loss to the Group will occur (2012: £nil). In forming their opinion the Directors have taken relevant legal advice. Undertakings have been given by certain Group companies that they will not seek repayment of amounts due by other Group companies, except to the extent of their ability to pay.

### 31 Financial Instruments

#### Financial risk management

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

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

#### 31.1 Foreign Currency Risk

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

	Pound sterling value of equivalent currency (m)								2013 Total £m
	2013 GBP	2013 EUR	2013 AUD	2013 AED	2013 SAR	2013 CAD	2013 HKD	2013 Other	
Loans to joint ventures	19.2	64.3	34.6	-	-	-	-	-	118.1
Other investments	4.2	-	-	-	-	-	-	-	4.2
Trade and other receivables	289.1	1.8	129.0	52.5	32.4	0.6	0.9	0.6	506.9
Available-for-sale financial assets	-	0.7	-	-	-	-	-	-	0.7
Derivative financial instruments	0.2	-	2.6	-	-	-	-	-	2.8
Restricted financial assets	0.2	-	-	0.1	-	-	-	-	0.3
Cash and cash equivalents	357.9	7.6	234.8	10.9	5.0	47.5	14.6	5.7	684.0
<b>Total financial assets</b>	<b>670.8</b>	<b>74.4</b>	<b>401.0</b>	<b>63.5</b>	<b>37.4</b>	<b>48.1</b>	<b>15.5</b>	<b>6.3</b>	<b>1,317.0</b>
Borrowings	(147.3)	-	(127.1)	-	-	-	-	-	(274.4)
Derivative financial instruments	-	-	(0.7)	-	-	-	-	-	(0.7)
Trade and other payables	(774.5)	(3.0)	(426.1)	(55.0)	(1.9)	(46.1)	(30.3)	(4.5)	(1,341.4)
<b>Net financial (liabilities)/assets</b>	<b>(251.0)</b>	<b>71.4</b>	<b>(152.9)</b>	<b>8.5</b>	<b>35.5</b>	<b>2.0</b>	<b>(14.8)</b>	<b>1.8</b>	<b>(299.5)</b>

Other cash and cash equivalents include £3.9m held in USD.

## 31 Financial Instruments continued

### 31.1 Foreign Currency Risk continued

	Pound sterling value of equivalent currency (m)								2012 Total £m
	2012 GBP	2012 EUR	2012 AUD	2012 AED	2012 SAR	2012 CAD	2012 HKD	2012 Other	
Loans to joint ventures	15.1	65.9	34.3	–	–	–	–	–	115.3
Other investments	4.2	–	–	–	–	–	–	–	4.2
Trade and other receivables	236.6	3.8	107.0	67.3	43.2	0.4	0.6	0.8	459.7
Available-for-sale financial assets	–	3.5	–	–	–	–	–	–	3.5
Derivative financial instruments	0.2	–	–	–	–	–	–	–	0.2
Restricted financial assets	0.2	0.1	–	0.1	–	–	–	–	0.4
Cash and cash equivalents	415.5	10.2	97.3	12.9	8.0	31.1	20.8	4.8	600.6
<b>Total financial assets</b>	<b>671.8</b>	<b>83.5</b>	<b>238.6</b>	<b>80.3</b>	<b>51.2</b>	<b>31.5</b>	<b>21.4</b>	<b>5.6</b>	<b>1,183.9</b>
Borrowings	(192.6)	–	(68.1)	–	(6.9)	–	–	(11.6)	(279.2)
Derivative financial instruments	–	–	–	–	–	–	–	(0.7)	(0.7)
Trade and other payables	(795.3)	(4.7)	(287.4)	(84.5)	(3.6)	(16.3)	(27.5)	(5.2)	(1,224.5)
<b>Net financial (liabilities)/assets</b>	<b>(316.1)</b>	<b>78.8</b>	<b>(116.9)</b>	<b>(4.2)</b>	<b>40.7</b>	<b>15.2</b>	<b>(6.1)</b>	<b>(11.9)</b>	<b>(320.5)</b>

Of the total foreign currency borrowings of £127.1m (2012: £86.6m), the amount of borrowings used to finance non-UK operations amounts to £127.1m (2012: £86.6m).

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

If the foreign exchange rates that the Group is exposed to had changed adversely by 10 per cent at the balance sheet date, the profit for the year and equity would have decreased by £2.8m (2012: £2.0m). This sensitivity analysis takes into account the tax impact and the forward exchange contracts in place.

