

Company: Balfour Beatty
Conference Title: Q1 IMS Call
Presenters: Ian Tyler, Duncan Magrath
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Operator: Good day ladies and gentlemen and welcome to the Balfour Beatty Q1 IMS Conference Call. For your information today's conference is being recorded. At this time I would like to turn the conference over to Ian Tyler, CEO; Duncan Magrath, FD; and Basak Kotler, Head of IR. Please go ahead.

Ian Tyler: Thanks very much and thanks for joining the call today as we said to discuss the Interim Management Statement which we put out this morning. Please allow me to summarise the developments in the quarter before Duncan and I can take questions. I'm pleased to report that overall performance has been consistent with the outlook given at the time of the full year results and we continue to expect to make progress this year. In March we talked about some of the challenges facing our industry particularly relating to uncertainty in government capital expenditure in the UK and in the US. Our businesses have continued to adapt well to these conditions and we are encouraged by the progress made so far, most notably contract wins during Q1 have advanced the order book from 15.2 billion year end figure despite an adverse foreign exchange translation impact. In Professional Services the order book was modestly ahead of our expectations. Operational delivery has been good and the division is on track to achieve its performance targets for the year. In Construction order intake in the UK was ahead of our expectations and we were encouraged by revenue and margin performance in the quarter. In the US we benefitted from the strong order intake in 2010 relating in particular to federal projects. Our performance in the quarter exceeded expectations however as previously highlighted the very strong margin performance we achieved in the US in 2010 is not likely to be repeated in 2011. Our business in Hong Kong continued to grow while of course the market in Dubai remains subdued.

We're making good progress overall in Support Services with AMP5 water utilities revenues increasing as expected. It's worth mentioning two other positive developments in Support

Services. We've been bidding successfully for multi-activity contracts in the local authority market where the changing nature of government outsourcing is offering us opportunities and we announced two such contracts this morning. The second area is energy. In April we acquired an employee owned energy procurement and carbon strategy consultancy. The £18 million acquisition strengthens our ability to manage large, complex portfolios, monitor consumption and deliver end to end energy and carbon management services. This is seen as a key requirement by many of the Balfour Beatty Workplace' existing customers.

In Infrastructure Investments we continue to bid for and win PPP projects in the UK. Since year - end we've reached financial close on Hertfordshire Schools, North West Fire & Rescue and Cambridge Street Lighting and we continue to make progress towards the disposal of certain PPP assets and the sale of our interest in Barking Power. Finally the financial position of the group remains good with a strong balance sheet to support our growth ambitions. Average net cash for the first quarter remained strong at approximately £340 million.

So that brings my introduction to a close so I'll hand over to the operator now to start the Q&A session.

Operator: Thank you sir. Ladies and gentlemen if you wish to ask a question today you will need to press *1 on your telephone keypad. Please ensure that the mute function on your telephone is disabled or we will not receive your signal. If for any reason you need to remove yourself from the queue you can do so by pressing *2. Once again if you wish to signal for a question that will be *1 on your telephone keypad. We will pause for brief moment to allow a queue to form.

Our first question today will come from Gregor Kuglitsch from UBS. Your line is now open.

Gregor Kuglitsch: Hi there, I've got a couple of questions. The first one really is if you could quantify I suppose the order book what the order intake was in Q1 and how that compares to the prior year on a like for like basis? Clearly the dollar is hurting you on that side which on a like for like basis that would be interesting. The second question is really on the acquisition pipeline, you've spoken about the PPP and Barking disposals being on track but I was also interested to hear what there is in terms of acquisition pipeline because you have flagged with

the Capital Markets Day that you would be doing a number of bolt-on deals in particular in Professional Services, so those would be my two questions.

Duncan Magrath: I will take the first one on the orders. In relation to the orders basically we obviously haven't disclosed revenue numbers in the quarter statement. In terms of the order book it's slightly ahead as we talked about from the year end position. There's a bit of negative exchange within there but the net effect is about an underlying 2-3% increase in orders from the year end position, so that's really the summary on the order side. I think in relation to PPP disposals we're not going to go into specifics but in terms of our initial work we're comfortable that we're going to make progress as we outlined on the day. We haven't referred to acquisitions at all in this statement, I don't know Ian if you want to pick anything up on that?

