Balfour Beatty

News Release

14 August 2013

BALFOUR BEATTY PLC
RESULTS FOR THE HALF-YEAR ENDED 28 JUNE 2013

Balfour Beatty, the international infrastructure group, reports its financial results for the half-year ended 28 June 2013. The Group's income statements have been represented to classify our UK facilities management business and our Mainland European rail businesses in Germany, Scandinavia and Spain as discontinued operations.

Highlights

- Order book[2] up 3% at £13.9 billion with a strong US performance
- Firm action to address UK construction underperformance and swift response to market deterioration in Australia expected to deliver Group performance in continuing businesses in line with current market expectations for 2013
- Further strategic progress with 67% of order book now in economic infrastructure
- Significant wins in target sectors and geographies
- Agreement to sell WorkPlace, the UK FM business, for a consideration of c.£190 million
- Strong balance sheet with comfortable headroom
- Interim dividend maintained at 5.6 pence per share

(£m unless otherwise specified)		Half-year 2013	Half-year 2012[4]	Change (%)
Revenue[1,2]		4,967	5,099	-3
Group revenue[2]		4,322	4,442	-3
Profit from operations	- underlying[2,3]	52	156	-67
	- reported[2]	1	98	-99
Pre-tax profit/(loss)	- underlying[2,3]	45	150	-70
	- reported[2]	(6)	92	-107
Net loss from discontinued operations		(67)	(6)	
Earnings per share	- underlying[2,3]	6.3p	18.7p	-66
(Loss)/earnings per share	- basic (total group)	(8.6)p	11.6p	-174
Dividends per share		5.6p	5.6p	-
Financing				
- net (borrowings)/cash before PPP subs. (non-recourse)		(189)	34	
- net borrowings of PPP subsidiaries (non-recourse)		(380)	(352)	

[1] including joint ventures and associates; [2] from continuing operations (see Notes 9 and 26); [3] before non-underlying items (see Note 7); [4] represented 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) (Notes 1.4 and 26).

"Our markets continue to be challenging, but our actions are delivering the intended results. With sustained focus on operational delivery, we expect to achieve a performance in our continuing operations that is in line with the current market expectations for 2013.

"In the longer term, our goal is to capitalise on the growth in global infrastructure from an international footprint of local businesses. The benefits from this focus combined with the impending recovery in some of our mature markets position us well for the future."

Andrew McNaughton, Chief Executive Officer

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Additional information

A presentation to analysts and investors will be made at Goldman Sachs, Auditorium, 120 Fleet Street, London EC4A 2BB at 11:00 (UK time). 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). To join the call, please dial participant telephone number +44 (0)20 3427 1905 and quote confirmation code 2113892. A recording of the call and its transcript can be found on our website on 15 August 2013.

The financial report for the half-year ended 28 June 2013 can also be viewed on the Company's website at www.balfourbeatty.com.

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.

BALFOUR BEATTY PLC
INTERIM MANAGEMENT REPORT

OVERVIEW

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

With £5.0 billion of orders for continuing operations won in the first half, our order book has risen to £13.9 billion, up 3% since the start of the year, and up 7% on the first half of 2012. Revenue has declined however by 3%, or 4% at constant currency, compared to the first half of 2012. Underlying profit from continuing operations has declined by 67% to £52 million as a result of the profit deterioration in Construction Services and Professional Services which we have previously indicated.

In Professional Services, order book and revenue increased in the period, but profits were adversely impacted by the sharp downturn in the Australian market. Construction Services order book developed positively as a result of significant wins in the US and in Hong Kong, and revenue was held at a good level despite a number of difficult markets. However, the profit shortfall in UK construction, the vast majority of which impacted the first half, resulted in a sharp fall in the profits of the Construction Services division. Support Services continued to grow in the period, and profitability recovered from the one-off cost increases experienced in 2012. Infrastructure Investments made good progress in the period, contributing good profitability as expected.

In recent months, we have focused our attention on operational delivery in the UK construction business and the impact of the further worsening in the environment for our professional services business in Australia. We are pleased to report that, while it is early days, our action plans are delivering the intended results. In the UK construction business, we have strengthened our management with the engagement of new leadership, closed some regional delivery units with weak future prospects and aligned the organisation more closely with customers. Our response to the market deterioration in Australia was swift, and we now forecast a significant reduction in the adverse impact on profitability in the second half. Having set out a plan to exit from our Mainland European rail business, we are in advanced discussions in Sweden and have made good progress in Germany. We have also just announced an agreement to sell WorkPlace, our UK FM business, for c.£190 million in cash.

While executing our immediate priorities, we have also made progress on our strategic objectives. In our target growth markets, we are moving forward with the country model in Australia. The benefits of the model are evident in new wins in transportation and utilities. Middle East is another area where we have had great success, establishing Parsons Brinckerhoff firmly as a top professional services player. Our Investments division has expanded further in the period into new markets such as student accommodation and renewable energy.

We ended the period with a strong balance sheet despite the further unwind of negative working capital in the business.