### 31 Financial Instruments continued

#### 31.2 Interest Rate Risk

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

	Repricing/maturity date				Effective interest rate %
	Total £m	Within one year £m	Between one and two years £m	After two years £m	
<b>At 31 March 2013</b>					
Bank loans	192.0	119.6	14.0	58.4	4.82%
Finance lease obligations	82.4	33.0	27.2	22.2	4.50%
	<b>274.4</b>	<b>152.6</b>	<b>41.2</b>	<b>80.6</b>	<b>4.63%</b>
<b>At 31 March 2012</b>					
Bank loans	197.5	65.3	58.9	73.3	4.19%
Finance lease obligations	81.7	32.6	27.4	21.7	4.83%
	279.2	97.9	86.3	95.0	4.59%

If interest rates had been 1 per cent higher during the period, profit and equity would have reduced by £2.1m (2012: £2.1m). This sensitivity analysis takes into account the tax impact.

#### 31.3 Liquidity Risk

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

#### Maturity of financial liabilities

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

	Trade and other payables £m	Bank loans £m	Finance leases £m	Total £m
<b>At 31 March 2013</b>				
Between one and less than two years	37.6	16.7	28.5	82.8
Between two and less than five years	15.5	57.5	22.2	95.2
Five or more years	5.7	4.7	0.7	11.1
	<b>58.8</b>	<b>78.9</b>	<b>51.4</b>	<b>189.1</b>
<b>At 31 March 2012</b>				
Between one and less than two years	24.5	69.8	29.0	123.3
Between two and less than five years	5.6	74.1	22.6	102.3
Five or more years	–	6.7	–	6.7
	30.1	150.6	51.6	232.3

## 31 Financial Instruments continued

### 31.3 Liquidity Risk continued

#### Borrowing facilities

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

	2013 £m	2012 £m
Expiring within one year	105.6	79.4
Expiring between one and two years	–	81.7
Expiring in more than two years	53.3	–
	158.9	161.1

### 31.4 Credit Risk

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

The ageing of trade receivables at the year-end was:

	Gross receivables 2013 £m	Impairment 2013 £m	Gross receivables 2012 £m	Impairment 2012 £m
Not past due	83.2	–	95.7	–
Past due 0-30 days	19.1	–	23.3	–
Past due 31-120 days	14.5	–	9.8	–
Past due 121-365 days	5.4	–	5.8	–
More than one year	15.2	(11.7)	21.0	(15.6)
	137.4	(11.7)	155.6	(15.6)

Receivables at 31 March 2013 that are more than one year past due date but not impaired amount to £3.5m (2012: £5.4m). The Group believes that there is no material exposure in respect of these balances.

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

### 31.5 Fair Values

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

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities. The Group holds available-for-sale investments which are traded in active markets and valued based on the closing per unit market price at 31 March 2013.

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

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

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

## 31 Financial Instruments continued

### 31.5 Fair Values continued

Financial instruments measured at fair value:

	Fair value measurement 2013				Fair value measurement 2012			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Other investments	-	-	4.2	4.2	-	-	4.2	4.2
Derivative financial instruments	-	2.1	-	2.1	-	(0.5)	-	(0.5)
Available-for-sale financial assets	0.7	-	-	0.7	3.5	-	-	3.5
	<b>0.7</b>	<b>2.1</b>	<b>4.2</b>	<b>7.0</b>	3.5	(0.5)	4.2	7.2

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

The carrying and fair values of the Group's financial instruments at 31 March 2013 and 31 March 2012 are as follows:

	Fair value 2013 £m	Carrying amount 2013 £m	Fair value 2012 £m	Carrying amount 2012 £m
Other investments	4.2	4.2	4.2	4.2
Derivative financial instruments	2.1	2.1	0.9	0.9
Available-for-sale financial assets	0.7	0.7	3.5	3.5
Loans and receivables	625.0	625.0	575.0	575.0
Financial liabilities measured at amortised cost	(1,615.8)	(1,615.8)	(1,503.7)	(1,503.7)

The carrying and fair values of the Group's financial instruments were not materially different at 31 March 2013.

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

### 31.6 Capital Risk Management

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

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

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

Net funds is calculated as cash and cash equivalents less total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position).

At 31 March 2013 the Group had net funds of £409.6m (2012: £321.4m); see note 37.