Ian Tyler: I'm not quite sure Gregor whether your point was around PFI and PPP or whether it was more generally around acquisitions.

Gregor Kuglitsch: More generally really.

Ian Tyler: On the first point I'll say anyway there is as we said in the note there a continuing and interestingly a continuing pipeline of PPP projects, certainly for the foreseeable future that's going to keep us quite busy and we've got one or two there that are certainly reasonably sizeable. I think more generally on the acquisition front the world hasn't changed materially since we last spoke. We've made one acquisition which we refer to on the Support Service side in the first quarter. We have a number of other areas that we're looking at and as you point out they include the Professional Services side where in the long term we certainly see real opportunity but we're also looking at a number of things in other sectors. Obviously whether any of those come off depends on circumstance but there are certainly opportunities out there but very much at the sort of bolt-on level at the moment.

Gregor Kuglitsch: Thanks, that's helpful.

Operator: We will take our next question today from Mark Hake of Merrill Lynch. Your line is now open.

Mark Hake: Good afternoon gentlemen, good afternoon Basak. A couple of things, if you just look specifically at the UK construction space Ian could you just give me a feel for I suppose the sort of main moving parts in terms of whether there are any variations regionally, by sector, by public versus private? Just a little bit of feel as to any key trends in the UK; then specifically in terms of Professional Services you mentioned in a sense the US has offset relative weakness in the UK. I just wonder whether that sort of shortfall in the UK maybe is a blip or whether it's the beginning of a trend or really what has caused that maybe slightly disappointing or difficult start to the year in the UK.

Ian Tyler: Certainly. I will give you some thoughts on the position in the UK construction sector and by the very nature of it this is going to be impressionistic, actually getting really hard data on anything is quite difficult. I can tell you we see what we see. First of all we are starting to see as you would expect at the order level some reduction in government spending: two things about that. Number one that is going to continue for the next three or four years and we will see that reduction happening. That doesn't mean – and I think it's important to point out that is a relative reduction, it isn't an absolute stop on spending – there is actually quite a lot of stuff that's still happening out there and quite a chunk of our order intake across the piece is public sector related, but there's definitely signs of that reducing. At the same time and again it's not a sort of wave of activity but there's certainly a discernible activity out there, the commercial sector and probably more generally the private sector to distinguish the two elements, there is stuff happening out there at the moment and it's probably at the moment beyond purely the Central London market which when we talked last time we certainly saw activities happening there, but we've been successful in one or two other areas, perhaps not huge levels at the moment but to the extent there's the inevitable decline coming in in the public sector there is signs that at least in part that the private markets will start to come back. As I said many times before whether the timing of that coincides is difficult to predict. I could make comments about the individual elements of public spend but they probably won't be particularly helpful and certainly there are, interestingly there are some quite marked regional variations which we're seeing and I suspect probably do represent the market as a whole. We've commented at various points around the country, one that has particularly come up has been the South West which is quite weak at the moment. Now I doubt it will be so for all time but equally that's

offset by strength elsewhere, so there are certainly variations around. But the overall position certainly if I take our regional businesses, both civil engineering and our building businesses, they have been quite strong in the first quarter overall. Anything to add to that Duncan?

Duncan Magrath: No, I think that's good. The second thing you asked was around Professional Services in the UK and I think the issue there, I think we saw reductions in the UK in Professional Services during 2010 and I guess the comment is it has carried on at a reasonably low level at the start of 2011 is really the background for the comment rather than any significant change.

Ian Tyler: I'd make the point that when we acquired PB whilst we had some reasonable level of activity coming out of our own business it is relatively small. The PB UK business was at a pretty low ebb when we bought the business. We weren't expecting the market to recover particularly quickly and I suppose it's fair to say plus or minus not very much it has proved to be like that, certainly the market overall. It hasn't gone down markedly, it just hasn't gone up.

Mark Hake: Right, ok. That's great, thank you.

Operator: We will take our next question today from Joe Brent of Liberum. Your line is now open.

Joe Brent: Good morning, two questions please. Firstly are you seeing any evidence of increased competition from overseas particularly with regards to Crossrail and the Forth Bridge contract? Secondly I think there has been quite a few PPP transactions in the market recently notably with international public partnerships but also John Laing. Could you give us some view on what you think exit yields are doing?

