Balfour Beatty

News Release

6 March 2014

BALFOUR BEATTY PLC

RESULTS FOR THE FULL-YEAR ENDED 31 DECEMBER 2013

Balfour Beatty, the international infrastructure group, reports its financial results for the full-year ended 31 December 2013. The Group's income statements have been represented to classify the UK facilities management business and the Mainland European rail businesses in Germany, Scandinavia and Spain as discontinued operations.

Operational Summary

- Challenging economic conditions and operational issues in UK construction, and a significant downturn in the Australian natural resources sector led to a disappointing financial performance
- Firm actions taken to improve the operational delivery in UK construction and restructure Australian Professional Services
- Strong performance in Infrastructure Investments with further investment into growth sectors
- Continue to expect a positive settlement in the longstanding contract dispute in Professional Services but outcome now expected in 2014
- Performance elsewhere across the Group's continuing operations was as expected
- Progress on major strategic actions, including disposals of the UK facilities management business and Mainland European rail operations in Spain and Scandinavia
- Actions taken in 2013 to re-focus the business leave the Group better positioned for 2014 and the challenges ahead

Financial Summary

- Underlying pre-tax profits of £187 million (2012: £277 million) and underlying EPS of 20.0 pence (2012: 31.7 pence)
- Strong US construction order intake offset with increased US construction revenue leaving a stable order book at £13.4 billion (2012: £13.5 billion)
- Directors' valuation of the PPP portfolio increased to £766 million (2012: £734 million), after generating disposal gains of £82 million
- Balance sheet remains strong with new long-term funding sources secured from US private placement and convertible bond issue
- Full-year dividend maintained at 14.1 pence per ordinary share

(£m unless otherwise specified)		2013	2012[4]	Change (%)
Revenue[1,2]		10,118	9,966	2
Group revenue[2]		8,745	8,656	1
Profit from operations	- underlying[2,3]	203	284	(29)
	- reported[2]	48	154	(69)
Pre-tax profit	- underlying[2,3]	187	277	(32)
	- reported[2]	32	147	(78)
Net loss from discontinued operations		(52)	(86)	
Earnings per share	- underlying[2,3]	20.0p	31.7p	(37)
(Loss)/earnings per share - basic (total Group)		(5.1)p	5.3p	(196)
Dividends per share		14.1p	14.1p	-
Financing				
- net (borrowings)/cash before PPP subsidiaries (non-recourse)		(66)	35	
- net borrowings of PPP subsidiaries (non-recourse)		(354)	(368)	

[1] including joint ventures and associates; [2] from continuing operations (see Note 10);
[3] before non-underlying items (see Note 8); [4] re-presented to reflect the classification of the UK facilities management business and the Mainland European rail businesses in Germany, Scandinavia and Spain as discontinued operations. Comparatives have also been restated for the adoption of IAS 19 Employee Benefits (Revised) (Note 3.3).

"In 2013 we faced challenging economic conditions in several markets and experienced operational issues in the UK construction business. The remedial actions taken in underperforming areas are delivering results and have positioned us better for the future. Continuing to improve operational delivery and supply chain management will remain a particular area of focus throughout 2014.

"We are seeing increasing evidence of improving conditions in some parts of our core US and UK markets, although the long cycle nature of our business means that these will take time to feed through fully in our financial performance. Recovery in some parts of our businesses will be largely offset by a reversion to lower PPP investment disposal gains. However, leaving aside the expected benefit from the longstanding contract settlement and the impact of any further adverse foreign exchange movements, we expect to make modest progress in 2014.

"In the longer term, we remain focused on capitalising on growth in global infrastructure markets by leveraging three key strengths: local presence, asset knowledge and our skills as an investor and developer."

Andrew McNaughton, Chief Executive Officer

OVERVIEW

Unless otherwise stated, all commentary in this section is on a continuing operations basis only.

Continued difficult market conditions and operational issues in the UK construction business and a significant downturn in the Australian mining and resources sector resulted in a disappointing financial performance in 2013. The order book has remained stable at £13.4 billion (2012: £13.5 billion) and revenue was up 2% at £10.1 billion or 1% at constant currency (2012: £10.0 billion). Underlying profit from continuing operations decreased to £203 million (2012: £284 million).

- In Professional Services, the order book and revenue remained stable in the year, but profits were adversely impacted by a significant downturn in the mining and resources sector in Australia.
- The Construction Services order book increased as a result of growth in order intake in the US and Hong Kong. However, the profit shortfall in UK construction, the majority of which occurred in the first half, resulted in a sharp fall in the profits of the Construction Services division.
- The order book in Support Services declined as expected, however there was good revenue and profit growth in the year.
- Infrastructure Investments had another successful year generating a significant increase in profitability in the year and an increase in the Directors' valuation of our PPP investment portfolio to £766 million, after generating disposal gains of £82 million.

Throughout 2013 we have taken decisive action to respond to the challenges in our UK construction and Australian Professional Services businesses. In the first half of the year we made major changes to improve operational delivery and profitable work winning capability in UK construction, including strengthening the leadership team and rationalisation of regional delivery units. In addition, we focused the management team on a plan to deliver a high standard in disciplines including planning, tendering, estimating and commercial governance. The actions implemented are taking effect and profitability in the second half of the year improved materially as a result. In Australia swift action was taken to mitigate the adverse impact on profitability, and right size the business in line with prevailing market conditions.

We made progress on executing a number of other strategic priorities. We completed the disposals of the UK facilities management business for £155 million in cash and Mainland European rail operations in Spain and Scandinavia. There was further progress on the cost efficiency programme started in 2010 which achieved £70 million of savings in 2013 and we remain on track for reaching our £80 million annual savings target by 2015.

The Group ended the year with a strong balance sheet despite the expected unwind of negative working capital in the business, supported by the strength of the investments portfolio and with new diversified sources of funding, from the US private placement and convertible bond issue.

Looking ahead there are signs that some of our core markets, such as private US building and parts of the UK construction market, are improving, albeit these will take time to feed through fully in terms of financial performance. It is here we will target our efforts and maximise the benefits from a recovery whilst being mindful of the risks of inflation and subcontractor defaults that may accompany it. The Infrastructure Investments business is critical to connecting our operating divisions and this will remain a key area of focus as we move forward. Over the longer term our objective is to grow our local presence in our existing core markets and develop the next generation of core markets where trends play to the Group's overall strengths.

OPERATIONAL PERFORMANCE

Professional Services

The Professional Services order book ended the year at £1.5 billion, in line with the previous year. The order book increased in the Americas and the Middle East but saw a small reduction in the UK and a more notable decline in Australia, resulting from the significant market deterioration experienced throughout 2013. Revenue remained stable at £1.7 billion (2012: £1.7 billion), with increases in the Americas and the Middle East offsetting lower volumes in Australia. We indicated that profitability would be lower in Australia in 2013 due to 2012 benefiting from good final settlements on some profitable alliance and at-risk contracts; however this was compounded by the significantly deteriorating trading conditions. Despite taking swift cost reduction measures in Australia and operating at or above expected levels in other regions, this led to a substantial decline in underlying profit from operations for the division to £54 million (2012: £98 million).

	2013	2012	Actual growth (%)	Constant currency growth (%)
Order book[1] (£bn)	1.53	1.53	-	3
Revenue[2] (£m)	1,661	1,668	-	-
Profit from operations[3] (£m)	54	98	(45)	(44)
Margin[3] (%)	3.3	5.9		

[1] 2012 has been restated for £110m reallocation from Professional Services to Support Services
[2] including joint ventures and associates
[3] before non-underlying items (see Note 8)

Americas

In the US, where approximately 75% of activity is in the transportation sector, funding of projects by both the federal and state departments of transportation is crucial to our business. The authorisation of the Transportation Bill in July 2012 for a period of two years (effective from September 2012) helped the transportation business deliver a good performance in 2013. In addition to good performance on major design-build projects, there was also an increase in traditional design work. Furthermore, the short-term US Federal Government shutdown in Autumn 2013 does not appear to have had a lasting impact on existing work or the pipeline of opportunities. As a result, we saw a good performance in US transportation with revenue up 7% year-on-year, whilst the order book remained at 2012 levels. New awards and extensions on existing projects – including the two-year contract extension for programme management services on the California High-Speed Rail project – remained at a healthy level.

We are currently at various stages on numerous US transportation design-build project opportunities. During the year we created a core team of senior transportation executives to focus on the pursuit, management and performance of major design-build projects.

Other ongoing major projects – the Dallas Horseshoe project; the Illiana Expressway which runs between Illinois and Indiana; the Midtown Tunnel project in Norfolk, Virginia; the Westside Subway Extension in Los Angeles; and the Second Avenue Subway in New York City – are all progressing well.

During 2013, our Federal business was successful on the re-bid of the Federal Emergency Management Agency (FEMA) contract for disaster inspections, which is contracted through to January 2019. This is the fourth consecutive multi-year contract awarded to the business dating back to 1995.

Performance of our US power business was lower relative to 2012 due to lower than planned volumes as a number of projects were delayed into 2014. There was good progress on the joint venture EPC contract we won in January 2013 to design and build the Garrison Energy Center, a 309MW combined cycle gas-fired power plant in Delaware. We have completed the integration of Subsurface Group, which we acquired at the end of 2012, although its performance was somewhat below expectations in a subdued market.

Our architectural and buildings business performed below our expectations following the settlement of a long running legal dispute for US$8 million.

In Canada, our largest sector – structural work for buildings – has remained flat. However, we have seen some success in our strategic objective of expanding into the transportation sector. We have made good progress on transit programmes in the City of Toronto and for the Regional Municipality of Waterloo. In addition, we are pursuing several other major opportunities in the province of Ontario. We have also been aiming to grow in the power market, but as in the US, we saw a delay in the award of new projects in the power market in 2013; however, we continue to see future opportunities in areas such as storage caverns and injection well projects related to new work in oil sands.

In 2012 we launched a cost efficiency programme, when we announced the transfer of many of our support functions from New York City to Lancaster, Pennsylvania. The shared service centre commenced operations in March 2013 and is now in full operation and performing well. Building on that success, a number of other support functions, such as billing and certain human resource operations, were also moved to the shared service centre, from elsewhere in the US.

We continue to progress the settlement of the previously highlighted longstanding contract dispute. A negotiated settlement now seems unlikely, but the arbitration process is well advanced and we expect it to achieve a positive outcome in 2014.

Europe, Middle East and Northern Africa

The UK remains an extremely competitive market with margins remaining under pressure despite volumes improving in the highways and rail sectors. Our operations in highways and rail have been successful in securing improved levels of workload and have improved billability levels. We are currently delivering aspects of the preliminary design of the railway systems packages for the UK's High Speed project as well as all three packages for Transport for London's structures and tunnels portfolio.

The UK power business remains challenged for domestic workload as new projects continue to be delayed. Expanding export services to other geographies has been a key focus for this operation in order to supplement the low level of domestic opportunities.

We had excellent growth in the order book and revenue from the Middle East, particularly in Qatar and Saudi Arabia. In June we won an $87 million contract with Ashghal to provide consulting services for the Qatar Expressway Programme, supplementing the significant programme we are already working on for the Local Roads and Drainage and Qatar Rail projects. In July we were awarded the role of Programme Management Office Consultant on the prestigious Makkah Public Transport Programme in Saudi Arabia by the Development Commission of Makkah and Mashaaer.

Asia, Australia-Pacific and Southern Africa

Our business in Australia has been significantly impacted by the sudden cancellation of capital projects across the resources sector, which has also had a subsequent impact on public revenues and spending plans of Australian states and municipalities. We have taken swift action in response to this by significantly restructuring the business, including appropriate reduction of the Australian workforce. However despite this, cost reductions inevitably lagged revenue declines. Whilst the run rate at the end of the year was broadly break even, the business was loss making for 2013 as a whole and £40 million below the level achieved in 2012. We continue to perform work on the Roy Hill iron ore mining project for which we were appointed programme manager in March 2013. The project is expected to secure the remaining elements of financing during 2014. The transportation sector has also experienced delays in new awards due to ongoing funding uncertainty although there are some signs that this may improve in 2014. Despite this market turmoil we were successful in securing a key rail contract in Melbourne with Victoria's Road Authority.

Our operations in Asia, notably Singapore and Greater China, have continued to increase their workload and perform well. In Singapore, we secured £21 million (S$44 million) in contracts to support the Land Transport Authority for the Eastern Regional Line Depot and Stations. Development of our structural capabilities in China is expected to provide avenues for additional growth in that market.

As in 2012, activities in South Africa continued to show positive results during 2013. Our programme management role at the Medupi Power Station in South Africa continues to progress as we also look to pursue further opportunities in the region.

Looking forward

We expect to see ongoing strength in our core US transportation market, new opportunities in a number of our other key markets including the Middle East, UK and Canada, and increasing power opportunities in the US and South Africa.

In Australia we have worked diligently to right size the business in line with current and projected market conditions. Whilst volume and pricing risks remain, we expect the business to improve on its 2013 performance and deliver a broadly breakeven result in 2014.

Overall therefore, excluding any benefit of the longstanding contract dispute, we expect to make progress in 2014 across the business, with margins improving progressively as the losses in Australia are eliminated.

Construction Services

The construction order book from continuing operations improved in the year to £7.7 billion, up 5% from a year ago. Following a year of very strong order intake in the US, our US order book increased by 10% despite significant revenue growth. It is now over 20% larger than our UK order book, which itself decreased by 3% in 2013 with growth in the regional business not completely offsetting reductions in major projects and mechanical and electrical engineering services. We also saw strong growth in the rest of the world order book which increased by 10%, driven by wins in Hong Kong.

Revenue from continuing operations increased by 1% during the year to £6,573 million. US revenues were up 12% for the year, driven by a 20% increase in the second half versus the prior year. In addition, revenue in the rest of the world increased by 16%, partially offset by a 12% reduction in the UK.

Underlying profit from continuing operations reduced to £21 million from £119 million in 2012, with the decline mostly due to the performance of the UK business. Whilst there was an expectation of reduced profitability at the start of the year, in light of a declining market, we announced a shortfall of approximately £50 million in April, resulting from further deterioration in the external environment combined with the impact of an ongoing internal reorganisation. Whilst the UK business broadly performed in line with these reduced expectations, a further deterioration at the end of the year resulted in an actual profit shortfall of £60 million.

	2013	2012	Actual growth (%)	Constant currency growth (%)
Order book[2] (£bn)	7.72	7.37	5	6
Revenue[1,2] (£m)	6,573	6,511	1	-
Profit from operations[2,3] (£m)	21	119	(82)	(83)
Margin[2,3] (%)	0.3	1.8		

[1] *including joint ventures and associates*
[2] *from continuing operations (see Note 10)*
[3] *before non-underlying items (see Note 8)*

UK

The UK construction market has been a challenging environment in which to win and execute work, allowing clients to impose increasingly stringent conditions onto contractors, and as a result, placing subcontractors under significant financial pressure. In addition, the business underwent a major reorganisation during 2012 and 2013. In January 2013, the operations were streamlined into three business units consisting of:

- Major projects: focused on complex projects in key market sectors such as energy, transportation and heavy infrastructure;

- Regional: civil engineering and building, private and public, including work in partnerships and frameworks to provide customers with locally delivered, flexible and fully integrated civil and building services; and

- Mechanical and electrical engineering: covering all market sectors.

Following the identification of the profits shortfall highlighted above we re-focused attention on operational improvements and tighter governance. At the end of April we made changes to the leadership of the business, appointing Nicholas Pollard as CEO of Construction Services UK. We also undertook a review of the regional business and closed regional delivery units with weak future prospects. The management team reviewed all operational contracts, and have subsequently taken steps to improve key disciplines such as tendering, estimating and commercial governance.