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

### 32 Assets Charged as Security for Liabilities and Collateral Accepted as Security for Assets

Financial assets pledged to secure liabilities are as follows:

	2013 £m	2012 £m
Restricted financial assets	0.3	0.4

Financial assets pledged as short-term collateral and included within cash equivalents were £37.1m (2012: £34.9m).

As part of the Group's management of its insurable risks a proportion of this risk is managed through self insurance programmes operated by its captive insurance subsidiary company, Laing O'Rourke Insurance Limited. This Company is a wholly owned subsidiary of the Group and premiums paid are held to meet future claims. The cash balances held by the Company are reported within cash and cash equivalents. As is usual practice for captive insurance companies some of the cash is used as collateral against contingent liabilities, standby letters of credit to the value of £36.2m (2012: £34.0m) have been provided to certain external insurance companies. The standby letters of credit have been issued via banking facilities that Laing O'Rourke Insurance Limited has in place.

No financial assets have been provided to the Group as collateral (2012: £nil).

### 33 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 £14.7m (2012: £3.2m) in the Group.

The Group leases land and buildings, equipment and other various assets under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The lease expenditure charge to the income statement is disclosed in note 5. The Group's future aggregate minimum lease payments comprise:

	Land and buildings 2013 £m	Other 2013 £m	Land and buildings 2012 £m	Other 2012 £m
<b>Expiry date:</b>				
Due within one year	27.2	5.7	27.6	5.5
Due between one and five years	76.7	5.5	69.8	10.5
Due after more than five years	132.2	-	140.1	-
	<b>236.1</b>	<b>11.2</b>	<b>237.5</b>	<b>16.0</b>

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

The table above includes financial commitments of £21.6m payable over the next 10 years that will no-longer be a commitment for the Group following the acquisition of Sycamore Properties Limited (see note 36).

The Group has committed to provide its share of further equity funding and subordinated debt investments in PPP special purpose entities amounting to £38.6m (2012: £35.8m).

### 34 Related Party Transactions and Balances

#### Identity of related parties

The Group has a related party relationship with its major shareholder, subsidiaries, jointly controlled entities, jointly controlled operations, associates and key management personnel.

#### Group

The Group received income and incurred expenses with related parties from transactions made in the normal course of business. Details of loans to related parties are given in note 14.

	2013		2012	
	Income earned in year £m	Receivable at year-end £m	Income earned in year £m	Receivable at year-end £m
<b>Sale of goods and services provided to related parties</b>				
Jointly controlled entities	125.5	63.8	251.5	49.6

	2013		2012	
	Expenses paid in year £m	Payables at year-end £m	Expenses paid in year £m	Payables at year-end £m
<b>Purchase of goods and services provided by related parties</b>				
Jointly controlled entities	-	0.5	2.9	1.0

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

#### Property Leases

During the year the Group incurred expenditure of £3.4m (2012: £3.6m) with Sycamore Properties Limited, £2.0m (2012: £2.2m) with Mark Holding and Finance Limited and £7.1m (2012: £7.1m) with Steetley Investments Limited in respect of amounts due under lease agreements for premises occupied by the Group. During the year the interests in Sycamore Properties Limited, Mark Holding and Finance Limited and Steetley Investments Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. At the year-end the balance outstanding to Sycamore Properties Limited was £0.7m (2012: £nil), to Mark Holding and Finance Limited was £0.5m (2012: £nil) and to Steetley Investments Limited was £nil (2012: £nil). No amounts were written off in the period by either party in respect of amounts payable under the agreements entered into.

#### Share acquisition

On 30 April 2013, Explore Capital Limited, a subsidiary of the Group, acquired 100 per cent of the share capital of Sycamore Properties Limited ('Sycamore'). Prior to the acquisition the interests in Sycamore were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. Further details are provided in note 36.

#### Loans

During the year, the Group loaned £2.4m (2012: repaid £7.5m) to its ultimate parent company, Suffolk Partners Corporation. The loan is subject to interest at commercial rates. At the year-end the balance outstanding was £15.3m (2012: £12.4m).

The Group has a minority share of a syndicated senior debt facility jointly repayable from Southside & City Developments Limited and KDC Properties Limited. The Group's interest in the senior debt facility ranks pari-passu with other lenders, who are financial institutions. During the year the group loaned £1.4m (2012: £6.7m) to Southside & City Developments Limited. The loans entered into are based on normal commercial terms. C Klerides and V Papadopoulos are Directors of Laing O'Rourke Corporation Limited and Southside & City Developments Limited. At the year-end the fair value of the amounts outstanding was £9.2m (2012: £7.1m). No amounts were written off in the period by either party in respect of amounts payable under the agreements entered into.