Ian Tyler: Right, ok. We can't comment on the detail on the others, the last point particularly. I can tell you what we can see. I will take the question of exit yields to start with. I think in practice it's difficult to see movements from one month to another. I don't think the market – and again I'll say this because we're looking in terms of a couple of our existing assets at the moment, I don't think the market is materially different from where it has been for the last 12 months. I think it's reasonably steady and actually discerning small changes in the market from individual transactions is quite a difficult thing to do anyway because much more of it depends

upon the particular circumstances of that transaction and the particular asset. My sense is at best anybody can tell the market is pretty much the same, again I'm looking to Duncan there to see if he has any different view than that.

Duncan Magrath: I agree with that, yes.

Ian Tyler: Sorry, remind me Joe, what was your first question?

Duncan Magrath: It was around competition from overseas.

Ian Tyler: Oh yes. I think the answer to that is probably reasonably straightforward. The two projects that you've mentioned there we have overseas competition in, Crossrail and the Forth Road Bridge. That in terms of very large civil engineering projects in the UK has always been the case. If you look back at the Jubilee line extension, that was a part where we had a lot of competition from Japan and Korea and places like that. It's the same now. We are not seeing any particular, certainly no increase in overseas competition rather depending on what you mean. What we do have in the market at the present time for example is Vinci who have bought Taylor Woodrow. Taylor Woodrow of course was in some markets a competitor of ours, a UK market. That's now owned by Vinci and they're as active in the market as Taylor Woodrow ever were. We have the same perhaps with...you will see BAM being quite active in the market but that really is the old Nuttall business. There clearly is an increasing European dimension to our business but there is no, apart from the very large projects like Crossrail and the Forth Bridge, there is no increase in competition from overseas and probably at the margin maybe even slightly less because in the main it's only to a very limited extent that any of the European players operate on a sort of expeditionary basis into each other's markets. We don't and the European players don't.

Joe Brent: Thank you very much.

Operator: Our next question today comes from Kevin Cammack of Cenkos. Your line is now open.

Kevin Cammack: Good afternoon to you all. I've got four but I think they're all pretty short, sharp answers. There as short and sharp as you want to make them. Firstly very simplistically is there any significant net effect that we need to be thinking about in terms of the corporate activity so far in the year in terms of the acquisitions and the disposal of course?

Duncan Magrath: Obviously we've got the reduction in profitability that has come from the rail manufacturing business. We've got a small upside coming from Power Efficiency, but net net and I think you've obviously got exchange going into the mix, but net net they're probably a bit of a wash at the moment.

Kevin Cammack: Ok, that's lovely. Secondly given the three deals that have closed off this year, can you just remind me what sits still in preferred bidder status on PFI non-US?

Duncan Magrath: Let's come back to that, we'll see if we can dig it out.

Ian Tyler: There's no very large project there. There are a number of smaller deals.

Duncan Magrath: Some at the second stage BSF schemes, yes.

Kevin Cammack: No significant outstanding for close this year?

Ian Tyler: Nothing mega but they're all significant and they're all quite important but nothing that's going to really turn the dial.

Kevin Cammack: Right. The third one which again I think this is just clarification, when you were talking about in Professional Services the UK being weak, weak contribution offset by the US, were you referring to the position ex the dropout about an £8 million special contribution last year?

Duncan Magrath: Yes.

Kevin Cammack: I presume you're referring to the underlying positions still being weak?

Duncan Magrath: Correct.

Kevin Cammack: Ok, that's fine. The last one, just perhaps if it's possible a bit of colour on the US construction order book, order intake in the first quarter, I'm not referring to Professional Services, purely on construction. What has been the sort of pluses and minuses there? Have you seen any recovery yet in the road side of things or has it mainly been through more the commercial and private sector areas?

Ian Tyler: In the US construction business we've seen a lot of smaller projects coming through actually, both we've seen an increase in the amount coming through on the highway side from the end of last year and we've also seen reasonable order intake, nothing huge in that market but overall actually a reasonably encouraging level of order intake from pretty well across everywhere except Florida which doesn't seem to be showing any signs of life and I don't suspect is going to any time soon. Again do you have anything else to add to that Duncan?