The actions we have put in place to strengthen the leadership and performance of the UK construction business are taking effect, and contributed to a stronger second half performance. Whilst we have seen a better than anticipated turnaround in the regional business, there was weaker financial performance on selected major projects in the building sector. In our mechanical and electrical engineering business, where we predominantly act as a subcontractor, financial performance in the final quarter was adversely impacted by increasingly difficult market conditions. The impact of these further deteriorations resulted in an overall £60m reduction in profitability versus expectations at the start of the year.

The UK order book has remained stable, albeit there continues to be a shift in the mix of work from the major projects business to regional construction due to the impact of the strengthening of the UK residential market and fewer major projects being brought to the market. We won a number of contracts in the student accommodation sector including the University of Aberystwyth, University of Birmingham and an £80 million project for Urbanest in central London. In the London commercial sector we were successful in securing some substantial awards, including the £110 million Providence Tower and a £121 million hotel contract for Grove Developments. Whilst there were fewer major infrastructure projects up for award, important wins included the £321 million design and construction joint venture contract to upgrade sections of the M25 London orbital motorway for the Highways Agency. We also announced the £154 million contract to carry out the full transformation works to the London 2012 Olympic Stadium, which incorporates enhancements to the stadium roof contract we were awarded in 2013.

The performance of our UK Rail business was impacted by operational issues on a small number of projects. However, we continue to believe that the UK rail sector will generate major programmes which we are well placed to address with our range of capabilities.

US

In the US building market, which accounts for 80% of our business federal and state spending remain at low levels, whilst private investment from large corporates is gradually improving.

Over the past few years, we have taken significant steps to ensure that we are well placed to benefit from a market recovery in the building sector. Focusing our acquisition strategy on particular sectors and geographies has enabled us to broaden our footprint and harness new relationships. Streamlining the business from five to three regions, and the establishment of a national capability centre, has ensured that we drive innovation, develop best practice, share knowledge and deploy talent across the business nationally. This drove a 54% increase in order intake in 2013 versus 2012, gaining market share.

Building market segments where we have seen significant opportunities and those offering further potential into 2014 include mission critical (data centres), commercial/corporate facilities, student accommodation, multi-family housing and healthcare.

Our buildings business continues to benefit from working with our Investments business, not only in the military housing area, but increasingly in other markets. Examples of projects brought to our construction business from our Investments business include the Air Force Northern Group project - a six year project for the design, construction and/or renovation of 4,500 homes, valued at approximately $442 million and a new graduate and family student housing project at the University of Nevada, Reno. Preferred bidder status was achieved on a number of other schemes including the $500 million University of West Florida student accommodation project.

In civil infrastructure we are seeing opportunities although competition remains strong. Following the approval of the Transportation Bill in 2012, a number of civil infrastructure projects have moved to tender stage. An increasing proportion of civil and rail projects are being let on a PPP or design-build basis, which allows us to demonstrate our experience, expertise and innovation in this area. In December, we announced the award of a $343 million joint venture contract for the Regional Transportation District in Denver to initiate the first phase of design and construction on the North Metro Rail Line project.

International

In Hong Kong, 2013 was a busy tendering period for our joint venture, Gammon Construction, which ended the period with a strong order book. The market has experienced a strong programme of government spending on both transportation infrastructure and public buildings. In June, Gammon was awarded a contract worth £720 million (HK$8.66 billion) to design and build a major strategic road. The HKSAR Highways contract to construct the Southern Connection Viaduct section of Tuen Mun – Chek Lap Kok Link in Hong Kong is the largest solo civil engineering contract ever awarded to Gammon. In November Gammon won two significant rail contracts for a combined value of approximately £150 million (S$315 million) in Singapore: the design and construction of the Mayflower Station on the Thomson Line, and a sleeper replacement programme on the existing North-South Line.

Our joint venture in Dubai performed in line with our expectations with stable revenues in 2013. However, profitability was down on 2012 as a result of favourable bad debt and claim settlements in 2012. Looking into 2014, the business environment is improving, and we would expect a return to somewhat modest volume growth for our main contracting business, whereas our subcontract mechanical and electrical engineering business is currently operating in more difficult market conditions, much like the UK.

Looking forward

Whilst the environment is still challenging in the UK, we have taken steps to improve operational delivery. We continue to expect the mix of our order book to shift towards the regional business, as the ongoing recovery in the housing market stimulates work for the regional business. The number of new major infrastructure projects to be awarded in the short term is expected to be low, with a small number of significant opportunities expected to arise. Our overall UK strategy remains to exploit our market leading position, and to continue to drive efficiency and build our skills and depth of capability in construction to capitalise on a gradual recovery.

In the US building market we expect to see a continued steady improvement in market conditions and tender opportunities. We expect the strong order intake we have achieved in 2013 to lead to volume improvements in 2014, and we anticipate that a broader market growth will lead to improving bid margins on work for execution in 2015 and beyond. Our strategy in US building is to leverage our world class processes, sector expertise and innovation on a national basis, targeting growth sectors. In US infrastructure we have significant headroom to grow, especially as the market moves towards greater private investment and design and build projects.

Overall, whilst margins are expected to remain under pressure, we anticipate improved profitability in 2014, with a partial recovery in margins.

Support Services

The Support Services order book for continuing operations finished the year at £4.1 billion, down 11% from a year ago (2012: £4.6 billion). As expected, the order book has declined in the power sector as we have completed the first year of the £1.1 billion of contracts with National Grid to upgrade the UK's gas distribution network. The order book has reduced in the water sector as the AMP5 regulatory water cycle nears completion in 2015. Revenue for the year was up 10% at £1,265 million, as a result of strong performance in the power sector – up 18% on 2012.

Underlying profit from continuing operations increased to £55 million (2012: £30 million), resulting in an underlying operating margin of 4.3% compared with 2.6% in 2012. There was a particularly strong performance, accompanied by better than expected high volumes on power transmission in the fourth quarter, as well as a small settlement of multi-year commercial issues in the water sector. Transportation also had a good performance with improved performances across Highway services, Local Authority roads and rail renewals.

	2013	2012	Actual growth (%)	Constant currency growth (%)
Order book[1,3] (£bn)	4.11	4.63	(11)	(11)
Revenue[2,3] (£m)	1,265	1,151	10	9
Profit from operations[3,4] (£m)	55	30	83	81
Margin[3,4] (%)	4.3	2.6		

[1] *2012 has been restated for £110m reallocation from Professional Services to Support Services*
[2] *including joint ventures and associates*
[3] *from continuing operations (see Note 10)*
[4] *before non-underlying items (see Note 8)*

The power sector, a key growth sector for the Group, now accounts for over a third of our support services activities. We continue to develop our power business in both overhead line and cabling capabilities, whilst helping clients maintain their significant asset base. On overhead lines we made excellent progress on the Beauly-Denny replacement electricity transmission line contract for Scottish and Southern Energy. This contract involves the development, design and construction of a 200km overhead line and associated civil works. In cabling we continued to make progress on the delivery of the Humber Gateway offshore cabling contract for E.ON. In the US there was good performance on our New Energy Alliance with National Grid.

The Gas Distribution Strategic Partnership contracts with National Grid to replace ageing networks in the Northwest and West Midlands are fully mobilised and are performing well. We also made progress on our joint venture contract in the Republic of Ireland to replace and extend the gas network on behalf of state operator Bord Gais.

In the water market, we continued to perform well on our AMP5 water contracts. As the AMP5 regulatory water cycle draws to a close, we are working with a number of water companies to manage a smooth transition to the AMP6 cycle without unnecessary changeover disruption. As water companies choose their partners for the next cycle, we have already won a three-way joint venture contract worth a potential £1.5 billion with Thames Water. While the 23-month early contractor involvement is in our order book (£10 million), the vast majority of this work is yet to be booked. Also under AMP6, Yorkshire Water extended our existing contract to 2020 which is worth £70 million.

In transportation, we were successful in winning important highways work for local authorities. At the start of 2013 we added the £150 million Wiltshire Highways contract to our order book. The contract commenced work in May and since then we have been working progressively with the client to resolve a number of start-up issues. We won a £200 million contract with Herefordshire Council in July and this project has mobilised in line with our expectations. Other contracts in our portfolio including West Sussex and the street lighting portfolio performed well. For the Highways Agency, the Area 10 contract to operate, maintain and improve over 500km of motorway and trunk roads in the Northwest fully mobilised during the year and there was excellent performance on the M25 contract. Through our Connect Plus Services joint venture we manage the operation and maintenance of 250 miles of road critical to the UK's transport network.

In the rail renewals market we continued to work with Network Rail and London Underground to renew and improve service levels across the rail network.

Looking forward

We work for clients across the regulated and public sector, all of whom need to manage financial pressures, whilst improving the quality of the infrastructure that facilitates our daily lives. This will continue to provide opportunities for us, as clients look to outsource work, and seek innovative solutions in the provision of that work, but also presents challenges in an increasingly competitive environment.

In the near term, we see growth coming from the water and local authority sectors. In the water sector, we are actively bidding for AMP6 contracts with a number of the major water companies with a focus on offering broader solutions for clients leveraging on our recent success with Thames Water. The continuing outsourcing trend by local government will provide additional growth opportunities for Balfour Beatty Living Places which increasingly looks to leverage its strong position in the highways and street lighting markets to provide additional complementary services to local authority clients.

Volumes in the power transmission sector are likely to reduce as current contracts complete and we anticipate our 2014 revenue will be down about £100 million. We will continue to target new opportunities outside the UK and seek opportunities in the power market linked to the changing nature of the energy industry across the globe as new sources of power in new places need to be connected into existing infrastructure. We are well placed to take advantage of UK cabling opportunities expected in 2014.

We have continued to see increasing competitive pressure in the routine rail renewals market over the year and are no longer bidding for Network Rail's track renewal work, with our existing contract running to the end of the first quarter of 2014. We anticipate our 2014 revenue will decline in this area by approximately £60 million.

Looking to 2014 we expect overall revenues to drop in line with the order book. Taking into account the change in mix of business and some closure costs of exiting the rail renewals work, margins are expected to reduce in 2014.

Infrastructure Investments

The Investments business delivered another successful year of growth, establishing a strong presence in new markets and, generating a significant increase in underlying pre-tax profits to £132 million (2012: £97 million), whilst growing the value of the portfolio. The pre-disposals operating profit of £20 million was up £3 million on the previous year as strong growth in US military housing income and the favourable impact of cost savings throughout the division more than outweighed the decline in UK income as a result of disposals. Net interest income, a significant element of total income, also increased by £2 million to £30 million.

Following another strong year, the disposals programme delivered an increase in gains from £52 million in 2012 to £82 million in 2013, after recycling £21 million (2012: £48 million) of revaluation reserves from other comprehensive income to the income statement. The disposals realised value significantly above both the Directors' valuation and our own expectations. Despite the disposals, the PPP investments portfolio remains substantial and diverse, and the current Directors' valuation increased to £766 million using constant discount rates at the end of 2013 (2012: £734 million), including the benefit of £76 million of inflation and operational performance gains.

	2013	2012
Profit from operations[2] (£m)	102	69
Net interest income from PPP concessions[3] (£m)	30	28
Pre-tax result from operations[2] (£m)	132	97
Directors' valuation of PPP concessions (£m)	766	734

[2] *before non-underlying items (see Note 8)*

[3] *subordinated debt interest income and net interest income from PPP subsidiaries (see Notes 6 and 7)*

We continued to perform well in 2013, reaching financial close on eight projects, with another three advancing to preferred bidder stage. The student accommodation market remained a key growth area for us in the US and UK in 2013, as we secured four new projects with a construction value of over £500 million.

Our strategy to diversify further our economic infrastructure capabilities delivered successes with preferred bidder appointment on the £346 million Gwynt y Môr Offshore Transmission Owners (OFTO) project and financial close on the Birmingham Bio Power waste wood gasifier project. These projects represent significant progress for our business and the continued evolution of our portfolio.

In addition to growing the business in new end markets we have continued to expand our Investments business geographically. At the start of 2014 we achieved a significant milestone as we secured our first win in Canada, with a preferred bidder appointment on the £196 million (C$350 million) BC Children's and BC Women's hospital redevelopment project in Vancouver. The Canadian pipeline remains strong and we are actively pursuing a number of other social and economic infrastructure opportunities. In Australia we are working on a number of waste, transportation and accommodation projects.

UK

In the UK our most active markets were predominantly student accommodation, power and waste.

We reached financial close on two projects in the student accommodation market during the year: the £63 million Holyrood Postgraduate Student Accommodation and Outreach Centre project for the University of Edinburgh and the £45 million Penglais Farm New Residences Project for Aberystwyth University. Notably these projects were financed with long-term debt from institutional investors, supporting the UK Government's drive to encourage low cost pension fund investment in infrastructure. Building at both sites has commenced with the first phases of both projects contracted to be delivered in the autumn, although Aberystwyth has incurred programme delays at the beginning of 2014 with the extreme weather conditions. We continue to see further bidding opportunities in the sector in 2014.

In the UK power sector, the preferred bidder appointment for the Gwynt y Môr project strengthened our position in the OFTO market. Greater Gabbard OFTO (£317 million) achieved financial close in November, with the Thanet OFTO (£163 million) expected to reach financial close during 2014. Through these project successes we have developed a leading investor position in this growing market and supported the Group's wider strategy for developing our delivery capability in offshore transmission.

We continue to see opportunities for development in the waste market, achieving financial close on two waste projects in 2013, although these projects can suffer from planning delays. We achieved financial close on the Gloucestershire waste project, but this is currently subject to a planning appeal on which we anticipate the outcome will be announced later in 2014. We continue to work on a pipeline of biomass opportunities. We are making good progress with our Essex waste treatment facility; construction is now well underway and it is on schedule to open in 2017.

North America

In the US, military housing remains a key aspect of our portfolio with 21 operational projects. In August 2013 we reached financial close on the $442 million Northern Group project for the US Air Force, which consists of six bases. This project requires managing all development, operations and maintenance, property management, construction, renovation and demolition services for 4,540 homes. We again demonstrated our ability to launch innovative funding structures, with the project being financed by institutional investors through a bond issue in the US. In addition we also assumed property management services for the ACC III military housing privatisation project.

We have continued to make significant progress in the student accommodation market, as we share learning and best practice across geographies for the benefit of our clients. We completed the building of a 233-bed facility for Lake Forest College, Illinois. We successfully reached financial close on the University of Iowa and University of Nevada projects in 2013. In the third quarter of 2013, we announced two significant preferred bidder positions in this market with the $500 million University of West Florida project followed by our second preferred bidder appointment with Texas A&M University for the $200 million College Station project. We anticipate further growth opportunities in this sector in 2014.

We are also progressing on our strategy to utilise our developer capabilities in North America. Through our involvement in the Lake Forest College project and Tarleton State University (Phase 1) project, we have created an opportunity to earn development fees, while also generating income for the Construction Services division without investing Group capital. This is further demonstration of how the investments business is able to deliver additional value to the wider Group beyond simply earning a return on invested capital. Diversification is also taking place in our military housing business as we explore opportunities for third party management, leveraging our management service capabilities. We secured our first win in this market in January 2013 with the Carriage House Townhomes project.

We were delighted to secure our first project success in Canada with the preferred bidder appointment in January 2014 on the BC Children's and BC Women's hospital redevelopment project representing a significant win for the Group. Construction is expected to commence in April 2014 and the new facility will be completed in June 2017.