During the year, the Group loaned £0.5m (2012: £1.0m) to Augur Investments Limited. Suffolk Partners Corporation is the ultimate parent company of Laing O'Rourke Corporation Limited and a 50 per cent shareholder of Augur Investments Limited. The loan is subject to interest at commercial rates. At the year-end the balance outstanding was £3.8m (2012: £3.2m).

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



### 34 Related Party Transactions and Balances continued

#### Loans to and from joint ventures and associates

At 31 March 2013 loans to joint ventures amounted to £118.1m (2012: £115.3m) and loans from joint ventures amounted to £52.3m (2012: £6.6m). During the normal course of business the Group provided services to, and received management fees from certain joint ventures and associates amounting to £2.2m (2012: £2.3m). Amounts due to and from joint ventures and associates at 31 March 2013 are disclosed within investments in joint ventures and associates, trade and other receivables and trade and other payables in notes 14, 22 and 24 respectively.

### 35 Ultimate Parent Company

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

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

### 36 Events after the Reporting Period

On 30 April 2013, Explore Capital Limited, a subsidiary of the Group, acquired 100 per cent of the share capital of Sycamore Properties Limited ('Sycamore'). Sycamore is a group of companies that own property currently occupied by the Group. Prior to the acquisition the interests in Sycamore were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation.

The acquisition was made for cash consideration of £7.3m which was fully paid. The fair value of the net assets acquired were equal to the cash consideration, and currently no fair value adjustments are deemed to be required under acquisition accounting.

### 37 Reconciliation of Net Cash Flow to Movement in Net Funds

	2013 £m	2012 £m
Increase/(decrease) in cash and cash equivalents for the year	69.3	(19.0)
Cash inflow from debt and lease financing	37.7	89.3
<b>Change in net funds resulting from cash flows</b>	<b>107.0</b>	<b>70.3</b>
New finance leases	(39.0)	(31.2)
Non-cash exceptional items	9.4	-
Foreign exchange translation differences	10.8	(0.5)
<b>Movement in net funds in the year</b>	<b>88.2</b>	<b>38.6</b>
Net funds at 1 April	321.4	282.8
<b>Net funds at 31 March</b>	<b>409.6</b>	<b>321.4</b>

## 38 Principal Subsidiaries, Jointly Controlled Entities and Associates

Principal subsidiaries	Principal activity	Group interest in ordinary voting shares	Country of incorporation or registration
Austrak Pty Limited	Manufacture of construction products	100%	Australia
Bison Manufacturing Limited	Manufacture of precast concrete	100%	England and Wales
Crown House Technologies Limited	Mechanical and electrical contracting	100%	England and Wales
Expanded Limited	Civil and structural engineering, piling and demolition	100%	England and Wales
Explore Capital Limited	Holding company	100%	England and Wales
Explore Investments Australia Pty Limited	Property development	100%	Australia
Explore Investments Limited	Commercial property development	100%	England and Wales
Explore Living plc	Residential development	100%	England and Wales
Explore Living Balls Park Limited	Residential development	100%	England and Wales
Explore Manufacturing Limited	Manufacture of construction products	100%	England and Wales
John Laing International Limited	Overseas contracting	100%	England and Wales
Laing O'Rourke Australia Construction Pty Limited	Building contracting, civil engineering, infrastructure and plant hire	100%	Australia
Laing O'Rourke Australia Holdings Limited	Holding company	100%	Cyprus
Laing O'Rourke Australia Pty Limited	Holding company	100%	Australia
Laing O'Rourke Canada Limited	Building contracting	100%	Canada
Laing O'Rourke Construction Limited	Building contracting, civil engineering and infrastructure	100%	England and Wales
Laing O'Rourke Construction Hong Kong Limited	Building contracting, civil engineering and infrastructure	100%	Hong Kong
Laing O'Rourke Infrastructure Limited	Civil engineering and infrastructure	100%	England and Wales
Laing O'Rourke Ireland Holdings Limited	Holding company	100%	Cyprus
Laing O'Rourke Ireland Limited	Building contracting	100%	Ireland
Laing O'Rourke Middle East Holdings Limited	Building contracting and civil engineering	100%	Cyprus
Laing O'Rourke plc	Holding company	100%	England and Wales
Laing O'Rourke Services Limited	Service company	100%	England and Wales
Laing O'Rourke Utilities Limited	Utilities contracting	100%	England and Wales
Naturstein Vetter GmbH	Finished stone products	94%	Germany
O'Rourke Investments Holdings (UK) Limited	Holding company	100%	England and Wales
Select Plant Hire Company Limited	Plant hire and operations	100%	England and Wales
Vetter UK Limited	Finished stone products	94%	England and Wales