Duncan Magrath: Going back to your previous question Kevin, the only other significant preferred bidder position was the Thanet OFTO.

Kevin Cammack: Ok, yes. Thanks very much.

Operator: Our next question today comes from Andy Brown of Panmure Gordon. Your line is now open.

Andy Brown: Good afternoon guys, it's Andy Brown at Panmure Gordon here. Two from me, could you just remind us what the order book split is by public, private and regulated?

Duncan Magrath: No, I don't have precise figures to hand but we've always been roughly 60-65% public, 20-25% regulated and the balance private and there's not been a significant shift in that balance.

Andy Brown: Ok, thanks for that. The second one, this is really going back to the Power Efficiency acquisition. In terms of that, how does that work now? You've got this resource in terms of these consultants? How are you getting your customers to think more about how they treat energy and how soon does it become a revenue generating opportunity for the group?

Duncan Magrath: I'll kick off and then let Ian talk. With the power efficiency acquisition we effectively gained about another 50 people so along with people who were already going some of this work for us internally that created a group of about 100 people and it covers a number of different areas. It's from at its most basic level it's actually the procurement of energy and leveraging skills there to procure it on behalf of customers in a more efficient manner. It's through to things like helping them comply with things like carbon reduction commitment and then it's also going through to giving them advice on how they might spend and invest in buildings to reduce through some capital investment as to how they may reduce their energy usage going forward, so it's a range of areas. It sits within our Support Services division but clearly there will be some links through to Professional Services in terms of PB but it's largely selling to either existing customers where we don't do any of this activity for them currently but also they came with a book of business that have existing customers that we will continue to leverage potentially in the other direction as well. Ian?

Ian Tyler: I think your question is an interesting one and a slightly curious one in some ways because clearly we bought a business with an existing flow of profitability. Because of bringing that business into Balfour Beatty and because of the customers that that business then has access to we will see a substantial growth in that business. We have to bear in mind in comparison to the rest of the Balfour Beatty it's not a huge business in its own right but if we did nothing else it would grow quite substantially and that's already happening. The more important point is the one that Duncan says, what it gives us essentially is critical mass and in the part of the support services market that we operate in, having that critical mass is increasingly a requirement of our customers in a sense and it therefore enables us to be a player at the top table on the sort of things that we do for Royal Mail, British Energy, people like that and that of course will feed on itself, so in a sense we're getting benefit from the transaction two ways round, one in the growth of the underlying business; but secondly in what it gives us

overall and we'll see that feeding through into the growth of Support Services as one component of it over the next couple of years. Does that answer the question?

Andy Brown: Yes, if I could just do one quick follow-up, so essentially at the moment this is about your customers thinking about how they spend their money rather than this being a government regulation driven sort of area of work?

Ian Tyler: It's both. There is a lot of stuff that's happening around carbon which does get into the area of regulation and we as a support services player have got to be leading our customers on that. I think the regulation on the one hand versus what is essentially discretionary spend on the other, the distinction probably will be different in different customers. We have to be able to do both of those and they form part of one overall capability.

Duncan Magrath: Having been through it ourselves the carbon reduction commitment is not a trivial process in terms of regulation for admittedly it only applies to about 5,000 corporates in the UK but complying with that regulation is not trivial and we used some of our existing people to do our own compliance regime but other people I think were slightly further behind the game, so there is some work there and that regulation is non-trivial having lived through it myself.

Andy Brown: Great, thanks very much.

Operator: As a reminder ladies and gentlemen if you wish to ask a question today you need to press *1 on your telephone keypad. We will take our next question from Alastair Stewart of UniCredit. Your line is now open.

Alastair Stewart: Hi Ian, Duncan and Basak. A couple of fairly impressionistic questions, one on construction and one on support services. In the British work you've been winning, the UK work you've been winning recently, can you give a vague impression about how you seem to be beating the market? Is it on price? Is it on duty of balance sheet? Are you bringing more innovative solutions?

Ian Tyler: Or just quality of management...

Alastair Stewart: Quality of management of course, and specifically attached to that can you give a reason why you specifically won the latest Crossrail job because some people didn't and I was speaking to another company today that said they'd done a non-standard contract which they felt got them the job, so that's the construction side of the question. Then on local authority work, councils grapple whether to outsource or not, are you seeing any extensions to existing contracts and are you seeing more competition on margins specifically in the support services sector?