In the longer term, our goal is to capitalise on the growth in global infrastructure investment from an international footprint of local businesses. While this requires a commitment to invest in emerging markets, our intention is to maintain a careful balance to ensure that we also maximise the gain from market recovery in our mature markets. The benefits from our global infrastructure focus, combined with the impending recovery in our mature markets, position us well for the future.

OPERATIONAL PERFORMANCE

Professional Services

Professional Services order book improved by 5% from the year-end position as a result of growth in the US, the Middle East and Asia. Good revenue growth, particularly in Qatar and in US transportation, more than offset the revenue decline in Australia, resulting in a 3% increase in revenue overall. We had indicated that the division's margin in 2013 would be lower than the 2012 margin which had benefited from some profitable alliance and at-risk contracts. However, the achievement of the expected margin became increasingly more difficult as the period progressed with deteriorating trading conditions in Australia. Despite taking swift action to reduce overhead expense there, we have suffered a substantial decline in profits.

	HY 2013	HY 2012	Actual growth (%)	Constant currency growth (%)	FY 2012
Order book (£bn)	1.7	1.6	+9	+7	1.6
Revenue[1] (£m)	870	845	+3	+2	1,668
Profit from operations[2] (£m)	26	42	-38	-38	98
Margin[2] (%)	3.0	5.0			5.9

[1] *including joint ventures and associates*
[2] *before non-underlying items (see Note 7)*

In the US, where 80% of our activity is in the transportation sector, we have seen an improvement in workloads from extensions on existing projects - if not a material pick-up in the market - lifting our revenue in US transportation by 13%. Our work on the Dallas Horseshoe design-build project has also benefited revenue. The business continues to invest in capability to capture share in design-build and PPP markets which are expected to continue growing.

Our US power business has been somewhat depressed by the delay in certain power projects to the second half. The integration of Subsurface Group, which we acquired at the end of 2012, is progressing well.

In Canada, building markets are growing modestly, and we are seeing opportunities in transportation. Our major projects such as the transit programme for the Regional Municipality of Ontario and the Burlington Canal Lift Bridge are progressing well.

The Middle East has remained buoyant with our headcount increasing from 500 to over 700 in a year. Recent contracts we have announced in Qatar and Saudi Arabia are converting into revenue which has increased by nearly 50% compared to the first half of 2012. Having established ourselves in infrastructure markets in the Middle East, we have every reason to believe that our growth will continue in the region in the near future.

Trading in Australia continues to be very challenging due to a significant number of project cancellations in the resources sector as well as the consequential impact on federal and state revenues and spending plans. As a result, profits have declined by £21 million compared to the first six months of 2012. We have taken swift action and expect the full-year impact on profitability to be £24 million, unless a significant mining project that is ramping up gets delayed or cancelled. In other markets in the Asia Pacific region such as Singapore and Greater China, we have performed well.

In the absence of further deterioration in the Australian market, we expect the anticipated £24 million profit shortfall in Australia to be mostly offset by growth in other regions, resolution of some longstanding contract settlements and cost savings in the division.

Construction Services

The Construction Services results below has been represented to exclude the Mainland European rail operations in Germany, Scandinavia and Spain following our decision to exit these businesses announced in March and their consequential reclassification as discontinued operations.

The construction order book improved in the period to £8.0 billion, up 9% from the year-end position. The rest of the world order book was very strong, with a 23% increase driven predominantly by wins in Hong Kong. Having risen by 15% in the period, our US order book is now 30% bigger than our UK order book which, in contrast, has reduced by 6% since the year-end.

A similar pattern has emerged in revenue in the period with good order intake converting to revenue in Hong Kong and the US, offset by a reduction in revenue in the UK. Revenue was up 5% in the US and 14% in RoW, but down 16% in the UK.

As announced on 29 April, a difficult external environment combined with internal reorganisation has resulted in poor performance in the UK regional construction business, and to a lesser extent, the building part of the major projects business. These factors reduced management's 2013 full-year expectations for profit from operations in the UK construction business as a whole by c. £50 million, the vast majority of which impacted the first half. As a result, the Construction Services division has reported an underlying loss from operations of £41 million.

	HY 2013	HY 2012	Actual growth (%)	Constant currency growth (%)	FY 2012
Order book[2] (£bn)	8.0	7.7	+5	+3	7.4
Revenue[1, 2] (£m)	3,151	3,303	-5	-6	6,511
Profit from operations[2, 3] (£m)	(41)	59			119
Margin[2, 3] (%)	(1.3)	1.8			1.8

[1] *including joint ventures and associates*
[2] *from continuing operations (see Notes 9 and 26)*
[3] *before non-underlying items (see Note 7)*

In the UK, we have focused our attention on operational delivery. At the end of April, we made changes to the management of the business, appointing Nick Pollard as the CEO of the UK construction business. We also commenced a comprehensive piece of work to evaluate the regional business in its entirety as a result of which we took the decision to close those regional delivery units with weak future prospects. In addition, we focussed the management team on an action plan that would deliver a consistently high standard in disciplines such as planning, cost estimating and commercial governance going forward.