Disposals programme

We had considerable success during 2013 as we continued our disposal strategy through the full or partial disposal of a number of our mature UK PFI assets generating an accounting gain of £82 million, and at a value of £45 million in excess of their Directors' valuation. These included our 50% interests in four PFI schools projects in Birmingham, Bassetlaw, Stoke and Rotherham; our 50% interests in two PFI hospital projects in Salford and Tameside; and partial equity disposals in the Carlisle Northern Development Route (CNDR) and A30/A35 road, where we have retained strategic interests of 25% and 20% respectively. We continue to see strong demand for these assets in the secondary market.

Investment management business

In 2011 we launched an investment management business, Balfour Beatty Infrastructure Partners (BBIP). Alongside external investors we have a total commitment of $110 million, which we expect to be drawn down and invested over the next three to four years. The fund has so far raised approximately $500 million and made a number of investments and commitments, acquiring 10 operational UK solar projects in the UK, and entering into a definitive agreement (subject to regulatory approval) to acquire a regulated electric utility business in Michigan. We anticipate subsequent closes to the fund during 2014.

Looking forward

Our primary objective continues to be the investment in projects where we can use our investment skills and expertise to maximise the broader benefit to the Group's growth and development. We will continue to evolve our developer capabilities to realise new opportunities for the Investments business and the broader Group. We have a significant pipeline of work globally as we continue to pursue a variety of PPP and non-PPP opportunities. We anticipate a continuation of our disposals programme as a means of realising the value in mature assets, but expect the gains to revert to a more sustainable level of approximately £40 million in 2014.

Discontinued operations

Discontinued operations comprise the UK facilities management business, Balfour Beatty WorkPlace and the Mainland European rail businesses in Germany, Scandinavia and Spain.

	2013	2012	Movement (%)	Constant currency movement (%)
Order book (£bn)	0.51	1.82	(72)	(72)
Revenue[1] (£m)	866	930	(7)	(8)
Profit from operations[2] (£m)	(7)	24	(129)	(132)
Margin[2] (%)	(0.8)	2.6		

[1] *including joint ventures and associates*

[2] *before non-underlying items (see Note 8)*

In December, we completed the sale of our UK facilities management business to GDF Suez Energy Services for £155 million in cash. This sale represents an important step in our evolution as we intensify our focus on the creation and management of infrastructure assets. The business contributed £19 million to underlying profit from operations up to the date of disposal.

Following the completion of the operational and strategic review of our Mainland European rail businesses we concluded that maintaining a rail presence in Mainland Europe was not consistent with our strategy of building a strong local presence in a number of market sectors. In Mainland Europe we essentially only operate in rail, and therefore in March we announced our intention to divest these operations. In March we sold the Spanish business to its management, and in December we announced the sale of the Scandinavian business to Strukton Rail BV, with the disposal completing in January 2014.

In Germany, trading has been very disappointing which resulted in an underlying loss from operations of £26 million mainly due to three complex joint venture projects with operational and stakeholder issues, and continued low levels of activity. We have made progress to divest our interests in the business, completing a management buyout of the small signalling manufacturing capability and closing down the switches and crossings manufacturing capability. Discussions with a number of potential buyers for the remaining parts of the German operation are ongoing. At the half-year, having reviewed the likely sales proceeds achievable on disposal, we wrote down the £38 million of goodwill within our German business to £nil.

FINANCIAL SUMMARY

Unless otherwise stated, all commentary in this section is on a continuing operations basis.

Revenue from continuing operations including joint ventures and associates increased by 2% in the year to £10,118 million (2012: £9,966 million). Revenue was broadly flat across most divisions with 10% growth in Support Services.

In Construction Services, a 12% revenue improvement in the US and 16% growth in the rest of the world was partly offset by a 12% reduction in the UK. In Professional Services, reductions in Australia were mitigated by improvements in the US. Excluding the impact of currency, revenue from continuing operations for the Group including joint ventures and associates increased by 1%.

Our share of underlying post-tax profits from continuing joint ventures and associates reduced, as anticipated, to £71 million from £92 million in 2012, principally due to the favourable resolution of bad debts and claims in the Middle East during 2012.

Underlying profit from operations decreased to £203 million (2012: £284 million). Support Services and Infrastructure Investments delivered strong operating results, including the benefit of £82 million (2012: £52 million) of gains from PPP disposals after recycling £21 million (2012: £48 million) of gains from other comprehensive income to the income statement. However, overall profits reduced as a result of a very significant drop in mining related capital expenditure in Australia impacting our Professional Services business, leading to reduced volumes and pricing. In addition, a combination of a difficult external environment and an internal reorganisation in our UK construction business also contributed to the fall in profits.

Net finance costs of £16 million increased by £9 million on the prior year (2012: £7 million) due to increased finance charges resulting from the US private placement issued in March 2013. The application of the revised IAS 19 reporting standard increased non-cash interest costs compared to the previous standard by £21 million in 2013, and the prior year restatement increased the 2012 reported figure by £10 million, of which £1 million relates to discontinued operations.

Underlying pre-tax profit from continuing operations decreased to £187 million (2012: £277 million).

Non-underlying items

Non-underlying items from continuing operations of £155 million (2012: £130 million) before tax were charged to the income statement. This comprised amortisation of acquired intangible assets of £30 million (2012: £39 million) and other items of £125 million (2012: £91 million). The amortisation charge declined in the year as some intangible assets became fully written down.

Significant items included a £52 million non-cash curtailment charge (and associated costs) in connection with closing the defined benefit section of the Balfour Beatty Pension Fund to future accrual for the majority of members and £52 million (2012: £64 million) of restructuring and reorganisation costs. These included £26 million (2012: £49 million) of costs in the UK in relation to continued restructuring of Construction Services UK, Support Services and other UK entities. Within Professional Services, £20 million (2012: £2 million) of costs were incurred in Australia to significantly restructure the cost base as a result of the market downturn. There was also £7 million (2012: £4 million) of further costs in the UK shared service centre as it expanded from its initial scope of finance and payroll into HR and IT shared services. £10 million (2012: £2 million) of costs were incurred in the US for the creation of a shared service centre in Lancaster, Pennsylvania.

Taxation

The underlying tax charge for continuing operations for the year of £50 million (2012: £61 million), excluding the Group's share of results of joint ventures and associates, equates to an effective tax rate of 43.1% (2012: 33.0%). The increase from the prior year is due to the impact of some unrelieved losses and changes in tax legislation. This includes a charge of £6 million as a result of writing down our deferred tax balances following the reduction in the UK corporation tax rate to 20%. In addition there was a higher proportion of profits in higher tax territories than in 2012, offset by the benefit of a greater amount of profit from investment disposals. Adjusting to include joint ventures and associates, and comparing this to pre-tax profit for the continuing Group and joint ventures and associates, the effective tax rate was 30.1% (2012: 25.5%).

In 2014 we would expect the underlying effective tax rate to fall to approximately 40%.

Discontinued operations

There was an underlying post-tax loss from discontinued operations of £15 million (2012: profit of £15 million) along with non-underlying post-tax costs of £37 million (2012: £101 million).

In December we completed the sale of Balfour Beatty WorkPlace for a net cash consideration of £155 million. After transaction costs the disposal resulted in a non-underlying gain of £80 million before writing off goodwill, or £16 million after writing off goodwill. The business contributed £19 million (2012: £22 million) to underlying profit from operations, up to the date of disposal.

There was a very poor performance in Mainland European rail, principally due to underperformance on three German contracts, resulting in an underlying loss from operations of £26 million (2012: profit of £2 million). Non-underlying costs of £51 million included £38 million for writing down the goodwill in the German rail business to £nil, a loss on disposal of the Spanish business of £4 million, rail restructuring costs of £6 million and a £2 million regulatory fine in Germany.

Earnings per share

Underlying earnings per share for continuing operations were 20.0 pence (2012: 31.7 pence), which along with an underlying loss per share from discontinued operations of 2.2 pence (2012: earnings per share of 2.1 pence) gave an underlying earnings per share for total operations of 17.8 pence (2012: 33.8 pence).

Dividends

The Board continues to recognise the importance to its shareholders of a good dividend and given the strong management actions taken, the strategic positioning of the Group, and its strong balance sheet it has recommended a final dividend of 8.5 pence in respect of 2013. This is in line with 2012's final dividend, and results in an unchanged full-year dividend of 14.1 pence.

Goodwill and intangible assets

The goodwill on the Group’s balance sheet at 31 December 2013 decreased by £112 million to £1,048 million (2012: £1,160 million). £64 million of the reduction was due to the disposal of Balfour Beatty WorkPlace. £38 million of the reduction resulted from reviewing the likely sales proceeds achievable on the German rail business, and as a consequence the goodwill was written down to £nil in the first half. Other intangible assets, after amortisation charges of £33 million (2012: £43 million), reduced to £204 million (2012: £212 million).

Impairment reviews have been carried out, and none of the carrying values, other than noted above, have been impaired. There is however limited headroom in our Italian rail business and in Blackpool Airport such that a change in assumptions could result in an impairment.

Pensions – balance sheet movement

The Group’s balance sheet includes aggregate deficits of £434 million (2012: £333 million) for the Group’s pension schemes.

The Group recorded net actuarial losses for 2013 on those schemes totalling £117 million (2012: £111 million). There were £73 million (2012: £194 million) of actuarial losses recorded on the present value of the obligations, largely resulting from the effects of lower discount rates and higher inflation assumptions mitigated by an actuarial gain arising following the reassessment of the difference between RPI and CPI measures. Actuarial losses of £44 million (2012: gain of £83 million) were recorded against the fair value of plan assets resulting from lower than expected returns. A formal triennial funding valuation of the Balfour Beatty Pension Fund (BBPF) was carried out as at 31 March 2013 and showed a funding position of 88%. A funding plan was agreed to eliminate the deficit over eight years, which provides for a reduced level of deficit payments of £50 million per annum (adjusted by CPI movements) from April 2013 for the first three years, increasing by £5 million per annum to £65 million per annum by April 2018 through to May 2020 . Under this plan the Group is making regular monthly payments, which increase each April by the growth in CPI up to a cap of 5%, plus double any increase in the Company’s dividend in excess of capped CPI. In the event of the Company making any special dividend or capital payment to shareholders, an additional contribution is payable for one year only, equal to 75% of the percentage uplift on the normal dividend payment represented by the one-off payment to shareholders.

In August the majority of members of the BBPF ceased to accrue future defined benefits and became deferred members resulting in a curtailment charge (and an increase in the deficit) and costs totalling £54 million, recognised as a non-underlying item, of which £2 million related to discontinued operations. This reduces the future cash payments over the life of the scheme by approximately £250 million, and reduces the pension service charge (net of incremental defined contribution payments) by approximately £15 million per annum.

The increase in the aggregate deficit to £434 million at the end of 2013 will increase non-cash pension interest costs in the income statement to £15 million in 2014.

Balance sheet and capital structure

We look to achieve a balance between the negative working capital, liquid funds and facilities and the PPP investments portfolio. Whilst we have seen a reduction in net liquid funds during 2013, we have also seen a reduction in the levels of negative working capital. However, despite the disposals in the year, the Directors' valuation of our PPP investments portfolio has increased to £766 million using constant discount rates (2012: £734 million). Overall we have maintained good balance sheet strength.

Cash flow performance

Cash used in operations of £162 million (2012: £219 million) was impacted by a working capital outflow of £117 million (2012: £310 million) and pension deficit payments of £59 million (2012: £61 million).

Average net borrowings in the second half of the year were £433 million, although with the sale of Balfour Beatty WorkPlace in December, and a strong cash performance at the end of the year, the Group's net debt at 31 December 2013 was £66 million (2012: net cash of £35 million), before taking into account the consolidation of £354 million (2012: £368 million) of non-recourse net borrowings held in wholly owned PPP project companies.

Working capital

Including the impact of exchange, negative working capital decreased from £665 million at the end of 2012 to £550 million at the end of 2013. Of this decrease of £115 million, the biggest component was £75 million in Construction Services. This was largely due to changes in the mix of business, away from larger more complex projects, which have the potential for more favourable terms, to smaller projects.

Total working capital as a percentage of annualised revenue (WCPR) at the end of the year was (6.3)% (2012: (7.7)%). The most significant component of negative working capital relates to Construction Services, which ended the year with WCPR of (10.5)% (2012: (11.6)%).

In 2014, we would expect further reductions in negative working capital in UK construction as a result of the continued change in mix from major projects to regional work, and the greater proportion of smaller contracts. As the market recovery takes hold in the US we expect negative working capital in our US construction business to increase. We expect working capital in Professional Services to be positive (i.e. net receivable), but broadly stable with 2013, and in Support Services, we may see a modest increase in the level of positive working capital.

Banking facilities

The Group's principal committed bank facilities total £950 million and extend through to 2016. The purpose of these facilities, and other small facilities, is to provide liquidity from a group of core relationship banks to support Balfour Beatty in its current and future activities. Over time, as the Group's business has evolved, we have explored ways of diversifying our sources of funds away from the pure bank market.

As part of that process, and taking advantage of historically low interest rates, in March 2013 we issued $350 million notes by way of a US private placement with an average coupon of 4.94% per annum over an average maturity of 9.3 years. The incremental cost of this funding on an annual basis is approximately £9 million. Furthermore, in November we took advantage of favourable bond market conditions and issued approximately £253 million of unsecured convertible bonds due 2018 at a coupon of 1.875% per annum. Proceeds from the bond issue have been used to repay short-term borrowings under our principal committed bank facilities and for general corporate purposes. The annual incremental cost of the bonds is £3 million from a cash perspective, or £8 million in income statement terms.

At the end of 2013 we had no drawings against our £950 million of committed bank facilities.

Foreign currency risk

The Group is exposed to foreign currency risk primarily in the US, Asia-Pacific, and the Middle East. Based on the geographical split of the Group a one cent movement in the $:£ exchange rate would impact profit from operations by approximately £0.8 million. The average exchange rate for 2013 was $1.57:£1. So far in 2014 the average rate has been $1.66:£1, and consequently if this rate persists for the remainder of 2014, the impact of foreign exchange would be to reduce profit from operations by approximately £7 million.

Outlook

In 2013 we faced challenging economic conditions in several markets and experienced operational issues in the UK construction business. The remedial actions taken in underperforming areas are delivering results and have positioned us better for the future. Continuing to improve operational delivery and supply chain management will need to remain a key area of focus throughout 2014.

We are seeing increasing evidence of improving conditions in some parts of our core US and UK markets, although the long cycle nature of our business means that these will take time to feed through fully in our financial performance. Recovery in some parts of our businesses will be largely offset by a reversion to lower PPP investment disposal gains. However, leaving aside the expected benefit from the longstanding contract settlement and the impact of any further adverse foreign exchange movements, we expect to make modest progress in 2014.

In the longer term, we remain focused on capitalising on growth in global infrastructure markets by leveraging three key strengths: local presence, asset knowledge and our skills as an investor and developer.

Responsibility statement

The responsibility statement below has been prepared in connection with the Company's Annual Report and Accounts 2013. Certain parts thereof are not included within this announcement.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 5 March 2014 and is signed on its behalf by:

A J McNaughton

Chief Executive Officer

D J Magrath

Chief Financial Officer

ENDS

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Forward-looking statements

This announcement may include certain forward-looking statements, beliefs or opinions, including statements with respect to Balfour Beatty plc's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by the Balfour Beatty plc Directors in good faith based on the information available to them at the date of this announcement and reflect the Balfour Beatty plc Directors' beliefs and expectations. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US government policies, spending and procurement methodologies, and failure in Balfour Beatty's health, safety or environmental policies.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this announcement and Balfour Beatty plc and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. No statement in the announcement is intended to be, or intended to be construed as, a profit forecast or to be interpreted to mean that earnings per Balfour Beatty plc share for the current or future financial years will necessarily match or exceed the historical earnings per Balfour Beatty plc share. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

Notes to editors

Balfour Beatty (www.balfourbeatty.com) is an international infrastructure group that delivers world class services essential to the development, creation and care of infrastructure assets; from finance and development, through design and project management to construction and maintenance.