Ian Tyler: Let me start off with your construction points. I think the answer to the question is probably through both sides of the Atlantic. I think there are three or four things that have driven our ability to win work and I suspect in doing so we probably have gained market share but at the moment I don't have the data to prove that. I think the fact that we have focused on particular areas of the market and I'd like to make the point about federal spending in the US, I'd take our regional business perhaps in the UK most specifically and that strategy of focusing our resources in particular areas has proved to be very successful in 2010, I think it has been successful in 2011. There is certainly an element of truth and I think this borne out by one or two other players as well who have similar characteristics that right here and now strength of balance sheet is almost in a subliminal sense and in some cases quite explicitly is a factor in our ability to win work. It certainly excludes people in a number of cases and I think it probably has contributed and that's as true at the very large project level as it is at the small project level and I think we...perhaps it's an extension of the first point of course, we have had the advantage of good relationships with a number of key customers and we do continue to win work from them. Your question on support services...

Duncan Magrath: On support services there's always a number of contracts that get renewed and extended and I don't detect anything that suggests that there's a different trend there at the moment from what would be normal. So there's nothing I can see that can particularly comment on what you said I don't think Alastair.

Ian Tyler: I think if I just extrapolate on that a little bit I think I can probably, I think it's fair to say at the moment what I said three months ago about the margin position in the business is probably still true. There is definitely an absence of the exceptionally high margins in individual jobs but we're not seeing catastrophic declines in margins in other than a small number of markets which we just essentially pull back from, but across the patch margins are kind of static but it would be very nice if we could achieve one or two of the higher margin projects which we may have seen historically. I think that's no different to what I've said before.

Alastair Stewart: Specifically on Crossrail, as a company they said they'd put in a non-confirming bid and that had secured the job. Were there any specifics to some of the work you've done in there?

Ian Tyler: I think it's fair to say we've been reasonably successful on Crossrail. We could have been more successful, we could have been less successful, that's always the case. I don't think there's anything magic about that and I think it would be wrong for us to comment in detail on that bid process particularly as that process is ongoing, of course there's a number of other projects, very big projects coming out over the next two or three months. I think the one thing I would say and it's a very general comment and I don't think I should say anything more than that is that as you would expect on the Crossrail process, the Crossrail team have gone through a very thorough – and I say this quite thoughtfully – a very thorough and that the bid process has complied with the rules that they set absolutely and unequivocally and we've benefited from that and where we haven't been successful we've not benefited from that, but I think it is absolutely, Crossrail have played it absolutely down the line.

Alastair Stewart: Thank you.

Operator: Our next question today comes from John Messenger from Royal Bank of Scotland. Your line is now open.

John Messenger: Hi, good afternoon all, two if I could please, one for yourself Ian and one for Duncan. Just following on from the previous question but one, just when you mentioned about balance sheets and comfort of the procurers on balance sheet and who can be around to deliver

the contracts Ian, is there any big difference between the public sector and the private in terms of how the procurement people are behaving or whether it's more a function of various contractors out there and their ability to actually persuade a public sector procurer or a private sector company that they are the right one for the job just in terms of whether that psychological behaviour differs public versus private? The second question was just on foreign exchange. Could you give us just a reminder of the sensitivities around the group for the US dollar and if it's pertinent obviously Australian dollar as well? Thanks.

Ian Tyler: The first point, I don't think there is a difference between the public and the private sectors, not that is perhaps relevant. My point on that is I think...this is something I've picked up from one or two other people as well, I think it's more a subliminal point. People are just very, very aware of balance sheet strength and I think the public sector take that into account explicitly, the private sector and again for us obviously the private sector is a less significant part of the activity, I think people just have it at the back of their mind and I think that is playing to our advantage at the moment, but it's no more than that. It's an underpin in the market, nothing more.

John Messenger: Great, thanks.

Duncan Magrath: In terms of the sensitivity on the exchange rates, yes, for every one cent movement in the US dollar it's about £1 million of PBT full year and that includes US dollar earnings in America but also includes things like related earnings, like Hong Kong dollar. In terms of the Aussie dollar it's obviously less sensitive given the scale of the business but it's roughly £1 million for every 10 cents movement roughly.