We are pleased to report today that the actions put in place are taking effect. The regional order book is stable with improving margins as mitigating measures are implemented. In the major projects business, our work winning has been impacted by continuing delays in the power market, exacerbated by operational issues in building. Divisional management are working towards deliverable targets.

Having gone into the downturn about 18 months before the UK, the US market is at a different stage of its cycle. Federal spending is still very constrained, and state and local governments are only slowly breaking free of the paralysis caused by their weaker financial positions. But, the private market is seeing a rebound.

The investments we made in the US in the last few years, acquiring SpawMaxwell in Texas and HSW in the North West, as well as reorganising the business and focusing on innovation, have started to bear fruit. Through the HSW and SpawMaxwell footprints and relationships, we are taking advantage of the pockets of opportunity in these growth regions which is evident in significant growth in the US order book.

As a result of the order book development driven by these successful strategies in the US, we have seen acceleration in revenue growth from Q1 to Q2. This gives us confidence that revenue should grow in the second half and continue into 2014. As the construction industry's order books continue to fill in the next 12 to 18 months, we would also expect bid margins to improve, putting us on track for good profit growth in 2015.

Our joint venture Gammon Construction continued to grow its business in Hong Kong, where the market has been buoyed by a strong programme of government spending on both transportation infrastructure and public buildings. In June, Gammon was awarded a contract worth HK$8.66 billion (£720 million) to design and build a major strategic road. The HKSAR Highways contract to construct the Southern Connection Viaduct Section of the Tuen Mun – Chek Lap Kok Link (TM-CLKL) in Hong Kong is the largest solo civil engineering contract ever awarded to Gammon Construction.

In Dubai, the business environment is improving, particularly in the buildings sector. Revenue, which is expected to be stable through this year, is likely to grow in 2014.

With new leadership in place in the UK and barring unforeseen circumstances, the construction business is equipped and motivated to achieve a profit level in the second half similar to that achieved in the second half of 2012.

Support Services

Support Services performance has been represented to exclude the UK facilities management business following its reclassification as a discontinued operation.

Due to some large contracts that entered the order book in December 2012, the Support Services order book is down on the year-end position, but up 11% on June 2012 with good order intake in power transmission. Revenue was up by 9%, as a result of the continuing strong performance in the power sector - up 34% on the comparable period, with the mobilisation of the contracts won in 2012 for customers such as National Grid. Profitability, which had been negatively impacted by start-up costs and one-off cost increases in the first half of 2012, has recovered.

	HY 2013	HY 2012	Actual growth (%)	Constant currency growth (%)	FY 2012
Order book[2] (£bn)	4.2	3.7	+11	+11	4.5
Revenue[1, 2] (£m)	648	593	+9	+9	1,151
Profit from operations[2, 3] (£m)	17	4	+325	+325	30
Margin[2, 3] (%)	2.6	0.7			2.6

[1] *including joint ventures and associates*
[2] *from continuing operations (see Notes 9 and 26)*
[3] *before non-underlying items (see Note 7)*

The power sector, a key growth sector for the Group, now accounts for half of our support services activity. We continue to develop our power business while helping our customers maintain and operate their vast asset base.

In the water market, we have continued to perform well on our AMP5 water contracts with the network operators. As the AMP5 regulatory water cycle nears completion in 2015, we are working with water companies who are eager to manage the transition to the AMP6 cycle without the unnecessary disruption caused by changeover. As our customers choose their partners for the next cycle, we have already won a contract worth a potential £1.5 billion with Thames Water in a three-way joint venture. While the 23-month early contractor involvement contract is in our order book, the vast majority is yet to be booked. In a similar manner, Yorkshire Water extended our contract to 2020 which is worth £70 million.

In transportation, we were successful in winning highways work in the local authority area. We added Wiltshire Highways to the order book in the first half, and Herefordshire Council in July. Local authority revenue declined as these new contracts replaced those we lost. In highways maintenance, the transition from the Area 2 contract to the new five-year Area 10 asset support contract had a similar adverse impact on revenue.

We have made good progress in support services in international markets, particularly in Australia where outsourcing of public services is growing as constrained state governments look for efficiency improvements in their asset base. In joint venture with a local partner, we have been awarded a place on a major water networks framework by Australia's largest water utility provider, Sydney Water. Also in a partnership with Transfield Services, we have formed a bid consortium to target state government outsourcing opportunities in highways maintenance on the East Coast of Australia.

The growth in our order book in the last 12 months is testament to the strength of our offering and an indication of the division's excellent growth prospects.

Infrastructure Investments

Infrastructure Investments underlying pre-tax result was £78 million, driven by £45 million of gains from PPP disposals we made in the first half. Disposal gains were £52 million in 2012. The profits on the targeted disposals were significantly ahead of their value in the Directors' valuation, and ahead of our expectations. These assets generated pre-tax profits of £5 million in 2012.

UK PPP profits were down in the first half by £7 million, principally because of the foregone profits from disposed assets. This shortfall was largely offset by lower bidding costs and overheads in the first half.