### 38 Principal Subsidiaries, Jointly Controlled Entities and Associates continued

Jointly controlled entities	Principal activity	Group ownership interest	Country of incorporation or registration
Aldar Laing O'Rourke Construction LLC	Construction and project management	49%	United Arab Emirates
Alder Hey SPV Limited	PFI accommodation operator hospital	40%	England and Wales
Barnsley SPV One Limited	PFI accommodation operator schools	40%	England and Wales
Barnsley SPV Two Limited	PFI accommodation operator schools	40%	England and Wales
Barnsley SPV Three Limited	PFI accommodation operator schools	40%	England and Wales
Barnsley Local Education Partnership Limited	PFI accommodation operator schools	40%	England and Wales
CLM Delivery Partner Limited	Delivery partner for 2012 Olympics	37.5%	England and Wales
Emirates Precast Construction LLC	Manufacture of precast concrete	40%	United Arab Emirates
Health Montreal Collective CJV Limited Partnership	Building and civil engineering	50%	Canada
Health Montreal Collective Limited Partnership	PFI accommodation operator hospital	25%	Canada
HILOR JV	Rail Infrastructure	50%	Australia
Laing O'Rourke – Bachy Soletance JV	Infrastructure and building construction	50%	Hong Kong
Laing O'Rourke – Hsin Chong Paul Y JV	Infrastructure and building construction	55%	Hong Kong
Laing O'Rourke – Kier Kaden JV	Infrastructure and building construction	43%	Hong Kong
LORRCRPT JV	Mining infrastructure	67.5%	Australia
Newham Transformation Partnership Limited	PFI accommodation operator schools	68%	England and Wales
Newham Learning Partnership Project Co Limited	PFI accommodation operator schools	68%	England and Wales
S&W TLP Project Co One Limited	PFI accommodation operator schools	40%	England and Wales
S&W TLP Project Co Two Limited	PFI accommodation operator schools	40%	England and Wales
S&W TLP Education Partnership Limited	PFI accommodation operator schools	40%	England and Wales
Strategic Indigenous Housing and Infrastructure Program Alliance	Housing construction	33.3%	Australia
Thames Partnership for Learning Limited	PFI accommodation operator schools	40%	England and Wales
TPFL Project Co One Limited	PFI accommodation operator schools	80%	England and Wales
TPFL Regeneration Limited	Affordable housing	80%	England and Wales

The Laing O'Rourke Corporation Limited Group has greater than 50 per cent ownership interest in a number of jointly controlled entities. These ownership interests do not constitute control as the voting power attached to each of these ownership interests is 50 per cent or less.

All of the above jointly controlled entities have a year-end of 31 March with the exception of Aldar Laing O'Rourke Construction LLC, CLM Delivery Partner Limited and Health Montreal Collective Limited Partnership which have 31 December year-end and Health Montreal Collective CJV Limited Partnership which has a 30 April year-end.

Jointly controlled operations	Principal activity	Group ownership interest	Country of incorporation or registration
Costain Laing O'Rourke Farringdon	Civil engineering	50%	England and Wales
Heathrow East Terminal Project	Civil engineering	45%	England and Wales
M-Pact Ireland	Civil engineering	50%	Ireland
M-Pact Manchester	Civil engineering	60%	England and Wales
Thames Water Laing O'Rourke Omega JV	Civil engineering	50%	England and Wales

Associates	Principal activity	Group ownership interest	Country of incorporation or registration
North East Business Park Pty Limited	Property development	25%	Australia

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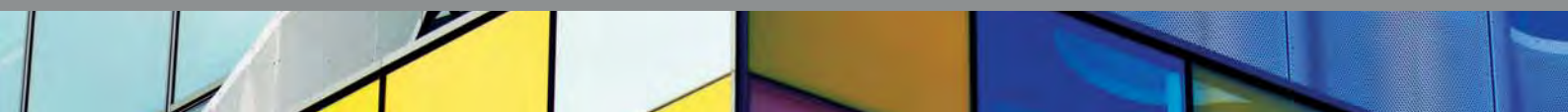
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