Our businesses draw on more than 100 years of experience to deliver the highest levels of quality, safety and technical expertise to our clients principally in the UK and the US, with developing businesses in Australia, Canada, the Middle East, South Africa and South East Asia.

With proven expertise in delivering infrastructure critical to support communities and society today and in the future, our key market sectors focus on infrastructure – transportation (roads, rail and aviation), power and energy, water, and complex buildings (both commercial and social).

Balfour Beatty employs 40,000 people around the world.

Additional information

A presentation to analysts and investors will be made at Goldman Sachs, Auditorium, 120 Fleet Street, London EC4A 2BB at 10:30 (UK time) on 6 March 2014. There will be a live webcast of this presentation on www.balfourbeatty.com.

A teleconference for analysts and investors will be hosted at 15:00 (UK time) on 6 March 2014. To join the call, please dial participant telephone number +44 (0)20 3427 1912 and quote confirmation code 6130770. A recording of the call and its transcript can be found on our website within 24 hours of the event.

High-resolution photographs are available to the media free of charge at www.newscast.co.uk (Tel. +44 (0)20 7608 1000).

The Company's statutory accounts for the year ended 31 December 2013 are expected to be posted to those shareholders who have requested a paper copy on 25 March 2014. Paper copies of the document will also be available from the Company's registered office from this time.

The Annual Report and Accounts 2013 will be available on the Company's website www.balfourbeatty.com.

The Company's AGM is scheduled to be held at Park Plaza Victoria, 239 Vauxhall Bridge Road, London SW1V 1EQ at 11:00 on 15 May 2014.

Subject to approval at the Annual General Meeting on 15 May 2014, the final 2013 dividend will be paid on 4 July 2014 to holders on the register on 25 April 2014 by direct credit or, where no mandate has been given, by cheque posted on 3 July 2014 payable on 4 July 2014. The ordinary shares will be quoted ex-dividend on 23 April 2014.

A preference dividend of 5.375p gross (4.8375p net at current tax rate) per cumulative convertible redeemable preference share will be paid on 1 July 2014 in respect of the six months ending 30 June 2014 to holders of these shares on the register on 23 May 2014 by direct credit or, where no mandate has been given, by cheque posted on 30 June 2014 payable on 1 July 2014. The preference shares will be quoted ex-dividend on 21 May 2014.

The Company's statutory accounts for the year ended 31 December 2013 comply with the Disclosure and Transparency Rules of the Financial Services Authority in respect of the requirement to produce an annual financial report. Those financial statements are the responsibility of, and were approved by, the Directors, on 5 March 2014.

Group Income Statement

For the year ended 31 December 2013

	Notes	2013 Underlying Items [1] £m	2013 Non-underlying items (Note 8) £m	2013 Total £m	2012 [2,3] Underlying items [1] £m	2012 [2,3] Non-underlying items (Note 8) £m	2012 [2,3] Total £m
Continuing operations							
Revenue including share of joint ventures and associates		**10,118**	**–**	**10,118**	9,966	–	9,966
Share of revenue of joint ventures and associates	15	**(1,373)**	**–**	**(1,373)**	(1,310)	–	(1,310)
Group revenue		**8,745**	**–**	**8,745**	8,656	–	8,656
Cost of sales		**(7,882)**	**–**	**(7,882)**	(7,667)	–	(7,667)
Gross profit		**863**	**–**	**863**	989	–	989
Gain on disposals of interests in investments	21.3	**82**	**–**	**82**	52	–	52
Amortisation of acquired intangible assets		**–**	**(30)**	**(30)**	–	(39)	(39)
Other net operating expenses		**(813)**	**(125)**	**(938)**	(849)	(91)	(940)
Group operating profit/(loss)		**132**	**(155)**	**(23)**	192	(130)	62
Share of results of joint ventures and associates	15	**71**	**–**	**71**	92	–	92
Profit/(loss) from operations		**203**	**(155)**	**48**	284	(130)	154
Investment income	6	**65**	**–**	**65**	62	–	62
Finance costs	7	**(81)**	**–**	**(81)**	(69)	–	(69)
Profit/(loss) before taxation		**187**	**(155)**	**32**	277	(130)	147
Taxation	9	**(50)**	**35**	**(15)**	(61)	35	(26)
Profit/(loss) for the year from continuing operations		**137**	**(120)**	**17**	216	(95)	121
Profit for the year from discontinued operations	10	**(15)**	**(37)**	**(52)**	15	(101)	(86)
Profit/(loss) for the year		**122**	**(157)**	**(35)**	231	(196)	35
Attributable to							
Equity holders		**122**	**(157)**	**(35)**	231	(196)	35
Non-controlling interests		**–**	**–**	**–**	–	–	–
Profit/(loss) for the year		**122**	**(157)**	**(35)**	231	(196)	35

[1] Before non-underlying items (Note 8).
[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

	Notes	2013 pence	2012 [2,4] pence
Basic earnings/(loss) per ordinary share			
- continuing operations	11	**2.5**	17.9
- discontinued operations	11	**(7.6)**	(12.6)
	11	**(5.1)**	5.3
Diluted earnings/(loss) per ordinary share			
- continuing operations	11	**2.5**	17.9
- discontinued operations	11	**(7.6)**	(12.6)
	11	**(5.1)**	5.3
Dividends per ordinary share proposed for the year	12	**14.1**	14.1

[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

Group Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 £m	2012 [2,4] £m
(Loss)/profit for the year	**(35)**	35
Other comprehensive (expense)/income for the year		
Items which will not subsequently be reclassified to the income statement		
Actuarial losses on retirement benefit liabilities	**(114)**	(115)
Tax on above	**17**	18
	(97)	(97)
Items which will subsequently be reclassified to the income statement		
Currency translation differences	**(14)**	(56)
Fair value revaluations – PPP financial assets	**(192)**	405
– cash flow hedges	**120**	(19)
– available-for-sale investments in mutual funds	**7**	4
Recycling of revaluation reserves to the income statement on disposal	**(21)**	(48)
Tax on above	**20**	(90)
	(80)	196
Total other comprehensive (expense)/income for the year	**(177)**	99
Total comprehensive (expense)/income for the year	**(212)**	134
Attributable to		
Equity holders	**(212)**	134
Non-controlling interests	**–**	–
Total comprehensive (expense)/income for the year	**(212)**	134

[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).
[4] Re-presented to reflect the recycling of revaluation reserves to the income statement in the statement of comprehensive income instead of the statement of changes in equity.

Group Statement of Changes in Equity

For the year ended 31 December 2013

	Called-up share capital £m	Share premium account £m	Special reserve £m	Share of joint ventures' and associates' reserves [2,4] £m	Other reserves [5] £m	Retained Profits [2,4] £m	Non-controlling interests £m	Total [2,4] £m
At 1 January 2012	344	61	27	144	328	359	4	1,267
Total comprehensive income/(expense) for the year[4]	–	–	–	323	(37)	(152)	–	134
Ordinary dividends	–	–	–	–	–	(96)	(1)	(97)
Joint ventures' and associates' dividends	–	–	–	(58)	–	58	–	–
Issue of ordinary shares	–	2	–	–	–	–	–	2
Movements relating to share-based payments	–	–	–	–	(2)	9	–	7
Other reserve transfers relating to joint venture and associate disposals[4]	–	–	–	(72)	–	72	–	–
Other transfers	–	–	(2)	–	–	2	–	–
At 31 December 2012	344	63	25	337	289	252	3	1,313
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(17)**	**11**	**(206)**	**–**	**(212)**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**(96)**	**(1)**	**(97)**
Joint ventures' and associates' dividends	**–**	**–**	**–**	**(47)**	**–**	**47**	**–**	**–**
Issue of ordinary shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**26**	**–**	**–**	**26**
Movements relating to share-based payments	**–**	**–**	**–**	**–**	**(1)**	**5**	**–**	**4**
Other reserve transfers relating to joint venture and associate disposals	**–**	**–**	**–**	**3**	**–**	**(3)**	**–**	**–**
Other transfers	**–**	**–**	**(1)**	**2**	**(2)**	**1**	**–**	**–**
At 31 December 2013	**344**	**64**	**24**	**278**	**323**	**–**	**2**	**1,035**

[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).
[4] Re-presented to reflect the recycling of revaluation reserves to the income statement in the statement of comprehensive income instead of the statement of changes in equity.
[5] Re-presented to amalgamate the equity component of preference shares and convertible bonds into other reserves.

Group Balance Sheet

As at 31 December 2013

	Notes	2013 £m	2012 [2,5] £m
Non-current assets			
Intangible assets – goodwill	13	**1,048**	1,160
– other	14	**204**	212
Property, plant and equipment		**208**	247
Investments in joint ventures and associates	15	**666**	726
Investments		**95**	94
PPP financial assets		**455**	542
Trade and other receivables	16	**113**	100
Deferred tax assets		**122**	116
		2,911	3,197
Current assets			
Inventories and non-construction work in progress		**135**	172
Due from construction contract clients		**631**	634
Trade and other receivables	16	**1,190**	1,241
Cash and cash equivalents – PPP subsidiaries	20.2	**65**	25
– other	20.2	**539**	517
Current tax assets		**8**	4
Derivative financial instruments		**2**	1
		2,570	2,594
Assets held for sale	10	**231**	–
		2,801	2,594
Total assets		**5,712**	5,791
Current liabilities			
Due to construction contract clients		**(360)**	(382)
Trade and other payables	17	**(2,046)**	(2,214)
Provisions		**(100)**	(116)
Borrowings – non-recourse loans	20.3	**(9)**	(12)
– other	20.3	**(170)**	(477)
Current tax liabilities		**(33)**	(42)
Derivative financial instruments		**(19)**	(20)
		(2,737)	(3,263)
Liabilities held for sale	10	**(219)**	–
		(2,956)	(3,263)
Non-current liabilities			
Trade and other payables	17	**(182)**	(159)
Provisions		**(93)**	(112)
Borrowings – non-recourse loans	20.3	**(410)**	(381)
– other	20.3	**(435)**	(5)
Liability component of preference shares		**(94)**	(92)
Retirement benefit liabilities	18	**(434)**	(333)
Deferred tax liabilities		**(18)**	(10)
Derivative financial instruments		**(55)**	(123)
		(1,721)	(1,215)
Total liabilities		**(4,677)**	(4,478)
Net assets		**1,035**	1,313
Equity [5]			
Called-up share capital		**344**	344
Share premium account		**64**	63
Special reserve		**24**	25
Share of joint ventures' and associates' reserves		**278**	337
Other reserves [5]		**323**	289
Retained profits		**–**	252
Equity attributable to equity holders of the parent		**1,033**	1,310
Non-controlling interests		**2**	3
Total equity		**1,035**	1,313

[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).
[5] Re-presented to amalgamate the equity component of preference shares and convertible bonds into other reserves.

Group Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 £m	2012 [6] £m
Cash flows from operating activities			
Cash used in:			
- continuing operations – underlying [6]	20.1	**(83)**	(175)
– non-underlying [6]	20.1	**(75)**	(44)
- discontinued operations [6]	20.1	**(4)**	–
Income taxes paid		**(13)**	(19)
Net cash used in operating activities		**(175)**	(238)
Cash flows from investing activities			
Dividends received from:			
- joint ventures and associates		**47**	58
- discontinued operations		**1**	–
Interest received		**28**	33
Acquisition of businesses, net of cash and cash equivalents acquired	21.2	**(14)**	(4)
Purchases of:			
- intangible assets –other		**(38)**	(25)
- property, plant and equipment		**(82)**	(49)
- other investments		**(12)**	(5)
Investments in and loans to joint ventures and associates		**(51)**	(39)
Loans repaid to joint ventures and associates		**2**	12
PPP financial assets cash expenditure [7]		**(62)**	(67)
PPP financial assets cash receipts [7]		**59**	45
Disposals of:			
- investments in joint ventures	21.3	**103**	81
- subsidiaries net of cash disposed and transaction costs		**152**	–
- property, plant and equipment – underlying		**11**	21
- property, plant and equipment – non-underlying		**8**	–
- other investments		**20**	9
Net cash from investing activities		**172**	70
Cash flows from financing activities			
Purchase of ordinary shares		**(2)**	(3)
Proceeds from:			
- issue of ordinary shares		**1**	2
- convertible bonds		**246**	–
- US private placement		**231**	–
- other new loans		**110**	350
- finance leases		**1**	–
Repayment of:			
- loans		**(408)**	(53)
- finance leases		**(2)**	(4)
Ordinary dividends paid		**(96)**	(96)
Other dividends paid – non-controlling interest		**(1)**	(1)
Interest paid		**(56)**	(47)
Preference dividends paid		**(11)**	(11)
Net cash from financing activities		**13**	137
Net increase/(decrease) in cash and cash equivalents		**10**	(31)
Effects of exchange rate changes		**3**	(17)
Cash and cash equivalents at beginning of year		**532**	580
Reclassified to assets held for sale		**(19)**	–
Cash and cash equivalents at end of year	20.2	**526**	532

[6] Re-presented to separately identify cashflows from underlying and non-underlying continuing operations and discontinued operations.
[7] Re-presented to separately identify PPP financial assets cash inflows and outflows which were previously disclosed in the Notes.

Notes to the financial statements

1. Basis of accounting

The annual financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee as adopted by the European Union and effective for accounting periods beginning on 1 January 2013. The Group early adopted amendments to IAS 36 Recoverable Amount Disclosures for Non-financial Assets. The presentational currency of the Group is sterling.

The financial information in this announcement, which was approved by the Board of Directors on 5 March 2014, does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's Annual General Meeting. The auditor has reported on the 2013 accounts; the report is unqualified, did not draw attention to any matters by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements for the Group and the Company that comply with IFRS in March 2014.

2 Going concern

The Directors have acknowledged the guidance "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" published by the Financial Reporting Council in October 2009 and consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

3 Accounting policies

3.1 Adoption of new and revised standards

The following accounting standards, interpretations and amendments have been adopted by the Group in the current period:

- IFRS 13 Fair Value Measurement
- Amendments to the following standards:
  - IFRS 1 Government Loans
  - IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
  - IAS 19 Employee Benefits (Revised)
  - IAS 32 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
  - IAS 36 Impairment of Assets
  - IAS 36 Recoverable Amount Disclosures for Non-financial Assets
  - Improvements to IFRSs (2009–2011).

Other than IAS 19 Employee Benefits (Revised) (IAS 19 Revised), the above new and amended standards do not have a material effect on the Group. The effect on the financial statements of adopting IAS 19 Revised is disclosed in Note 3.3.

3.2 Accounting standards not yet adopted by the Group

The following accounting standards, interpretations and amendments have been issued by the IASB but had either not been adopted by the European Union or were not yet effective in the European Union at 31 December 2013:

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRIC 21: Levies
- Amendments to the following standards:
  - IFRS 10, IFRS 11 and IFRS 12: Investment Entities
  - IFRS 10, IFRS 11 and IFRS 12: Transition Guidance
  - IAS 19 Employee Benefits: Defined benefit plans: Employee Contributions
  - IAS 27 Separate Financial Statements
  - IAS 28 Investments in Associates and Joint Ventures
  - IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
  - Improvements to IFRSs (2010–2012)
  - Improvements to IFRSs (2011–2013).

Of these, IFRS 9 is expected to have the most significant effect.