John Messenger: Fantastic, thanks a lot.

Operator: Our next question today comes from David Phillips of Citi. Your line is now open.

David Phillips: Good afternoon all. Apologies if this has been asked already, I missed the first six or seven minutes. On the US order book which was encouraging at this stage I just wanted to ask if you had a feeling for how you see the pipeline and the flow of orders progressing over the next

12 months or so. Are we looking at a 2009 scenario where it was very strong, 2010 where it drifted off a bit or do you think it will be steady state? Then as a follow-up just ask what your expectations were on the US Transportation Act?

Ian Tyler: The US position, it's difficult to generalise because there are so many parts to that market. I think we will probably see a little less federal work than we've seen in the past and indeed we will see a little less federal funding of some of the transportation projects and that comes back to your question about the Transportation Act. If I look at the rest of the business we expect to see some recovery in the private sector and when that comes back that will be quite significant for us as a business. I think in practice that will probably be at least 12 months later than we'll see it in the UK and again we could rationalise why that might be, but I certainly think it will be later. I would point out that in the US market there are lots of variations already. Dallas has remained very strongly, we have a huge amount of work on in Dallas at the moment and we're bidding a lot more. Florida as I mentioned before is very much, it's a very quiet place at the moment and that isn't going to recover probably in the next year or two. So I think we see a reasonably steady flow of work. I think it will be in the main as we have seen in the first quarter smaller projects rather than one or two very big projects this year but certainly we see a reasonable amount of activity. The Transportation Act is very difficult to call. I would come back to what I said before, my guess is out of all of this we'll have to see how politics works. There's absolutely no party political positions on infrastructure, both spend on infrastructure but this is very much caught in the crossfire of the Federal fiscal deficit. We are going to see a reduction I think in Federal dollars going into the Federal market, I think that's clear. I think it is reasonably likely over time although when it will happen that we will however get a Transportation Bill that will give some certainty of that for the long term. Those two factors will probably offset. I also think that the reduction in Federal dollars if anything is going to really spur into life the PPP market in the US, it will be the lack of Federal dollars going into the states. The net result of all of that but indeed we're seeing it already in PB, PB's activities across the patch in transportation, things like that, we're actually seeing the backlog there grow slightly despite the fact that we're already seeing lower Federal dollars going into the transportation and other Federal budgets, but overall I think we're expecting to see at state level that whilst we're not going to see a growth in transportation spend, overall I don't expect to see it drop back.

Duncan Magrath: The only thing I would add to that David, if you looked at...obviously our order book just to remind people is obviously only secured orders and then obviously what we can see going into the order book is what we would call awarded but not contracted and then obviously in the further distance you've got prospects, but if you ignore the prospects for the time being and just look at the awarded but not contracted and the order book combined, then we're at a very similar level now at the end of Q1 that we were at the end of the year. So it's not like we're eating into the awarded but not contracted and not replenishing it.

Ian Tyler: It's pretty steady. My view there is probably more negative than some. I think if you look at these you may have seen at their results presentation the URS view of the transportation market. They're a lot more bullish than that.

David Phillips: Yes. When you talked about Texas being strong and you've got some long founded roots there, Charter Barnhart, is that a sort of market share question where you have the established position you are actually winning greater market share do you think?

Ian Tyler: There is certainly an element of that. We've certainly picked up market share in that part of the world. That said we also have a very strong market share as I said in Florida. The trouble is it's a share of the market which is a lot smaller than it used to be, so some of it is in the underlying market, the underlying market across Texas and that's in Dallas, Houston in particular is much stronger than other parts of the economy. But we do benefit there from market share, that's absolutely correct.

Duncan Magrath: I think the other effect Ian is that we have been reasonably successful in leveraging some of our skill sets into different geographies even within Texas, so whilst across our business we've been very strong in Dallas, we've probably not been as strong in places like Houston but we've been able to take some of the activities we do in Dallas and move them to Houston. I think that has been one of the factors why the business has been so successful over the last 12-18 months is their ability to leverage work and skills they do in one place and put it elsewhere across the group. So I think that's why we can beat some of the market movements.

