
From: Gregor Roberts
Sent: 18 February 2011 13:13
To: Nigel Robson; 'Anthony Rush'; Dennis Murray; BrandonNolan; Jim Molyneux; Colin Smith; Richard Jeffrey; Steven Bell
Cc: Alan Coyle
Subject: RE: Conference call - Financials for Monday

Nigel,
Please see comments from Dennis and I below:

From: Nigel Robson [mailto:robson.nigel@██████████]
Sent: 17 February 2011 16:55
To: Gregor Roberts; 'Anthony Rush'; Dennis Murray; BrandonNolan; Jim Molyneux; Colin Smith; Richard Jeffrey
Subject: Conference call - Financials for Monday

All,

We have an hour for the conference call tomorrow to deal with the 'deckchair' figures. Can I suggest that we limit ourselves to:

- 1 - we ensure that there is a clear understanding of the methodology and of the figures themselves.
- 2 - query/challenge the figures which look wrong
- 3 - highlight any omissions/judgements which would significantly influence the figures or collections
- 4 - agree any further work or presentational adjustments in advance of Monday

I am keen that we do not rush to judgements or positions at this stage. This is 'work in progress', and we have had nothing yet from the Infraco side. There is also an analysis of the DM figures and paper circulated yesterday which may inform these figures.

If you have queries or questions in advance then please email Dennis/Gregor so that they can pick up as much as possible pre con call.

Dennis/Gregor - initial queries/thoughts:

1 Please explain the interaction of the £33m premium (124 - 91) with the £11m deduction (residual amount of prelims not yet earned?) and the £14.3m Advanced Purchases (presumably Siemens kit?) The £124m is the total value of works Certified to Date for BB+S on the Deckchair Spreadsheet. Our QS view evaluation of works is £90.8m excluding any residual Siemens kit which has not yet been put in the ground/ work started. The £14.3m advanced payment is an accounting factor of how we report our cost of work done, but is not a factor in any of the deckchair numbers relating to either the Certified (£124.0m) figure or the evaluation (£90.8m) of works to date. The -£11m refers to Cost of work recognised to date (an accounting split only) and does not affect the Certified £124m assessment which is included in the totals.

2 Am I correct that the QS figures "to go" are based on the CS BoQs, but the rates are from the Infraco contract - and what treatment for escalation? The QS figures 'to go' are based upon two things. For off-street works the numbers are based upon the CWP + Changes + Contamination (the 9-month delay cost of £21m has been split out on the slides for the Infrastructure to Haymarket sections). These numbers have then been verified as accurate within a 3-4% tolerance by Cyrill Sweett by using BoQ's for the off-street sections and then pricing based upon schedule part 4 rates and prices. Gross rates for prelims are used therefore acknowledging an apportionment of escalation in the 'to go' figures.

3 What allowance/variance has been made for time to completion depending upon which outcome is adopted, and are there revenue considerations? We are only considering Phoenix costs, and these (from a project related perspective) are based upon a further 24-26 months or project costs at the current rate. If we go to 'separation' then it is likely that the 12-month delay would have a circa£5m impact on project costs at a reduced £400k pcm allowance (+£5m has been included in the updated Separation slides).

4 Do we need to factor Princes St remedials into the equations as a cost - or is it covered? The Princes Street costs are covered in the Cost of work to date. Our working assumption is that the costs for Princes Street are made good

by the Infraco / rectified fully with Phoenix.

5 Separation would involve a premium to settle the historic claims and demobilisation/sub con costs. Are the sums of £11m added back in, and £10m settlement intended to cover these, and are they enough? The £33m premium is included in the BB+S Certified to date £124m. These (+£10m/-£10m) numbers were for visibility only, and in essence our view is that Princes St will be rectified by BB+S at no additional cost to **tie**.

6 Please explain the £10m credit on the Bond? As above – there is £nil impact. Apologies, this is a red herring as above.

7 How confident are we in relation to the extent of the notified value of claims, ie what is still to emerge? Further time/disruption.

8 The Siemens kit is a big 'swing' item at £14.3m? Does this relate to Airport/St Andrews Sq., or is it also for the work beyond St A Sq.? In a Project Separation scenario if they don't co-operate is there another figure we should factor in? All of the figures provided for work 'to go' include Siemens kit. There is no prepayment included in the view for the £14.3m. If we add in a value for 'kit', then it will have to be reduced back off the 'work to go'.

Regards,

Nigel