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 in issue as at 31 December 2013 concerns the classification and measurement of financial assets and financial liabilities, the de-recognition of financial instruments and hedge accounting.

3.3 Re-presentation of comparative information

IAS 19 Revised

All primary statements have been restated to reflect the effects of adopting IAS 19 Revised which increased the Group's net finance costs by £10m before tax in the income statement with a corresponding restatement of the actuarial movements in other comprehensive income. In addition, the Railways Pension Scheme liability was revalued resulting in a £5m reduction to the retirement benefit liability with deferred tax assets and opening retained profits restated accordingly.

Discontinued operations

The Income Statement has been re-presented to classify certain Mainland European rail businesses and the UK facilities management business, Balfour Beatty WorkPlace, as discontinued operations. Refer to Note 10.

Recycling of revaluation reserves

The Statement of Comprehensive Income and the Statement of Changes in Equity have been re-presented to reflect the disclosure of recycling of the revaluation reserves to the income statement through other comprehensive income. This was previously shown within the Statement of Changes in Equity.

4 Exchange rates

The following key exchange rates were applied in these financial statements.

Average rates

£1 buys	2013	2012	Change
US$	**1.57**	1.59	(1.3)%
Euro	**1.18**	1.23	(4.1)%

Closing rates

£1 buys	2013	2012	Change
US$	**1.65**	1.62	1.9%
Euro	**1.20**	1.23	(2.4)%

5 Segment analysis

Reportable segments of the Group:

Professional Services – the provision of project management, architectural, design or other technical services performed by the Group as a consultant

Construction Services – activities resulting in the physical construction of an asset

Support Services – activities which support existing assets or functions such as asset maintenance and refurbishment

Infrastructure Investments – acquisition, operation and disposal of infrastructure assets such as PPP concessions, student accommodation and airports.

5.1 Total Group

Income statement – performance by activity from continuing operations

	Professional Services	Construction Services	Support Services	Infrastructure Investments	Corporate activities	Total
	2013 £m	**2013 £m**	**2013 £m**	**2013 £m**	**2013 £m**	**2013 £m**
Revenue including share of joint ventures and associates	**1,661**	**6,573**	**1,265**	**608**	**11**	**10,118**
Share of revenue of joint ventures and associates	**(13)**	**(971)**	**(33)**	**(356)**	**–**	**(1,373)**
Group revenue	**1,648**	**5,602**	**1,232**	**252**	**11**	**8,745**
Underlying group operating profit/(loss) [1]	**54**	**(16)**	**54**	**69**	**(29)**	**132**
Share of results of joint ventures and associates	**–**	**37**	**1**	**33**	**–**	**71**
Underlying profit/(loss) from operations [1]	**54**	**21**	**55**	**102**	**(29)**	**203**
Non-underlying items						
- amortisation of acquired intangible assets	**(13)**	**(10)**	**–**	**(7)**	**–**	**(30)**
- other non-underlying items	**(28)**	**(45)**	**(15)**	**–**	**(37)**	**(125)**
Profit/(loss) from operations	**13**	**(34)**	**40**	**95**	**(66)**	**48**
Investment income						**65**
Finance costs						**(81)**
Profit before taxation						**32**

	2012 £m	2012 [2,3] £m	2012 [3] £m	2012 £m	2012 £m	2012 [2,3] £m
Revenue including share of joint ventures and associates	1,668	6,511	1,151	636	–	9,966
Share of revenue of joint ventures and associates	(21)	(818)	(44)	(427)	–	(1,310)
Group revenue	1,647	5,693	1,107	209	–	8,656
Underlying group operating profit/(loss) [1]	97	70	28	29	(32)	192
Share of results of joint ventures and associates	1	49	2	40	–	92
Underlying profit/(loss) from operations [1]	98	119	30	69	(32)	284
Non-underlying items						
- amortisation of acquired intangible assets	(19)	(12)	–	(8)	–	(39)
- other non-underlying items	(13)	(49)	(14)	(12)	(3)	(91)
Profit/(loss) from operations	66	58	16	49	(35)	154
Investment income						62
Finance costs						(69)
Profit before taxation						147

[1] Before non-underlying items (Note 8).
[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

5.2 Assets and liabilities by activity

	Professional Services	Construction Services	Support Services	Infrastructure Investments	Corporate activities	Total
	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m
Due from construction contract clients	**179**	**316**	**136**	**–**	**–**	**631**
Due to construction contract clients	**(115)**	**(192)**	**(53)**	**–**	**–**	**(360)**
Inventories and non-construction work in progress	**1**	**62**	**71**	**–**	**1**	**135**
Trade and other receivables – current	**303**	**685**	**142**	**50**	**10**	**1,190**
Trade and other payables – current	**(279)**	**(1,400)**	**(283)**	**(58)**	**(26)**	**(2,046)**
Provisions - current	**(4)**	**(58)**	**(10)**	**(2)**	**(26)**	**(100)**
Working capital from continuing operations*	**85**	**(587)**	**3**	**(10)**	**(41)**	**(550)**
Classified as net assets held for sale	**–**	**(17)**	**–**	**–**	**–**	**(17)**
Adjusted working capital*	**85**	**(604)**	**3**	**(10)**	**(41)**	**(567)**

* Includes non-operating items and current working capital.

Total assets	**833**	**2,133**	**486**	**1,213**	**1,047**	**5,712**
Total liabilities	**(499)**	**(2,056)**	**(458)**	**(194)**	**(1,470)**	**(4,677)**
Net assets/(liabilities)	**334**	**77**	**28**	**1,019**	**(423)**	**1,035**

5.2 Assets and liabilities by activity continued

	Professional Services	Construction Services	Support Services	Infrastructure Investments	Corporate activities	Total
	2012 £m	2012[2] £m	2012 £m	2012 £m	2012 £m	2012[2,8] £m
Due from construction contract clients	187	387	60	–	–	634
Due to construction contract clients	(127)	(243)	(12)	–	–	(382)
Inventories and non-construction work in progress	5	79	87	–	1	172
Trade and other receivables – current	309	663	208	49	12	1,241
Trade and other payables – current	(302)	(1,455)	(368)	(43)	(46)	(2,214)
Provisions – current[8]	(4)	(93)	(14)	(1)	(4)	(116)
Working capital[*,8]	68	(662)	(39)	5	(37)	(665)

* Includes non-operating items and current working capital

[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).

[8] Re-presented to include current provisions only in line with all other working capital balances

Total assets	864	2,268	579	1,341	739	5,791
Total liabilities	(571)	(2,082)	(449)	(256)	(1,120)	(4,478)
Net assets/(liabilities)	293	186	130	1,085	(381)	1,313

[2] Restated to reflect the effects of IAS 19 Employee Benefits (Revised).

5.3 Other information – continuing operations

	Professional Services	Construction Services	Support Services	Infrastructure Investments	Corporate activities	Total
	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m
Capital expenditure on property, plant and equipment	**26**	**16**	**11**	**11**	**7**	**71**
Depreciation	**13**	**16**	**18**	**2**	**1**	**50**
Gain on disposals of interests in investments (Note 21.3)	**–**	**–**	**–**	**82**	**–**	**82**

	2012 £m	2012[3] £m	2012[3] £m	2012 £m	2012 £m	2012[3] £m
Capital expenditure on property, plant and equipment	11	16	11	1	1	40
Depreciation	13	16	19	2	1	51
Gain on disposals of interests in investments	–	–	–	52	–	52

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

5.4 Performance by geographic destination – continuing operations

	United Kingdom 2013 £m	United States 2013 £m	Rest of world 2013 £m	Total 2013 £m
Revenue including share of joint ventures and associates	**4,607**	**3,921**	**1,590**	**10,118**
Share of revenue of joint ventures and associates	**(436)**	**(180)**	**(757)**	**(1,373)**
Group revenue	**4,171**	**3,741**	**833**	**8,745**
Non-current assets excluding financial assets and deferred tax assets	**1,057**	**854**	**215**	**2,126**
Classified as assets held for sale (Note 10)	**–**	**–**	**52**	**52**
Adjusted non-current assets excluding financial assets and deferred tax assets	**1,057**	**854**	**267**	**2,178**
	2012 [3] £m	2012 [3] £m	2012 [3,9] £m	2012 [3] £m
Revenue including share of joint ventures and associates	4,837	3,540	1,589	9,966
Share of revenue of joint ventures and associates	(475)	(118)	(717)	(1,310)
Group revenue	4,362	3,422	872	8,656
Non-current assets excluding financial assets and deferred tax assets	1,207	835	307	2,349

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).
[9] Re-presented to amalgamate geographic information relating to continuing Mainland European operations and Rest of world.

5.5 Infrastructure Investments

Underlying profit from operations [1]	Group 2013 £m	Share of joint ventures and associates + 2013 £m	Total 2013 £m	Group 2012 [9] £m	Share of joint ventures and associates + 2012 £m	Total 2012 [9] £m
UK ^	**2**	**27**	**29**	2	35	37
North America	**21**	**6**	**27**	12	6	18
Infrastructure Fund [9]	**(2)**	**–**	**(2)**	(4)	–	(4)
Infrastructure	**(3)**	**–**	**(3)**	(3)	(1)	(4)
Gain on disposals of interests in investments	**82**	**–**	**82**	52	–	52
	100	**33**	**133**	59	40	99
Bidding costs and overheads [9]	**(31)**	**–**	**(31)**	(30)	–	(30)
	69	**33**	**102**	29	40	69

+ The Group's share of the results of joint ventures and associates is disclosed net of investment income, finance costs and taxation.
^ Including Singapore.
1 Before non-underlying items (Note 8).
9 Re-presented to separately identify costs directly related to the Infrastructure Fund.

6 Investment income

Continuing operations	Group 2013 £m	Group 2012 £m
Subordinated debt interest receivable	**25**	24
Interest receivable on PPP financial assets	**33**	31
Other interest receivable and similar income	**7**	7
	65	62

7 Finance costs

Continuing operations		Group 2013 £m	Group 2012 [2,3] £m
Non-recourse borrowings	– bank loans and overdrafts	**28**	27
Preference shares	– finance cost	**12**	12
Convertible bond	– finance cost	**1**	–
US private placement	– finance cost	**9**	–
Other interest payable	– loans under committed facilities	**9**	8
	– other bank loans and overdrafts	**3**	3
	– commitment fees	**4**	4
	– other finance charges	**6**	6
Net finance cost on pension scheme assets and liabilities		**9**	9
		81	69

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

8 Non–underlying items

	2013 £m	2012 [3] £m
Operating expenses (charged against)/credited to profit		
8.1 Continuing operations		
8.1.1 Amortisation of acquired intangible assets	**(30)**	(39)
8.1.2 Other non-underlying items		
– restructuring and reorganisation costs relating to Australia [o]	**(20)**	(2)
– restructuring and reorganisation costs relating to other continuing businesses [o]	**(32)**	(62)
– pension curtailment charges and related costs	**(52)**	–
– cost of implementing UK shared service centre	**(7)**	(4)
– cost of implementing US shared service centre [o]	**(10)**	(2)
– post-acquisition integration, reorganisation and other costs	**(4)**	(9)
– write-down of investment in Exeter International Airport	**–**	(12)
Total other non-underlying items	**(125)**	(91)
Charged against profit before taxation from continuing operations	**(155)**	(130)
8.1.3 Tax on items above	**35**	35
Non-underlying items charged against profit for the year from continuing operations	**(120)**	(95)
8.2 Discontinued operations		
8.2.1 Amortisation of acquired intangible assets	**(2)**	(6)
8.2.2 Other non-underlying items		
– goodwill impairment in respect of Mainland European rail businesses	**(38)**	(95)
– other restructuring charges in respect of Mainland European rail businesses [o]	**(6)**	(2)
– pension curtailment charges	**(2)**	–
– Rail Germany regulatory fine	**(2)**	–
– loss on disposal of Rail Spain	**(4)**	–
– loss on disposal of Stassfurt Signalling Workshop	**(1)**	–
– UK facilities management business disposal gain/transaction costs [o]	**16**	(2)
Total other non-underlying items from discontinued operations	**(37)**	(99)
Charged against profit before taxation from discontinued operations	**(39)**	(105)
8.2.3 Tax on items above	**2**	4
Non-underlying items charged against profit for the year from discontinued operations	**(37)**	(101)
Charged against profit for the year	**(157)**	(196)

[o] Re-presented to separately identify restructuring costs relating to Australia, the disposal transaction costs relating to the UK facilities management business, the costs relating to the implementation of the US shared service centre, and to amalgamate the prior year restructuring costs relating to continuing Mainland European rail businesses.

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

Continuing operations

8.1.1 The amortisation of acquired intangible assets from continuing operations comprises: customer contracts £10m (2012: £16m); customer relationships £11m (2012: £14m); and brand names £9m (2012: £9m).

8.1.2.1 In response to the downturn in Australia, the Group incurred restructuring and reorganisation costs of £20m (2012: £2m) mainly relating to the mining sector. The 2013 restructuring costs comprise: redundancy costs £12m (2012: £2m); and onerous leases £8m (2012: £nil).

8.1.2.2 The Group continued to implement its plan to restructure a number of its businesses in order to increase its focus on the needs of clients and upon growth sectors, further integrate its service offering to these clients, and realise operational efficiencies. In 2013 restructuring costs of £32m were incurred (2012: £62m) relating to: Construction Services UK £14m (2012: £34m), where six business units have been streamlined and restructured into one business with three business streams; Support Services UK £5m (2012: £5m); other UK entities £7m (2012: £10m); continuing Mainland European rail businesses £nil (2012: £7m) and other non-UK entities £6m (2012: £6m).

The 2013 restructuring costs comprise: redundancy costs £16m (2012: £24m); external advisers £6m (2012: £8m); impairment of land and buildings £nil (2012: £5m); reversal of impairment of land and buildings £(3)m (2012: £nil); gain on sale of property £(3)m (2012: £nil); other property related costs £4m (2012: £11m); pension curtailment cost £1m (2012: £2m); and other restructuring costs £11m (2012: £12m).

8.1.2.3 On 31 August 2013 the majority of members of the Balfour Beatty Pension Fund ceased to accrue future defined benefits and became deferred members resulting in a curtailment charge of £51m with associated costs of £1m (2012: £nil) being incurred.

8.1.2.4 In 2013, transitioning other operating companies to the UK shared service centre in Newcastle-upon-Tyne and increasing the scope led to incremental costs of £7m (2012: £4m) being incurred.

8.1.2.5 In 2013, the implementation of the US shared service centre in Lancaster, Pennsylvania, with the transfer of roles from New York, led to incremental costs of £10m (2012: £2m) being incurred.

8.1.2.6 Post-acquisition integration and reorganisation costs of £4m (2012: £9m) have been incurred in 2013 of which £3m (2012: £nil) relates to Howard S. Wright post-acquisition reorganisation costs and £1m (2012: £1m) relates to Parsons Brinckerhoff post-acquisition reorganisation costs. In 2012, a liability of £8m was settled in respect of a geotechnical survey carried out by a company acquired by Parsons Brinckerhoff prior to its own acquisition by Balfour Beatty in 2009.

8.1.2.7 During 2012 an impairment charge of £12m arose on the Group's 60% interest in Regional & City Airports (Exeter) Holdings Ltd from writing the carrying value of the Group's joint venture investment down to £nil, as a result of the continued effect of adverse economic conditions upon traffic at regional airports, which was exacerbated by an increase in Air Passenger Duty effective from April 2012. Exeter was subsequently sold in 2013 (Note 21.3.5).