	HY 2013	HY 2012	FY 2012
Profit from operations[2] (£m)	63	67	69
Net interest income from PPP concessions[3] (£m)	15	13	28
Pre-tax result from operations[2] (£m)	78	80	97
Directors' valuation of PPP concessions (£m)	719	711	734

[2] *before non-underlying items (see Note 7)*
[3] *subordinated debt interest income and net interest income from PPP subsidiaries (see Notes 5 and 6)*

Strategically, we have made significant progress towards diversifying our activities into new sectors and new geographies, reducing our reliance on PPP in the UK and military housing in the US.

Student accommodation is a growing sector and one that our Investments business would expect to capitalise on by successfully transferring our skills from social infrastructure projects and military housing.

There has been considerable activity in student accommodation projects on both sides of the Atlantic. In the US, we have brought the University of Iowa and University of Nevada – Reno projects to financial close in June and August, respectively, and signed a development agreement with Tarleton University in July. We also announced in August the preferred bidder position for a mixed-use development contract with the University of West Florida that has an estimated value at completion of US$500 million (£330 million).

In the UK, we have achieved financial close on two projects: 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, the projects were financed with long-term debt from institutional investors. In both cases the financing capability of the Investments division was used to structure robust, investment grade debt that is attractive to investors, delivers value for money to our customers and supports the Government's drive to encourage low cost pension fund investment in infrastructure.

In US military housing, the Northern Group of bases for the US Air Force reached financial close on 1 August 2013. The US investments business will manage all development, operations and construction services, partnering with the US construction business for the creation of 4,540 homes valued at US$442 million (£288 million). This project was also financed by institutional investors through a bond issue in the US.

In the power sector, we have added another offshore transmission asset to the portfolio with the preferred bidder position for Gwynt y Môr off the north coast of Wales which we announced in late July. Combined with the Thanet and Greater Gabbard offshore transmission assets which are expected to reach financial close later this year, Gwynt y Môr gives us a leading investor position in this new and growing market, with responsibility for OFTO transmission assets worth £830 million with a combined transmission capacity of 1,380 MW.

We are also progressing the strategy to generate additional income from the business by exploiting the team's capabilities. One of these capabilities is the ability to develop assets. Balfour Beatty Investments is working on several projects where it doesn't contribute capital, but earns development fees from the project. Tarleton University in the US is a good example of projects of this nature that we are working on bringing to close.

Discontinued operations

Discontinued operations comprise the Mainland European rail businesses in Germany, Scandinavia and Spain, along with the UK facilities management business.

In March 2013 we announced our intention to dispose of the entire Mainland European rail business due to the low levels of work in our markets. Since then good progress has been made in completing this process. The Spanish business was sold to its management on 1 March 2013 for a loss on disposal of £4 million. We are in advanced discussions with a potential purchaser to acquire the Scandinavian business at book value. The German business is in the process of completing a management buyout of its small signalling manufacturing capability, and is closing down its switches and crossing manufacturing capability. We are in active dialogue with a number of potential purchasers for the remainder of the German business. Having reviewed the likely sales proceeds achievable on disposal we have written down the £38 million of goodwill within our German business to nil.

On 9 August we entered into a binding agreement to sell our UK facilities management business for c.£190 million. The gain on disposal will be recognised in non-underlying items in the results for the year ending 31 December 2013. This was in accordance with our strategy of focusing our business on infrastructure.

	HY 2013	HY 2012	Actual growth (%)	Constant currency growth (%)	FY 2012
Order book (£bn)	2.1	2.0	+6	+4	1.8
Revenue[1] (£m)	459	436	+5	+3	930
Profit from operations[2] (£m)	(9)	-			24

[1] *including joint ventures and associates*
[2] *before non-underlying items (see Note 7)*

The Mainland European rail businesses had a disappointing first half, with the order book down 13% on June 2012 with an underlying loss from operations of £18 million (2012: £6 million). While Scandinavia and Spain (up to date of disposal) broadly broke even, Germany lost £18 million due to continued low levels of activity, and two contracts with poor operational delivery. Subject to no further issues on these contracts, we expect the losses in Germany to halve by the end of the year, and Scandinavia to remain at a breakeven level of performance.

Our facilities management business had a strong first half with the order book up 15% on June 2012, revenue up 16% with underlying operating profit of £9 million which was up 50% on last year (2012: £6 million).

Outlook

Our markets continue to be challenging, but our actions are delivering the intended results. With sustained focus on operational delivery, we expect to achieve a performance in our continuing operations that is in line with the current market expectations for 2013.

In the longer term, our goal is to capitalise on the growth in global infrastructure from an international footprint of local businesses. The benefits from this focus combined with the impending recovery in some of our mature markets position us well for the future.

FINANCIAL SUMMARY

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

Revenue including joint ventures and associates declined 3% in the period to £4,967 million (2012: £5,099 million). Excluding the impact of currency, underlying revenue declined by 4%.

Our share of underlying post-tax profits from continuing joint ventures and associates reduced to £30 million from £50 million last year, principally due to the impact last year of favourable resolution of bad debts and claims in the Middle East.

Underlying profit from continuing operations decreased by 67% to £52 million (2012: £156 million), including the benefit of £45 million of gains from PPP disposals down £7 million from the first half last year. Net finance cost of £7 million was slightly up on the prior year (2012: £6 million). Underlying pre-tax profit from continuing operations therefore decreased to £45 million (2012: £150 million).