Ian Tyler: I think if you look particularly in that, you mentioned Charter just now, if you take Charter, Charter is a business for those that know it that has historically operated within about a 50 mile radius of Dallas. They are at the moment picking up a lot of work based on the Spaw Maxwell acquisition in Houston. That sort of cross-selling I think is particularly important. That really is the sort of manifestation of what Duncan is saying there.

David Phillips: Great, thank you very much.

Operator: Our next question today comes from Arabella Llewellyn of Canaccord. Your line is now open.

Arabella Llewellyn: Good afternoon. Sorry, I was a bit late to the call but I wondered if it hasn't already been answered whether you could tell me if win rates across the business in PPP and Support Services whether we're going to get continued contract win momentum this year?

Ian Tyler: Did you say where the win rates have been maintained across the business?

Arabella Llewellyn: If they are going forward, if they are maintained then are we going to get more contracts in those divisions this year?

Ian Tyler: Support Services and PPP. I'm trying to think where your question is coming from. We are maintaining our win rate in those areas. There are opportunities ahead of us in those areas and if I take PPP as we said we have one or two smaller projects at preferred bidder. We have two or three projects, quite sizeable projects where we're down to one or two and then we would expect to get our share of those. All of that and indeed if I take the support services side again we have a number of opportunities coming up there, all of that maintains sort the position that I've always said. We are going to see activity at that level of win rate broadly constant this year. We probably will see some growth in the support services side again if we're successful there of course there's those contract wins, the nature of the Support Services business, that builds up quite slowly. So I think the answer to your question is yes but we are going to see in practice with everything that's happening in the market particularly as we said earlier with the

inevitable reduction in the public sector activities over the next couple of years that will take the edge off growth, that's inevitable.

Arabella Llewellyn: Ok, thank you. Then just finally is there anything exciting happening in Canada at the moment because I know there has been some recent announcements over the last couple of months about spending there from different provinces and I just wondered if you were going to be able to capitalise on any of that?

Ian Tyler: I hope we're not going to resort here to geographic stereotypes. The idea of anything exciting happening in Canada is something on which many people have commented on for many years but that would be entirely inappropriate. From our point of view Canada is a market, we're looking at it from two directions. One is the build-out of the Halsall business that we acquired last year and we're starting from a 300-man base, so this is not something that is going to move the EPS number massively in a year but that certainly is moving forward. The business itself is growing as the economy grows as you say but also particularly we're seeing the ability to get into the transportation market there. We're also looking there increasingly at the PPP market in that area. We're looking at a number of things at the present time but at the present time there's nothing in particular to report on that.

Arabella Llewellyn: Ok, thank you very much.

Operator: Our final question today will come from Mark Hake of Merrill Lynch. Your line is now open.

Mark Hake: Yes, just a quick one guys. Going back to the comment about H1-H2 skew and taking on board the fact that obviously you had the positive impact from US construction last year but then the previous year you had professional services for less than a full year. Can you give me a steer as to what kind of H1-H2 split you would judge as normal I suppose for want of a better term?

Duncan Magrath: Yes, I think you're right. If you looked at last year we were 45%/55% roughly, in previous years we've been around 40%/60%. This year we've obviously got at some point the

disposal profits from PPP which depending on which side of the line they will fall that will obviously influence the split, but we're expecting it to revert more to the pattern it was there in previous years. The pattern will always be affected by things like timing of close-out of specific contracts and it will also be affected by acquisitions etc that we do during the year, so it's never a precise science but we're expecting it to be more back-end loaded this year than certainly last year and more of the pattern of the previous years.

Mark Hake: Ok. Just as a quick supplementary, where does Barking fit into that? Are you expecting that to be H1 or H2?

Duncan Magrath: I'm not sure I'm going to predict precisely when we will dispose of that. Effectively when we announced the disposal of it we said that we would complete it within 12 months and we still think that's the case. The Barking won't affect the split because it's a held for sale asset.

Ian Tyler: Of course it was there last year.

Duncan Magrath: It was there last year which also was another effect, yes.

Operator: As we have no further questions I would like to hand the call back over for any additional or closing remarks. Thank you.

Ian Tyler: Thanks very much for your time and attention. If you do have any other questions, any follow-up questions, do give us a call, we'd be very happy to talk to you. Thank you very much indeed.

Basak Kotler: Thank you.

Operator: Ladies and gentlemen that will conclude today's conference call. Thank you for your participation, you may now disconnect.