8.1.3 The non-underlying items charged against Group operating profit from continuing operations gave rise to a tax credit of £35m comprising: £9m on amortisation of acquired intangible assets and £26m on other non-underlying items (2012: £35m comprising: £13m on amortisation of acquired intangible assets and £22m on other non-underlying items).

Discontinued operations

8.2.1 The amortisation of acquired intangible assets from discontinued operations comprises: customer contracts £1m (2012: £1m); customer relationships £1m (2012: £4m); and brand names £nil (2012: £1m).

8.2.2.1 During 2012, following a strategic review in the light of low activity levels and the commoditisation of work, the Group decided to divest all of its Mainland European rail businesses over time. At 28 June 2013 Rail Germany, Rail Scandinavia and Rail Spain were classified as discontinued operations with a £38m goodwill impairment arising in respect of Rail Germany. During 2012, £95m of goodwill in the Mainland European rail businesses was impaired. Refer to Note 10.

8.2.2.2 Restructuring costs of £6m (2012: £2m) were incurred in respect of Mainland European rail businesses classified as discontinued operations, of which £4m (2012: £1m) related to redundancy costs.

8.2.2.3 On 31 August 2013 the majority of members of the Balfour Beatty Pension Fund ceased to accrue future defined benefits and became deferred members resulting in a curtailment charge of £2m being incurred in relation to Balfour Beatty WorkPlace employees.

8.2.2.4 During 2013, Rail Germany incurred a £2m fine imposed by the German competition authority in respect of allegations of historic anti-competitive behaviour occurring in Schreck-Mieves GmbH, a company acquired by Balfour Beatty in 2008.

8.2.2.5 On 1 March 2013 the Group disposed of Rail Spain for a net loss of £4m. Refer to Note 21.3.1.

8.2.2.6 On 1 August 2013, as the initial step in disposing of Rail Germany, the Group disposed of the Stassfurt Signalling Workshop to its local management for €1 resulting in a net loss of £1m. Refer to Note 21.3.6.

8.2.2.7 On 13 December 2013 the Group disposed of the UK facilities management business, Balfour Beatty WorkPlace for net cash proceeds of £155 million resulting in a net gain of £16m. Transaction costs of £2m were incurred in 2012 relating to the disposal of Balfour Beatty WorkPlace. Refer to Note 21.3.10.

8.2.3 The non-underlying items charged against Group operating profit from discontinued operations gave rise to a tax credit of £2m comprising: £nil on amortisation of acquired intangible assets and £2m on other non-underlying items (2012: £4m comprising: £1m on amortisation of acquired intangible assets and £3m on other non-underlying items).

9 Taxation – continuing operations

	Underlying Items [1] 2013 £m	Non-underlying items (Note 8) 2013 £m	Total 2013 £m	Total 2012 [2,3] £m
Total UK tax	**7**	**(20)**	**(13)**	(9)
Total non-UK tax	**43**	**(15)**	**28**	35
Total tax charge/(credit)	**50**	**(35)**	**15**	26
Continuing operations [x]				
UK current tax				
- corporation tax for the year at 23.25% (2012: 24.5%)	**8**	**(7)**	**1**	(7)
- adjustments in respect of previous periods	**(10)**	**–**	**(10)**	(2)
	(2)	**(7)**	**(9)**	(9)
Non-UK current tax				
- non-UK tax on profits for the year	**46**	**(21)**	**25**	33
- adjustments in respect of previous periods	**(14)**	**–**	**(14)**	3
	32	**(21)**	**11**	36
Total current tax	**30**	**(28)**	**2**	27
UK deferred tax				
- current year credit	**(2)**	**(13)**	**(15)**	(3)
- adjustments in respect of previous periods	**5**	**–**	**5**	–
- UK corporation tax rate change	**6**	**–**	**6**	3
	9	**(13)**	**(4)**	–
Non-UK deferred tax				
- current year charge	**7**	**6**	**13**	6
- adjustments in respect of previous periods	**4**	**–**	**4**	(7)
	11	**6**	**17**	(1)
Total deferred tax	**20**	**(7)**	**13**	(1)
Total tax charge/(credit) from continuing operations	**50**	**(35)**	**15**	26

[x] Excluding joint ventures and associates

[1] Before non-underlying items (Note 8).

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised).

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

The Group tax charge excludes amounts for joint ventures and associates (refer to Note 15), except where tax is levied at the Group level.

In addition to the Group tax charge, tax of £37m is credited directly to equity (2012: £72m charged), comprising: a deferred tax credit of £9m (2012: £13m credit restated); a current tax credit of £nil (2012: £1m credit); and a deferred tax credit in respect of joint ventures and associates of £28m (2012: £86m charge).

10 Discontinued operations

Rail disposal group

Following a strategic review in light of low activity levels and the commoditisation of work, the Group decided to divest all of its Mainland European rail businesses over time. The Group has been actively marketing its Mainland European rail businesses and accordingly, when it is probable that these businesses will be sold within a year and meet the criteria to be classified as an asset held for sale, are sold or abandoned, they will form part of the Rail disposal group and be disclosed as discontinued operations.

To be classified as a discontinued operation, the businesses must represent a separate major line of business. Other than the Mainland European rail businesses there are no significant Group operations in Mainland Europe and therefore by exiting these businesses, the Group is exiting from a separate major geographical operation and meets the criteria to classify these businesses as discontinued operations.

On 1 March 2013 the Group disposed of its interest in Rail Iberica SA (Rail Spain) to its local management for a cash consideration of €1 resulting in a net £4m loss on disposal. Refer to Note 21.3.1.

On 28 June 2013 it was probable that Rail Germany and Rail Scandinavia would be disposed within a year and therefore met the criteria to be classified as an asset held for sale, with a £38m goodwill impairment. Therefore together with Rail Spain they constitute the Rail disposal group within discontinued operations.

On 1 August 2013, as the initial step in disposing of Rail Germany, the Group disposed of the Stassfurt Signalling Workshop to its local management for €1 resulting in a net loss of £1m and closed its Switches and Crossings Manufacturing factory during the year. Refer to Note 21.3.6.

On 10 December 2013, the Group announced that it had reached agreement to sell Rail Scandinavia to Strukton Rail B.V. resulting in a moderate gain. This disposal is effective from 8 January 2014. Refer to Note 25.

The Rail disposal group was part of the Construction Services segment.

UK facilities management disposal group

Balfour Beatty WorkPlace (BBW) is the Group's only significant buildings facilities management business in the UK and represents a separate major line of business.

On 28 June 2013, it was probable that BBW would be disposed of within a year and therefore BBW met the criteria to be classified as an asset held for sale and consequently as a discontinued operation.

On 13 December 2013 the Group disposed of BBW to GDF Suez Energy Services for net cash consideration of £155m. This resulted in an estimated net non-underlying gain of £16m. Refer to Note 21.3.10.

BBW was part of the Support Services segment.

10 Discontinued operations continued

Results of the discontinued operations included within the Group Income Statement

	Rail disposal group 2013 £m	**UK facilities management disposal group 2013 £m**	**Total discontinued operations 2013 £m**	Rail disposal group 2012 £m	UK facilities management disposal group 2012 £m	Total discontinued operations 2012 £m
Revenue including share of joint ventures and associates	**396**	**470**	**866**	448	482	930
Share of revenue of joint ventures and associates	**(4)**	**(45)**	**(49)**	(12)	(91)	(103)
Group revenue	**392**	**425**	**817**	436	391	827
Underlying group operating (loss)/profit	**(26)**	**19**	**(7)**	(1)	21	20
Share of results of joint ventures and associates	**–**	**–**	**–**	3	1	4
Underlying (loss)/profit from operations	**(26)**	**19**	**(7)**	2	22	24
Net finance costs	**(2)**	**(1)**	**(3)**	(2)	–	(2)
Underlying (loss)/profit before tax	**(28)**	**18**	**(10)**	–	22	22
Taxation on underlying items	**(3)**	**(2)**	**(5)**	(3)	(4)	(7)
Underlying (loss)/profit after tax	**(31)**	**16**	**(15)**	(3)	18	15
Non-underlying items						
- amortisation of acquired intangible assets	**–**	**(2)**	**(2)**	(1)	(5)	(6)
- (loss)/gain on disposal	**(5)**	**16**	**11**	–	–	–
- other non-underlying items	**(46)**	**(2)**	**(48)**	(97)	(2)	(99)
	(51)	**12**	**(39)**	(98)	(7)	(105)
Taxation on non-underlying items	**1**	**1**	**2**	3	1	4
Non-underlying (loss)/profit after tax	**(50)**	**13**	**(37)**	(95)	(6)	(101)
(Loss)/profit for the year from discontinued operations	**(81)**	**29**	**(52)**	(98)	12	(86)

Major classes of assets included within assets held for sale

	Rail disposal group 2013 £m
Non-current assets	
Intangible assets – other	2
Property, plant and equipment	42
Investments in joint ventures and associates	8
	52
Current assets	
Inventories and non-construction work in progress	13
Due from construction contract clients	73
Trade and other receivables	74
Cash	19
	179
Total assets classified as held for sale	231

10 Discontinued operations continued

Major classes of liabilities included within liabilities held for sale

	Rail disposal group 2013 £m
Current liabilities	
Due to construction contract clients	(47)
Trade and other payables	(120)
Provisions	(10)
Current tax liabilities	(3)
	(180)
Non-current liabilities	
Trade and other payables	(4)
Provisions	(3)
Retirement benefit liabilities	(30)
Deferred tax liabilities	(2)
	(39)
Total liabilities classified as held for sale	(219)
Net assets of disposal group	12

Reconciliation of net assets classified as held for sale

	Rail disposal group 2013 £m	UK facilities management disposal group 2013 £m	Total discontinued operations 2013 £m
As at 28 June 2013	39	115	154
Net assets disposed since June	(5)	(120)	(125)
Movements since classification as held for sale	(22)	5	(17)
Total net assets classified as held for sale	**12**	**–**	**12**

Included within the Group's cash flows for the year ended 31 December 2013 are net £10m operating cash outflows; net £10m investing cash outflows; and net £1m financing cash outflows relating to the Rail disposal group and net £7m operating cash inflows and net £139m investing cash inflows relating to the UK facilities management disposal group.

11 Earnings per ordinary share

Earnings	2013 Basic £m	2013 Diluted £m	2012 [2,3] Basic £m	2012 [2,3] Diluted £m
Continuing operations				
Earnings	**17**	**17**	121	121
Amortisation of acquired intangible assets – net of tax credit of £9m (2012: £13m)	**21**	**21**	26	26
Other non-underlying items – net of tax credit of £26m (2012: £22m)	**99**	**99**	69	69
Underlying earnings	**137**	**137**	216	216
Discontinued operation				
Earnings	**(52)**	**(52)**	(86)	(86)
Amortisation of acquired intangible assets – net of tax credit of £nil (2012: £1m)	**2**	**2**	5	5
Other non-underlying items – net of tax of £2m (2012: £3m)	**35**	**35**	96	96
Underlying earnings	**(15)**	**(15)**	15	15
Total operations				
Earnings	**(35)**	**(35)**	35	35
Amortisation of acquired intangible assets – net of tax credit of £9m (2012: £14m)	**23**	**23**	31	31
Other non-underlying items – net of tax credit of £28m (2012: £25m)	**134**	**134**	165	165
Underlying earnings	**122**	**122**	231	231

	Basic m	Diluted m	Basic m	Diluted m
Weighted average number of ordinary shares	**685**	**686**	684	685

Earnings per share	Basic pence	Diluted pence	Basic pence	Diluted pence
Continuing operations				
Earnings per ordinary share	**2.5**	**2.5**	17.9	17.9
Amortisation of acquired intangible assets	**3.0**	**3.0**	3.8	3.8
Other non-underlying items	**14.5**	**14.5**	10.0	10.0
Underlying earnings per ordinary share	**20.0**	**20.0**	31.7	31.7
Discontinued operations				
Earnings per ordinary share	**(7.6)**	**(7.6)**	(12.6)	(12.6)
Amortisation of acquired intangible assets	**0.2**	**0.2**	0.6	0.6
Other non-underlying items	**5.2**	**5.2**	14.1	14.1
Underlying earnings per ordinary share	**(2.2)**	**(2.2)**	2.1	2.1
Total operations				
Earnings per ordinary share	**(5.1)**	**(5.1)**	5.3	5.3
Amortisation of acquired intangible assets	**3.2**	**3.2**	4.4	4.4
Other non-underlying items	**19.7**	**19.7**	24.1	24.1
Underlying earnings per ordinary share	**17.8**	**17.8**	33.8	33.8

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised).

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

12 Dividends on ordinary shares

	2013 Per share pence	2013 Amount £m	2012 Per share pence	2012 Amount £m
Proposed dividends for the year				
Interim – current year	**5.6**	**38**	5.6	38
Final – current year	**8.5**	**58**	8.5	58
	14.1	**96**	14.1	96
Recognised dividends for the year				
Final – prior year		**58**		58
Interim – current year		**38**		38
		96		96

The interim 2013 dividend was paid on 6 December 2013. Subject to approval at the Annual General Meeting on 15 May 2014, the final 2013 dividend will be paid on 4 July 2014 to holders on the register on 25 April 2014. The ordinary shares will be quoted ex-dividend on 23 April 2014.

	2013 £m	2012 £m
Dividends on ordinary shares of the Company	**96**	96
Other dividends to non-controlling interests	**1**	1
Total recognised dividends for the year	**97**	97

13 Intangible assets – goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 1 January 2013	1,299	(139)	1,160
Currency translation differences	**(9)**	**–**	**(9)**
Impairment charges in respect of Mainland European rail businesses (Note 8)	**–**	**(38)**	**(38)**
Business acquired – prior year	**(1)**	**–**	**(1)**
Reclassified to assets held for sale	**(134)**	**134**	**–**
Reclassified to assets held for sale and subsequently sold	**(64)**	**–**	**(64)**
At 31 December 2013	**1,091**	**(43)**	**1,048**

Carrying amounts of goodwill by cash generating unit

	2013 £m	Pre-tax discount rate 2013 %	2012 £m	Pre-tax discount rate 2012 %
Parsons Brinckerhoff	**235**	**12.5**	237	13.7
Construction Services UK	**261**	**10.7**	263	10.8
Construction Services US	**356**	**12.8**	362	12.9
Other	**196**	**9.1–12.1**	298	9.0–12.0
Group total	**1,048**		1,160	

The recoverable amount of goodwill is based on value in use. Cash flow forecasts are based on the expected workload of each cash-generating unit (CGU) giving consideration to the current level of confirmed and anticipated orders. Cash flow forecasts for the next three years are based on the Group's 2014 budget and strategic roadmap. The other key inputs in assessing each CGU are its revenue growth rate and discount rate. The revenue growth rates have been applied to cash flows after three years into perpetuity and have been derived from estimated GDP growth rates based on published data for the economic environment of each CGU less 1.0% to reflect current economic uncertainties and their consequent estimated effect on public sector spending on infrastructure. The cash flows assume a residual value based on a multiple of earnings before interest and tax.

13 Intangible assets – goodwill

	Professional Services 2013 %	Construction Services UK 2013 %	Construction Services US 2013 %	Other 2013 %	Professional Services 2012 %	Construction Services UK 2012 %	Construction Services US 2012 %	Other 2012 %
Inflation rate	**2.4**	**2.4**	**2.4**	**2.4**	2.2	2.2	2.2	2.2
Real growth rate	**1.7**	**1.2**	**1.7**	**1.2**	1.7	1.3	1.7	1.2
Nominal long term revenue growth rate applied	**4.1**	**3.6**	**4.1**	**3.6**	3.9	3.5	3.9	3.4

Sensitivities

The Group's impairment review is sensitive to changes in the key assumptions used. The major assumptions that result in significant sensitivities are the discount rate and the long term revenue growth rate.