Tax

The underlying tax charge for continuing operations for the period of £2 million (2012: £22 million), excluding the Group's share of the results of joint ventures and associates, equates to an effective tax rate of 14% (2012: 22%), with the reduction due to the weighting of disposal gains in our profits in the first half. Adjusting to include tax in joint ventures and associates, and comparing this to pre-tax profits for the continuing Group and joint ventures and associates, the effective tax rate was 15% (2012: 18%).

The effective tax rate excluding joint ventures for the full year is expected to be around 48% due to the lower level of UK profits, although the tax rate is particularly sensitive to profit mix.

Non-underlying items

Non-underlying items of £51 million (2012: £58 million) before tax were charged to the income statement. This comprised amortisation of acquired intangible assets of £16 million (2012: £20 million) and other items of £35 million (2012: £38 million). The amortisation charge declined in the year as some intangible assets became fully written down. Other items included £32 million (2012: £14 million) of restructuring costs. Within the UK there were £17 million (2012: £12 million) of costs mainly due to continued restructuring of the UK construction business as a result of integrating six business units into three business streams, plus the impact of additional cost reductions following the profit shortfall announced in April. Within Professional Services £9 million (2012: £nil) were incurred in the US for the creation of a shared service centre in Lancaster, Pennsylvania and £5 million (2012: £nil) were incurred in Australia to restructure the cost base as a result of the market downturn. There were also £2 million (2012: £nil) of further costs in the UK shared service centre as we expand it into additional service areas of HR and IT shared services.

Discontinued operations

There was an underlying post-tax loss from discontinued operations of £14 million (2012: £4 million), along with non-underlying costs of £53 million (2012: £2 million). There was a good performance in UK Facilities Management with underlying profit from operations of £9 million (2012: £6 million) and revenue up 16%. There was a disappointing performance in European Rail due to underperformance in Germany resulting in an underlying loss from operations of £18 million (2012: £6 million). Non-underlying costs comprised £2 million for amortisation of intangibles and £2 million for disposal costs for UK Facilities Management, £38 million for writing down the goodwill in the German rail business to nil, a loss on disposal of the Spanish rail business of £4m, 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 6.3 pence (2012: 18.7 pence), which along with an underlying loss per share from discontinued operations of 2.0 pence (2012: 0.5 pence) gave underlying earnings per share for total operations of 4.3 pence (2012: 18.2 pence).

Basic earnings per share for total operations was a loss of 8.6 pence (2012: profit 5.3 pence).

Cash flow performance

Cash used in operations of £233 million (2012: £292 million) was impacted by a working capital outflow of £153 million (2012: £320 million).

Cash from operations was also impacted by pension deficit payments of £37 million (2012: £31 million).

Average borrowings in the six month period were £298 million (2012: average cash £35 million) with the Group's net debt at 28 June 2013 at £189 million (2012: net cash £34 million), before taking into account the consolidation of £380 million (2012: £352 million) of non-recourse net debt held in wholly-owned PPP project companies.

Balance sheet and capital structure

In the composition of our balance sheet, we look to achieve a balance between the negative working capital, liquid funds and the PPP investments portfolio. Whilst we have seen an increase in net borrowings during the first half of 2013, we have also seen a reduction in the levels of negative working capital, with the Directors' valuation of our investments portfolio remaining broadly unchanged.

These items are considered further below.

Investments portfolio

During 2013, the Group invested £12 million (2012: £39 million) in a combination of equity and shareholder loans to PPP project companies. We currently estimate that equity investments in the second half of the year will total £47 million.

During the period total proceeds of £81 million were received from the disposal of the Group's 50% interests in Consort Healthcare's Tameside and Salford projects and four Transform Schools projects, realising £30 million in excess of Directors' valuation.

The Directors have updated the valuation of the Group's PPP concessions for new wins and disposals which shows that despite these disposals and £28 million of other cash receipts, the value of the portfolio only declined marginally from £734 million at December 2012 to £719 million.

Working capital

Negative working capital in continuing operations ended the period at £743 million, so total working capital as a percentage of annualised revenue ("WCPR") at the period end was 8.6% (2012: 7.9%). The most significant component of negative working capital at £695 million relates to Construction Services, which ended the period with WCPR of 12.8% (2012: 11.9%).

In the second half of 2013, we expect a further reduction in negative working capital of £50 million. This is due to expected further outflows in UK construction and Support Services, offset by inflows in US construction as revenue increases.

Pensions

A formal actuarial valuation of the Balfour Beatty Pension Fund ("BBPF") is being carried out as at 31 March 2013. A funding plan was agreed to eliminate that deficit over eight years. Under the current funding plan, the Group is making regular monthly deficit payments of £6m, plus additional contributions of £1 million per month are payable for any month where the BBPF funding levels drop below the targets set out in the BBPF funding plan.

Banking facilities

The Group's principal committed facilities total £950 million and extend through to 2016. The purpose of these facilities, and other smaller 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 evolves we will continue to explore diversifying our sources of funds away from pure bank market, and as part of that process, in the first half, US$350 million was raised through a US private placement of a series of notes with an average coupon of 4.94% over an average of 9.3 years.

Dividends

The Board has declared an unchanged interim dividend of 5.6p per ordinary share.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed Group financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting;
- the interim management report, as required by Disclosure and Transparency Rules 4.2.7R and 4.2.8R, includes a fair review of:
  - important events during the half-year ended 28 June 2013 and their impact on the condensed Group financial statements
  - a description of the principal risks and uncertainties for the second half of the year and
  - related parties' transactions and changes therein.

On behalf of the Board

Andrew McNaughton	**Duncan Magrath**
Chief Executive Officer	Chief Financial Officer
13 August 2013	

Independent review report to Balfour Beatty plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 June 2013 which comprises the Condensed Group income statement, the Condensed Group statement of comprehensive income, the Condensed Group statement of changes in equity, the Condensed Group balance sheet, the Condensed Group statement of cash flows and related Notes 1 to 26. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in Note 1.1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
13 August 2013

Condensed Group Income Statement
For the half-year ended 28 June 2013

	Notes	2013 first half unaudited Underlying items[1] £m	2013 first half unaudited Non-underlying items (Note 7) £m	2013 first half unaudited Total £m	2012 first half unaudited[2,3] Underlying items[1] £m	2012 first half unaudited[2,3] Non-underlying Items (Note 7) £m	2012 first half unaudited[2,3] Total £m	2012 year audited[2,3] Underlying items[1] £m	2012 year audited[2,3] Non-underlying Items (Note 7) £m	2012 year audited[2,3] Total £m
Continuing operations										
Revenue including share of joint ventures and associates		**4,967**	**–**	**4,967**	5,099	–	5,099	9,966	–	9,966
Share of revenue of joint ventures and associates	4	**(645)**	**–**	**(645)**	(657)	–	(657)	(1,310)	–	(1,310)
Group revenue		**4,322**	**–**	**4,322**	4,442	–	4,442	8,656	–	8,656
Cost of sales		**(3,936)**	**–**	**(3,936)**	(3,952)	–	(3,952)	(7,667)	–	(7,667)
Gross profit		**386**	**–**	**386**	490	–	490	989	–	989
Gain on disposals of investments	19	**45**	**–**	**45**	52	–	52	52	–	52
Amortisation of acquired intangible assets		**–**	**(16)**	**(16)**	–	(20)	(20)	–	(39)	(39)
Other net operating expenses		**(409)**	**(35)**	**(444)**	(436)	(38)	(474)	(849)	(91)	(940)
Group operating profit/(loss)		**22**	**(51)**	**(29)**	106	(58)	48	192	(130)	62
Share of results of joint ventures and associates	4	**30**	**–**	**30**	50	–	50	92	–	92
Profit/(loss) from operations		**52**	**(51)**	**1**	156	(58)	98	284	(130)	154
Investment income	5	**33**	**–**	**33**	29	–	29	62	–	62
Finance costs	6	**(40)**	**–**	**(40)**	(35)	–	(35)	(69)	–	(69)
Profit/(loss) before taxation		**45**	**(51)**	**(6)**	150	(58)	92	277	(130)	147
Taxation	8	**(2)**	**16**	**14**	(22)	15	(7)	(61)	35	(26)
Profit/(loss) for the period from continuing operations		**43**	**(35)**	**8**	128	(43)	85	216	(95)	121
Profit/(loss) for the period from discontinued operations	9	**(14)**	**(53)**	**(67)**	(4)	(2)	(6)	15	(101)	(86)
Profit/(loss) for the period		**29**	**(88)**	**(59)**	124	(45)	79	231	(196)	35
Attributable to										
Equity holders		**29**	**(88)**	**(59)**	124	(45)	79	231	(196)	35
Non-controlling interests		**–**	**–**	**–**	–	–	–	–	–	–
Profit/(loss) for the period		**29**	**(88)**	**(59)**	124	(45)	79	231	(196)	35

[1] Before non-underlying items (Note 7).
[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

	Notes	**2013 first half unaudited pence**	2012 first half unaudited pence[2,3]	2012 year audited pence[2,3]
Basic earnings/(loss) per ordinary share				
– continuing operations	10	**1.2**	12.4	17.9
– discontinued operations	10	**(9.8)**	(0.8)	(12.6)
		(8.6)	11.6	5.3
Diluted earnings/(loss) per ordinary share				
– continuing operations	10	**1.2**	12.4	17.9
– discontinued operations	10	**(9.8)**	(0.8)	(12.6)
		(8.6)	11.6	5.3
Dividends per ordinary share proposed for the period	11	**5.6**	5.6	14.1

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

Condensed Group Statement of Comprehensive Income
For the half-year ended 28 June 2013