Except as noted below, a reasonably possible change in a single assumption will not give rise to further impairment in any of the Group's CGUs.

Using a pre-tax discount rate of 12.1% and revenue growth rate of 2.6% the recoverable amount of the remaining goodwill in the continuing Rail Italy business is £25m based on value in use, with consequent headroom of £6m. A 1.0% increase in the discount rate and a 1.0% reduction in the growth rate would lead to an impairment of £1m.

The recoverable amount of the Blackpool International Airport goodwill is £4m with headroom of £nil, based on the value in use of the trading business and the fair value of the land. Any decrease in the fair value of the land will lead to a commensurate impairment of the goodwill.

14 Intangible assets – other

	Cost £m	Accumulated amortisation £m	Carrying Amount £m
At 1 January 2013	491	(279)	212
Currency translation differences	**(6)**	**5**	**(1)**
Additions	**38**	**–**	**38**
Disposals	**(1)**	**1**	**–**
Charge for the year – continuing operations	**–**	**(33)**	**(33)**
Charge for the year – discontinued operations	**–**	**(2)**	**(2)**
Impairment – continuing operations	**(1)**	**–**	**(1)**
Impairment – discontinued operations	**(1)**	**–**	**(1)**
Reclassified from property, plant and equipment	**2**	**(1)**	**1**
Reclassified to assets held for sale (Note 10)	**(9)**	**7**	**(2)**
Reclassified to assets held for sale and subsequently sold	**(23)**	**16**	**(7)**
At 31 December 2013	**490**	**(286)**	**204**

Other intangible assets comprise: acquired intangible assets of customer contracts, customer relationships, and brand names; and operating intangible assets of Infrastructure Investments' intangible assets, software, and other.

15 Joint ventures and associates

	2013						
				Infrastructure Investments			
	Professional Services £m	Construction Services £m	Support Services £m	UK ^ £m	North America £m	Infrastructure Fund £m	Total £m
Continuing operations							
Revenue	13	971	33	356	–	–	1,373
Underlying operating profit [1]	–	38	1	11	6	–	56
Investment income	–	2	–	164	–	–	166
Finance costs	–	–	–	(142)	–	–	(142)
Profit before taxation	–	40	1	33	6	–	80
Taxation	–	(3)	–	(6)	–	–	(9)
Profit after taxation	–	37	1	27	6	–	71
Intangible assets							
- goodwill	–	29	–	–	–	–	29
- Infrastructure Investments intangible	–	–	–	23	–	–	23
- other	–	6	–	6	–	–	12
Property, plant and equipment	–	41	–	8	–	–	49
PPP financial assets	–	–	–	2,292	–	–	2,292
Military housing projects	–	–	–	–	83	–	83
Infrastructure Fund Investment	–	–	–	–	–	11	11
Net cash/(borrowings)	2	158	3	(1,599)	–	–	(1,436)
Other net liabilities	(1)	(99)	–	(297)	–	–	(397)
Net assets	1	135	3	433	83	11	666

^ Including Singapore.
[1] Before non-underlying items (Note 8).

The Group's investment in military housing joint ventures' and associates' projects is recognised at the initial equity investment plus the value of the Group's accrued preferred return from the underlying projects.

15 Joint ventures and associates continued

	2012						
				Infrastructure Investments			
	Professional Services £m	Construction Services [2,3] £m	Support Services [2,3] £m	UK ^ £m	North America £m	Infrastructure £m	Total [2,3] £m
Continuing operations							
Revenue	21	818	44	422	–	5	1,310
Underlying operating profit [1]	1	54	2	19	6	–	82
Investment income	–	–	–	180	–	–	180
Finance costs	–	–	–	(155)	–	(2)	(157)
Profit/(loss) before taxation	1	54	2	44	6	(2)	105
Taxation	–	(5)	–	(9)	–	1	(13)
Profit/(loss) after taxation	1	49	2	35	6	(1)	92
Intangible assets							
- goodwill	–	30	–	–	–	12	42
- Infrastructure Investments intangible	–	–	–	18	–	–	18
- other	–	2	–	1	–	–	3
Property, plant and equipment	–	41	7	1	–	13	62
PPP financial assets	–	–	–	2,641	–	–	2,641
Military housing projects	–	–	–	–	65	–	65
Net cash/(borrowings)	5	157	9	(1,718)	–	(36)	(1,583)
Other net (liabilities)/assets	(4)	(106)	(8)	(415)	–	11	(522)
Net assets	1	124	8	528	65	–	726

^ Including Singapore.
1 Before non-underlying items (Note 8).
2 Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised).
3 Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Note 10).

16 Trade and other receivables

	2013 £m	2012 £m
Current		
Trade receivables	**827**	851
Less: Provision for impairment of trade receivables	**(26)**	(29)
	801	822
Other receivables	**76**	69
Due from joint ventures and associates	**28**	38
Due from jointly controlled operations	**3**	1
Contract retentions receivable +	**198**	199
Accrued income	**21**	38
Prepayments	**47**	74
Due on acquisitions	**16**	–
	1,190	1,241
Non-current		
Trade receivables	**2**	2
Other receivables	**2**	9
Due from joint ventures and associates	**11**	2
Contract retentions receivable +	**98**	67
Prepayments	**–**	4
Due on acquisitions	**–**	16
	113	100
Total trade and other receivables	**1,303**	1,341

+ Includes £295m (2012: £265m) construction contracts receivable.

17 Trade and other payables

	2013 £m	2012 £m
Current		
Trade and other payables	**857**	900
Accruals	**1,044**	1,130
Deferred income	**6**	15
Advance payments on contracts *	**14**	19
VAT, payroll taxes and social security	**115**	108
Due to joint ventures and associates	**1**	15
Dividends on preference shares	**5**	5
Due on acquisitions	**4**	22
	2,046	2,214
Non-current		
Trade and other payables	**112**	94
Accruals	**20**	16
Deferred income	**7**	4
Advance payments on contracts *	**–**	1
Due to joint ventures and associates	**27**	25
Due on acquisitions	**16**	19
	182	159
Total trade and other payables	**2,228**	2,373

* Includes £11m (2012: £14m) advances on construction contracts.

18 Retirement benefit liabilities

IAS 19 Employee Benefits (Revised) prescribes the accounting for defined benefit schemes in the Group's financial statements. Obligations are calculated using the projected unit credit method and discounted to a net present value using the market yield on a high quality corporate bond. The pension expense relating to current service cost is charged to contracts or overheads based on the function of scheme members and is included in cost of sales and net operating expenses. The net finance cost arising from the expected interest income on plan assets and interest cost on scheme obligations is included in finance costs. Actuarial gains and losses are reported in the Statement of Comprehensive Income.

The investment strategy of the Balfour Beatty Pension Fund (BBPF) is to hold assets of appropriate liquidity and marketability to generate income and capital growth. The BBPF invests partly in a diversified range of assets including equities and hedge funds in anticipation that, over the longer term, they will grow in value faster than the obligations. The equities are in the form of pooled funds and are a combination of UK, other developed market and emerging market equities. The remaining BBPF assets are principally fixed and index-linked bonds and swaps in order to match the duration and inflation exposure of the obligations and enhance the resilience of the funding level of the scheme. The performance of the assets is measured against market indices.

Following the previous formal triennial funding valuation of the BBPF carried out as at 31 March 2010, the Group agreed to make ongoing deficit payments to the BBPF of £48m per annum from April 2010, increasing each year by CPI (capped at 5%) plus 50% of any increase in the Company's dividend in excess of capped CPI. Following the merger of the Parsons Brinckerhoff Scheme with the BBPF the Group agreed to make additional deficit payments of £11m per annum, with the first payment made in October 2012. During 2012 the Group also agreed to make additional conditional deficit contributions of £1m per month, payable quarterly in arrears, if the BBPF funding levels in any given month were below certain funding targets set out in the BBPF journey plan, with the first payment made in January 2013.

18 Retirement benefit liabilities continued

A formal triennial funding valuation of the BBPF was carried out as at 31 March 2013. As a result the Group agreed with effect from April 2013 to make revised ongoing deficit payments of £50m per annum, increasing to: £55m per annum from April 2016; £60m per annum from April 2017; and £65m per annum from April 2018 to May 2020, increasing each year by CPI (minimum 0% and capped at 5%) plus 200% of any increase in the Company's dividend in excess of capped CPI. If the Company makes any one-off return of value to shareholders such as a special dividend, share buy-back, capital payment or similar before the next actuarial valuation is agreed, there will be an additional increase in the deficit payment for the following year only, calculated as the regular deficit payment for that year multiplied by 75%, multiplied by the value of the one-off return of value, divided by the total of the regular dividends for the year in which the one-off return was made. The Group has the ability to use surplus funds in the defined benefit section of the BBPF to pay its contributions towards future service benefits in the defined benefit and defined contribution sections of the scheme.

In 2012 a pension increase exchange (PIE) offer to certain current pensioners, widows and widowers of the BBPF, to forego their entitlement to future non-statutory inflation increases in return for a higher pension than their current entitlement, resulted in a £2m reduction to the pension liability and a consequential net past service cost credit of £2m.

On 31 August 2013 the majority of members of the BBPF ceased to accrue future defined benefits and became deferred members resulting in a curtailment charge of £53m, recognised as a non-underlying item, of which £2m related to discontinued operations. During 2013 various group restructurings resulted in an additional £1m curtailment charge.

During the year ended 31 December 2012, Parsons Brinckerhoff Ltd operated a defined benefit scheme (Parsons Brinckerhoff Scheme) which had been closed to new members since 31 July 2003. On 30 June 2012 the Parsons Brinckerhoff Scheme merged with the BBPF and the Group agreed to make additional deficit payments of £11m per annum to the BBPF, with the first payment made in October 2012. On 28 June 2012 the Parsons Brinckerhoff Scheme released its legal charge over a Group leasehold property with a book value of £4m at 31 December 2011 in return for a one-off deficit contribution of £2.5m. The deficit contributions have been superseded by the deficit contributions agreed in the March 2013 BBPF formal triennial funding valuation.

Principal actuarial assumptions for the IAS 19 accounting valuations of the Group's principal schemes

	2013		2012	
	Balfour Beatty Pension Fund %	**Railways Pension Scheme %**	Balfour Beatty Pension Fund %	Railways Pension Scheme %
Discount rate	**4.35**	**4.35**	4.40	4.40
Inflation rate – RPI	**3.30**	**3.30**	2.90	2.90
– CPI	**2.10**	**2.10**	2.20	2.20
Future increases in pensionable salary				
– certain members that have a protected right to a defined benefit membership	**2.10**	**2.10**	2.20	2.20
– other members	**–**	**2.10**	4.40	2.20
Rate of increase in pensions in payment (or such other rate as is guaranteed)	**3.05**	**2.25**	2.80	2.20
	Number	**Number**	Number	Number
Total number of defined benefit members	**36,217**	**3,214**	37,877	3,226

In January 2013 the market RPI expectation increased by 0.30% following an announcement by the ONS that there would be no material change in the calculation of RPI. As a result of this announcement and following independent advice received from the Group's actuaries, the Group reassessed the difference between RPI and CPI measures of price inflation from 0.7% to 1.0% in 2013 reducing the pension liability by £38m which was recognised in the Statement of Comprehensive Income.

18 Retirement benefit liabilities continued

In December 2013, following independent advice from the Group's actuaries based on further announcements by the ONS, the Group reassessed the difference between RPI and CPI measures of price inflation from 1.0% in January 2013 to 1.2% reducing the pension liability by a further £36m which was recognised in the Statement of Comprehensive Income.

The BBPF actuary undertakes regular mortality investigations based on the experience exhibited by pensioners of the BBPF and due to the size of the membership of the BBPF (49,455 members at 31 December 2013) is able to make comparisons of this experience with the mortality rates set out in the various published mortality tables. The actuary is also able to monitor changes in the exhibited mortality over time. This research is taken into account in the Group's mortality assumptions across its various defined benefit schemes.

The mortality assumptions as at 31 December 2013 have been updated to reflect the experience of Balfour Beatty pensioners for the period 1 April 2003 to 31 March 2013. The mortality tables adopted for the 2013 and 2012 IAS 19 valuations are the SAPS tables with a multiplier of 101% for male and for female members (2012: 90% for male and 103% for female members) and 110% for female widows and dependants (2012: 103%); all with an improvement rate in line with the CMI core projection model to 2013 (2012: flat 1.6% pa to 2013), plus future improvements from 2013 in line with the CMI core projection model applicable to each member‘s year of birth with a long term rate of 1.25% pa for male and 1.00% pa for female members.

	2013		2012	
	Average life expectancy at 65 years of age		Average life expectancy at 65 years of age	
	Male	Female	Male	Female
Members in receipt of a pension	**22.4**	**24.4**	21.9	24.4
Members not yet in receipt of a pension (current age 50)	**23.7**	**25.6**	23.2	25.6

In December 2012 allowance was made for approximately three future years of life expectancy for former members of the Parsons Brinckerhoff Scheme. The 2013 investigation revealed that the life expectancy for these members is similar to other members of the BBPF, therefore mortality assumptions have been aligned in 2013.

Amounts recognised in the Balance Sheet

	2013				2012 [2]			
	Balfour Beatty Pension Fund £m	Railways Pension Scheme £m	Other schemes ^ £m	Total £m	Balfour Beatty Pension Fund £m	Railways Pension Scheme £m	Other schemes ^ £m	Total £m
Present value of obligations	**(2,964)**	**(191)**	**(74)**	**(3,229)**	(2,863)	(184)	(99)	(3,146)
Fair value of plan assets	**2,641**	**153**	**1**	**2,795**	2,665	147	1	2,813
Liability in the balance sheet	**(323)**	**(38)**	**(73)**	**(434)**	(198)	(37)	(98)	(333)

^ Available-for-sale investments in mutual funds of £60m (2012: £52m) are held by the Group to satisfy the Group's deferred compensation obligations.

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised).

The defined benefit obligation comprises £73m (2012: £97m) arising from wholly unfunded plans and £3,156m (2012: £3,049m restated) arising from plans that are wholly or partly funded.

18 Retirement benefit liabilities continued

Movements in the retirement benefit liabilities for the year		2013 £m
At 1 January 2013 [2]		(333)
Currency translation differences		**1**
Current service cost – continuing operations		**(30)**
Curtailment costs	– ceasing future accrual	**(51)**
	– restructuring	**(1)**
Interest cost – continuing operations		**(117)**
Income statement costs relating to discontinued operations		**(26)**
Interest income – continuing operations		**108**
Interest income – discontinued operations		**15**
Actuarial movements	– on obligations from reassessing the difference between RPI and CPI	**74**
	– on obligations from changes to other financial assumptions	**(135)**
	– on obligations from the change in demographic assumptions	**(28)**
	– on obligations from experience gains/(losses)	**16**
	– on assets	**(44)**
Contributions from employer	– regular funding	**23**
	– ongoing deficit funding – continuing operations	**50**
	– ongoing deficit funding – discontinued operations	**2**
	– conditional deficit funding	**7**
Contributions from members		**(1)**
Benefits paid		**8**
Reclassified to liabilities held for sale		**30**
Reclassified to assets held for sale and subsequently sold		**(2)**
At 31 December 2013		**(434)**

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised).

The BBPF includes a defined contribution section with 13,238 members at 31 December 2013 (2012: 10,373 members) with £32m (2012: £30m restated) of contributions paid from continuing operations and charged in the income statement in respect of this section. Costs relating to discontinued operations in respect of this section are £6m (2012: £5m).