		2013 first half unaudited £m	2012 first half [2] unaudited £m	2012 year [2] audited £m
(Loss)/profit for the period		**(59)**	79	35
Other comprehensive (expense)/income for the period				
Items which will not subsequently be reclassified to the income statement				
Retirement benefit liabilities	– actuarial movements	**(55)**	26	(115)
	– tax	**12**	(8)	18
		(43)	18	(97)
Items which will subsequently be reclassified to the income statement				
Currency translation differences		**77**	(17)	(56)
Fair value revaluations	– PPP financial assets	**(124)**	25	405
	– PPP cash flow hedges	**86**	(4)	(20)
	– other cash flow hedges	**–**	1	1
	– available-for-sale investments in mutual funds	**3**	2	4
Tax on above		**8**	(7)	(90)
		50	–	244
Total other comprehensive income for the period		**7**	18	147
Total comprehensive (expense)/income for the period		**(52)**	97	182
Attributable to				
Equity holders		**(52)**	97	182
Non-controlling interests		**–**	–	–
Total comprehensive (expense)/income for the period		**(52)**	97	182

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).

Condensed Group Statement of Changes in Equity
For the half-year ended 28 June 2013

						Other reserves							
	Called-up share capital £m	Share premium account £m	Equity component of preference shares £m	Special reserve £m	Share of joint ventures' and associates' reserves £m	Hedging reserves £m	PPP financial assets £m	Currency translation reserve £m	Merger reserve £m	Other £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2012 audited	344	61	17	27	144	(97)	67	75	249	17	355	4	1,263
Total comprehensive income/(expense) for the period	–	–	–	–	49	(6)	24	(18)	–	2	46	–	97
Ordinary dividends	–	–	–	–	–	–	–	–	–	–	(58)	–	(58)
Joint ventures' and associates' dividends	–	–	–	–	(32)	–	–	–	–	–	32	–	–
Recycling of revaluation reserves to the income statement on disposal	–	–	–	–	(48)	–	–	–	–	–	–	–	(48)
Other reserve transfers relating to disposals of joint ventures and associates	–	–	–	–	(20)	–	–	–	–	–	20	–	–
Movements relating to share-based payments	–	–	–	–	–	–	–	–	–	(1)	3	–	2
At 29 June 2012 unaudited	344	61	17	27	93	(103)	91	57	249	18	398	4	1,256
Total comprehensive income/(expense) for the period	–	–	–	–	322	(6)	2	(36)	–	1	(198)	–	85
Ordinary dividends	–	–	–	–	–	–	–	–	–	–	(38)	(1)	(39)
Joint ventures' and associates' dividends	–	–	–	–	(26)	–	–	–	–	–	26	–	–
Issue of ordinary shares	–	2	–	–	–	–	–	–	–	–	–	–	2
Other reserve transfers relating to disposals of joint ventures and associates	–	–	–	–	(52)	–	–	–	–	–	52	–	–
Movements relating to share-based payments	–	–	–	–	–	–	–	–	–	(1)	6	–	5
Other transfers	–	–	–	(2)	–	–	–	–	–	–	2	–	–
At 31 December 2012 audited	344	63	17	25	337	(109)	93	21	249	18	248	3	1,309
Total comprehensive (expense)/income for the period	**–**	**–**	**–**	**–**	**(7)**	**33**	**(19)**	**70**	**–**	**2**	**(131)**	**–**	**(52)**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(58)**	**–**	**(58)**
Joint ventures' and associates' dividends	**–**	**–**	**–**	**–**	**(13)**	**–**	**–**	**–**	**–**	**–**	**13**	**–**	**–**
Recycling of revaluation reserves to the income statement on disposal	**–**	**–**	**–**	**–**	**(9)**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(10)**
Other reserve transfers relating to disposals of joint ventures and associates	**–**	**–**	**–**	**–**	**14**	**–**	**–**	**–**	**–**	**–**	**(14)**	**–**	**–**
Movements relating to share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**4**	**–**	**3**
At 28 June 2013 unaudited	**344**	**63**	**17**	**25**	**322**	**(76)**	**74**	**90**	**249**	**19**	**62**	**3**	**1,192**