The total net pension cost recognised in the income statement in respect of employee service for defined benefit and defined contribution schemes was £158m (2012: £114m restated) of which £21m (2012: £14m) relates to discontinued operations.

Sensitivity of the Group's retirement benefit obligations at 31 December 2013 to different actuarial assumptions

Obligations	Percentage points/years	(Decrease)/ increase in obligations %	(Decrease)/ increase in obligations £m
Increase in discount rate	**0.5%**	**(7.4)**	**(232)**
Increase in market expectation of RPI inflation	**0.5%**	**4.9**	**154**
Increase in salary growth	**0.5%**	**–**	**2**
Increase in life expectancy	**1 year**	**3.3**	**104**

Sensitivity of the Group's retirement benefit assets at 31 December 2013 to changes in market conditions

Assets	Percentage points	(Decrease)/ increase in assets %	(Decrease)/ increase in assets £m
Increase in interest rates	**0.5%**	**(6.1)**	**(170)**
Increase in market expectation of RPI inflation	**0.5%**	**3.3**	**93**

19 Share capital

During the year ended 31 December 2013, 386,386 (2012: 866,427) ordinary shares were issued following the exercise of savings-related share options and 270,895 (2012: 229,220) ordinary shares were issued following the exercise of executive share options for an aggregate cash consideration of £1m (2012: £2m).

20 Notes to the statement of cash flows

20.1 Cash (used in)/generated from operations

	Underlying 2013 £m	Non-underlying 2013 £m	Discontinued Operations 2013 £m	Total 2013 £m	Total 2012 £m
Profit from continuing operations	**203**	**(155)**	**(47)**	**1**	73
Share of results of joint ventures and associates – continuing operations	**(71)**	**–**	**–**	**(71)**	(92)
Share of results of joint ventures and associates – discontinued operations	**–**	**–**	**–**	**–**	(4)
Dividends received – discontinued operation	**–**	**–**	**(1)**	**(1)**	–
Depreciation of property, plant and equipment	**50**	**–**	**6**	**56**	64
Amortisation of other intangible assets	**3**	**30**	**2**	**35**	49
Pension deficit payments					
– ongoing deficit	**(50)**	**–**	**(2)**	**(52)**	(58)
– conditional deficit funding	**(7)**	**–**	**–**	**(7)**	–
– one-off deficit funding	**–**	**–**	**–**	**–**	(3)
Pension past service cost credit	**–**	**–**	**–**	**–**	(2)
Pension curtailment costs					
– ceasing future accrual	**–**	**51**	**2**	**53**	–
– restructuring	**–**	**1**	**–**	**1**	2
Movements relating to share-based payments	**6**	**–**	**–**	**6**	6
Profit on disposal of investments in PPP concessions	**(82)**	**–**	**–**	**(82)**	(52)
Profit on disposal of property, plant and equipment	**(3)**	**(3)**	**–**	**(6)**	(7)
Contingent consideration for acquisitions	**(4)**	**–**	**–**	**(4)**	–
Net gain on disposal of other businesses	**–**	**–**	**(11)**	**(11)**	–
Write-down of investment in Exeter International Airport	**–**	**–**	**–**	**–**	12
Goodwill impairment in respect of Mainland European Rail businesses	**–**	**–**	**38**	**38**	95
Impairment of other intangibles	**–**	**1**	**1**	**2**	–
(Impairment reversal)/impairment of property, plant and equipment	**–**	**(3)**	**–**	**(3)**	5
Impairment of inventory	**–**	**–**	**1**	**1**	4
Other non-cash items	**(1)**	**–**	**–**	**(1)**	(1)
Operating cash flows before movements in working capital	**44**	**(78)**	**(11)**	**(45)**	91
(Increase)/decrease in operating working capital	**(127)**	**3**	**7**	**(117)**	(310)
Inventories and non-construction work in progress	**5**	**–**	**(3)**	**2**	(37)
Due from construction contract customers	**(93)**	**–**	**12**	**(81)**	(33)
Trade and other receivables	**(166)**	**–**	**(25)**	**(191)**	113
Due to construction contract customers	**33**	**–**	**–**	**33**	(182)
Trade and other payables	**106**	**11**	**31**	**148**	(161)
Provisions	**(12)**	**(8)**	**(8)**	**(28)**	(10)
Cash used in operations	**(83)**	**(75)**	**(4)**	**(162)**	(219)

20.2 Cash and cash equivalents

	2013 £m	2012 £m
Cash and deposits	**472**	515
Term deposits	**67**	2
	539	517
Bank overdrafts	**(78)**	(10)
	461	507
PPP cash balances	**65**	25
	526	532

20.3 Analysis of net cash/(borrowings)

	2013 £m	2012 £m
Cash and cash equivalents, excluding PPP cash balances and overdrafts	**539**	517
Bank overdrafts	**(78)**	(10)
Loans under committed facilities expiring in less than one year	**–**	–
Loans under committed facilities expiring in more than one year	**–**	(410)
US private placement	**(212)**	–
Liability component of convertible bonds	**(221)**	–
Other loans	**(91)**	(58)
Finance leases	**(3)**	(4)
	(66)	35
Non-recourse project finance loans at amortised cost with final maturity between 2027 and 2037	**(419)**	(393)
PPP cash and cash equivalents	**65**	25
	(354)	(368)
Net borrowings	**(420)**	(333)

20.4 Analysis of movement in net (borrowings)/cash

	PPP 2013 £m	Other 2013 £m	Total 2013 £m	Total 2012 £m
Opening net (borrowings)/cash	**(368)**	**35**	**(333)**	8
Currency translation differences	**–**	**3**	**3**	(17)
Net increase/(decrease) in cash and cash equivalents	**40**	**(30)**	**10**	(31)
Proceeds from US private placement	**–**	**(231)**	**(231)**	–
Proceeds from convertible bonds and interest accretion – liability component	**–**	**(221)**	**(221)**	–
Proceeds from new loans	**(110)**	**–**	**(110)**	(350)
Proceeds from new finance leases	**–**	**(1)**	**(1)**	–
Repayment of loans	**12**	**396**	**408**	53
Repayment of finance leases	**–**	**2**	**2**	4
Disposal of non-recourse borrowings	**72**	**–**	**72**	–
Reclassified to assets held for sale	**–**	**(19)**	**(19)**	–
Closing net borrowings	**(354)**	**(66)**	**(420)**	(333)

20.5 Borrowings

During the year ended 31 December 2013 the significant movements in borrowings were: a drawdown of US private placement loans of £231m (2012: £nil); issuing unsecured convertible bonds with a liability component of £221m (2012: £nil); a drawdown of short term loans of £nil (2012: £286m); a net repayment of short term loans of £396m (2012: £32m); a £68m net increase (2012: £5m decrease) in bank overdrafts; an increase of £110m (2012: £64m increase) in non-recourse loans funding the development of financial assets in PPP subsidiaries; disposal of non-recourse borrowings in Connect CNDR Ltd (CNDR) £72m (2012: £nil) and repayment of £12m (2012: £21m) of non-recourse PPP loans.

21 Acquisitions and disposals

21.1 Current and prior year acquisitions

21.1.1 There were no material acquisitions during the year ended 31 December 2013.

21.1.2 Deferred consideration paid during 2013 in respect of acquisitions completed in earlier years was £11m, £8m relating to the acquisition of Subsurface and £3m on other acquisitions.

21.1.3 In addition to the amounts shown above, £2m and £1m held in escrow at 31 December 2012 relating to the acquisitions of Power Efficiency and Office Projects respectively were paid during 2013.

21.1.4 The fair values of the acquired assets and liabilities disclosed as provisional at 31 December 2012 in respect of Subsurface Group Inc (Subsurface) were finalised during 2013 giving rise to a decrease in both goodwill and provisions of £1m.

21.2 Contingent consideration arrangements

Contingent consideration recoverable/(payable)	Parsons Brinckerhoff £m	Howard S. Wright £m	SpawMaxwell £m	Subsurface £m	Total £m
At 31 December 2012	16	(9)	(1)	(1)	5
Movements/discount unwind	**–**	**9**	**1**	**–**	**10**
At 31 December 2013	**16**	**–**	**–**	**(1)**	**15**

The fair value of the contingent consideration arrangements is estimated by applying the provisions of the purchase agreement to management's assessment of possible outcomes and discounting the expected contract costs and insurance claim proceeds to their present value. The maximum amount that the Group could be required to pay or receive under the terms of the contingent consideration arrangements is: £11m payable or £16m receivable in respect of Parsons Brinckerhoff and £1m payable in respect of Subsurface.

21.2.1 The contingent consideration payable relating to Howard S. Wright (HSW) was settled in April 2013 with a final settlement of £6m, £3m of which was paid in cash and the remainder netted-off against notes receivable from the HSW sellers, resulting in a £3m gain.

21.2.2 £1m contingent consideration payable relating to SpawMaxwell was released to the income statement during the year.

21.3 Current year disposals

Notes	Disposal date	Entity/business		Percentage disposed %	Net cash consideration £m	Net assets disposed £m	Amount recycled from revaluation reserve £m	Direct costs incurred, indemnity provisions created and fair value uplift £m	Underlying gain £m	Non-underlying gain /(loss) £m
21.3.1	1 March 2013	Rail Iberica SA	*	100	–	(5)	1	–	–	(4)
21.3.2	26 April 2013	Consort Healthcare (Tameside) Holdings Ltd	^	50	16	(11)	4	–	9	–
21.3.3	30 April 2013	Transform Schools: Bassetlaw; Birmingham; Rotherham; Stoke	^	50	43	(24)	5	–	24	–
21.3.4	20 June 2013	Consort Healthcare (Salford) Holdings Ltd	^	50	22	(10)	–	–	12	–
21.3.5	25 June 2013	Exeter and Devon Airport Ltd	^	60	–	–	–	–	–	–
21.3.6	1 August 2013	Stassfurt Signalling Workshop		–	–	(1)	–	–	–	(1)
21.3.7	31 October 2013	Balfour Sevan LLC	^	50	1	(1)	–	–	–	–
21.3.8	4 November 2013	Connect A30/A35 Holdings Ltd	^	65	21	(9)	6	–	18	–
21.3.9	4 November 2013	Connect CNDR Holdings Ltd	*	75	26	(16)	5	4	19	–
21.3.10	13 December 2013	Balfour Beatty WorkPlace	*	100	155	(120)	–	(19)	–	16
					284	**(197)**	**21**	**(15)**	**82**	**11**

* subsidiary.
^ joint venture.

21.3.1 On 1 March 2013 the Group disposed of its interest in Rail Iberica SA (Rail Spain) to its local management for a cash consideration of €1. The disposal resulted in a net £4m loss being recognised as a non-underlying item, comprising a £5m loss in respect of the fair value of net assets disposed, including cash disposed of £7m, and a £1m gain on recycling revaluation reserves to the income statement. The Group continues to guarantee certain bonds on behalf of Rail Spain until their expiry. Refer to Note 8.

21.3.2 On 26 April 2013 the Group disposed of its 50% interest in Consort Healthcare (Tameside) Holdings Ltd for a cash consideration of £16m. The PPP investment disposal resulted in a net £9m gain being recognised in underlying operating profit, comprising a gain of £5m in respect of the disposal of the investment in the joint venture and a £4m gain on recycling revaluation reserves to the income statement.

21.3.3 On 30 April 2013 the Group disposed of its 50% interest in four Transform Schools projects: Bassetlaw; Birmingham; Rotherham; and Stoke, for a combined cash consideration of £43m. The PPP investment disposal resulted in a net gain of £24m being recognised within underlying operating profit, comprising a gain of £19m in respect of the disposal of the investments in the joint ventures and a £5m gain on recycling revaluation reserves to the income statement.

21.3.4 On 20 June 2013 the Group disposed of its 50% interest in Consort Healthcare (Salford) Holdings Ltd for a cash consideration of £22m. The PPP investment disposal resulted in a net gain of £12m being recognised within underlying operating profit. There were no material revaluation reserves.

21.3.5 On 25 June 2013 the Group disposed of its interest in Exeter and Devon Airport Ltd held through an intermediary company wholly owned by its joint venture Regional & City Airports (Exeter) Holdings Ltd, in which the Group has a 60% interest. The proceeds from the sale were used to repay secured lenders. The carrying value of the Group's investment had been written down to £nil in 2012 and the disposal therefore resulted in a £nil gain/loss.

21.3.6 On 1 August 2013, as part of its initial step in disposing of Rail Germany, the Group disposed of Stassfurt Signalling Workshop to its local management for a cash consideration of €1.

21.3.7 On 31 October 2013, the Group disposed of its 50% interest in Balfour Sevan LLC for a cash consideration of £1m. The carrying value of the Group's investment amounted to £1m and the disposal resulted in a £nil gain/loss for the Group.

21.3.8 On 4 November 2013, the Group disposed of a 65% interest in Connect A30/A35 Holdings Ltd for a cash consideration of £21m. The PPP investment disposal resulted in a gain of £18m being recognised within underlying operating profit, comprising a gain of £12m in respect of the disposal of the investment in the joint venture and a £6m gain in respect of revaluation reserves recycled to the income statement. The Group retains a 20% interest in the joint venture.

21.3.9 On 4 November 2013, the Group disposed of a 75% interest in Connect CNDR Holdings Ltd for a cash consideration of £26m. The PPP investment disposal resulted in a gain of £19m being recognised within underlying operating profit, comprising a gain of £10m in respect of the disposal of the investment in the subsidiary; a £5m gain in respect of revaluation reserves recycled to the income statement and £4m representing the fair value uplift of the interest retained. The Group retains a 25% interest in Connect CNDR Holdings Ltd which will be accounted for as a joint venture using the equity method.

21.3.10 On 13 December 2013 the Group disposed of its UK facilities management business, Balfour Beatty WorkPlace for cash proceeds of £155 million resulting in a net non-underlying gain of £16m recognised within discontinued operations after recognising indemnity provisions of £10m and incurring transaction costs of £9m. Refer to Note 10.

22 Contingent liabilities

The Group and certain subsidiary undertakings 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 and given guarantees in respect of their share of certain contractual obligations of joint ventures and associates and certain retirement benefit liabilities of the Balfour Beatty Pension Fund and the Railways Pension Scheme. Where such agreements are entered into they are considered to be and are accounted for as insurance arrangements. Guarantees are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the guarantee.

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation.

23 Related party transactions

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £777m (2012: £1,018m). These transactions occurred in the normal course of business at market rates and terms. In addition, the Group procured equipment and labour on behalf of certain joint ventures and associates which were recharged at cost with no mark-up. The amounts due to or from joint ventures and associates at the reporting date are disclosed within Notes 16 and 17.

The Group recharged the Balfour Beatty Pension Fund with the costs of administration and advisers' fees borne by the Group amounting to £8m in 2013 (2012: £8m).

On 1 March 2013 Rail Spain was sold to its local management for a cash consideration of €1. Refer to Note 21.3.1.

On 1 August 2013 Stassfurt Signalling Workshop was sold to its local management for a cash consideration of €1. Refer to Note 21.3.6.

24 Principal risks and uncertainties

The nature of the principal risks and uncertainties which could adversely impact the Group's profitability and ability to achieve its strategic objectives include: external risks arising from the continued or residual effects of the global economic downturn and the complex and evolving legal and regulatory environments in which the Group operates; strategic risks which may arise as the Group moves into new territories and expands through acquisitions; organisation and management risks including business conduct and people related risks; and operational risks arising from bidding, project execution, supply chain and health, safety and sustainability matters.

25 Events after the reporting date

On 8 January 2014 the Group disposed of Rail Scandinavia to Strukton Rail resulting in a small gain.