Condensed Group Balance Sheet
As at 28 June 2013

		Notes	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Non-current assets					
Intangible assets	– goodwill	12	**1,103**	1,264	1,160
	– other		**204**	223	212
Property, plant and equipment			**204**	272	247
Investments in joint ventures and associates		4	**672**	415	726
Investments			**99**	94	94
PPP financial assets		15	**537**	521	542
Trade and other receivables		13	**115**	93	100
Deferred tax assets			**137**	94	117
			3,071	2,976	3,198
Current assets					
Inventories and non-construction work in progress			**146**	159	172
Due from construction contract customers			**644**	660	634
Trade and other receivables		13	**1,276**	1,514	1,241
PPP term deposits greater than three months			**2**	–	–
Cash and cash equivalents	– PPP subsidiaries		**31**	22	25
	– other		**531**	564	517
Current tax assets			**4**	4	4
Derivative financial instruments			**3**	1	1
			2,637	2,924	2,594
Assets held for sale		9	**497**	–	–
			3,134	2,924	2,594
Total assets			**6,205**	5,900	5,792
Current liabilities					
Due to construction contract customers			**(361)**	(521)	(382)
Trade and other payables		14	**(2,242)**	(2,328)	(2,214)
Provisions			**(97)**	(113)	(116)
Borrowings	– PPP non-recourse loans		**(8)**	(13)	(12)
	– other		**(489)**	(525)	(477)
Current tax liabilities			**(31)**	(32)	(42)
Derivative financial instruments			**(18)**	(15)	(20)
			(3,246)	(3,547)	(3,263)
Liabilities held for sale		9	**(343)**	–	–
			(3,589)	(3,547)	(3,263)
Non-current liabilities					
Trade and other payables		14	**(149)**	(157)	(159)
Provisions			**(109)**	(129)	(112)
Borrowings	– PPP non-recourse loans		**(405)**	(361)	(381)
	– other		**(231)**	(5)	(5)
Deferred tax liabilities			**(5)**	(9)	(10)
Retirement benefit liabilities		16	**(350)**	(223)	(338)
Liability component of preference shares			**(93)**	(91)	(92)
Derivative financial instruments			**(82)**	(122)	(123)
			(1,424)	(1,097)	(1,220)
Total liabilities			**(5,013)**	(4,644)	(4,483)
Net assets			**1,192**	1,256	1,309
Equity					
Called-up share capital		17	**344**	344	344
Share premium account			**63**	61	63
Equity component of preference shares			**17**	17	17
Special reserve			**25**	27	25
Share of joint ventures' and associates' reserves			**322**	93	337
Other reserves			**356**	312	272
Retained profits			**62**	398	248
Equity attributable to equity holders of the parent			**1,189**	1,252	1,306
Non-controlling interests			**3**	4	3
Total equity			**1,192**	1,256	1,309

Condensed Group Statement of Cash Flows
For the half-year ended 28 June 2013

	Notes	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Cash flows from operating activities				
Cash used in operations	18.1	**(236)**	(292)	(219)
Income taxes paid		**(9)**	(13)	(19)
Net cash used in operating activities		**(245)**	(305)	(238)
Cash flows from investing activities				
Dividends received from joint ventures and associates		**13**	32	58
Interest received		**15**	22	33
Acquisition of businesses, net of cash and cash equivalents acquired	19.2	**(14)**	(3)	(4)
Purchase of intangible assets – other		**(11)**	(10)	(25)
Purchase of property, plant and equipment		**(36)**	(28)	(49)
Purchase of other investments		**(10)**	(3)	(5)
Investments in and loans made to joint ventures and associates		**(17)**	(14)	(27)
Investments in PPP financial assets		**(2)**	(19)	(22)
Disposal of investments in joint ventures	19.3	**81**	18	81
Disposal of subsidiary	19.3	**(7)**	–	–
Disposal of property, plant and equipment		**13**	10	21
Disposal of other investments		**13**	7	9
Net cash from investing activities		**38**	12	70
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**–**	–	2
Purchase of ordinary shares		**(2)**	(3)	(3)
Proceeds from new loans		**278**	345	350
Repayment of loans		**(9)**	(16)	(53)
Repayment of finance leases		**(1)**	(2)	(4)
Investment in term deposits		**(2)**	–	–
Ordinary dividends paid		**–**	–	(96)
Ordinary dividends paid – non-controlling interest		**–**	–	(1)
Interest paid		**(30)**	(23)	(47)
Preference dividends paid		**(5)**	(5)	(11)
Net cash from financing activities		**229**	296	137
Net increase/(decrease) in cash and cash equivalents		**22**	3	(31)
Effect of exchange rate changes		**24**	(2)	(17)
Cash and cash equivalents at beginning of period		**532**	580	580
Reclassified to assets held for sale		**(16)**	–	–
Cash and cash equivalents at end of period	18.2	**562**	581	532

Notes to the Financial Statements

1 Accounting policies

1.1 Basis of accounting

The condensed Group financial statements for the half-year ended 28 June 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed Group financial statements should be read in conjunction with the financial statements for the year ended 31 December 2012, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed Group financial statements have been reviewed, not audited, and were approved for issue by the Board on 13 August 2013. The financial information included in this report does not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. A copy of the Company's audited statutory accounts for the year ended 31 December 2012 has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The condensed Group financial statements have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts 2012 except as described in Note 1.4 below.

1.2 Judgements and key sources of estimation uncertainty

The Group's principal judgements and key sources of estimation uncertainty remain unchanged since the year-end and are set out in Note 1.27 on pages 108 to 109 of the Annual Report and Accounts 2012.

1.3 Going concern

Having made appropriate enquiries and reviewed medium-term cash forecasts, the Directors 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 half-year condensed Group financial statements.

1.4 Adoption of new and revised standards

The following new and revised standards have been adopted 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
    - Improvements to IFRSs (2009 – 2011).

Other than IAS 19 Employee Benefits (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 Employee Benefits (Revised) is disclosed in Note 26.

IFRS 13, which is applied prospectively, introduced a new definition of fair value resulting in a £13m gain after tax being recognised in other comprehensive income. In addition, IAS 34 has been amended requiring additional disclosures in interim financial statements to be made upon adoption of IFRS 13 as shown in Notes 15 and 22.

1.5 Re-presentation of comparative information

Balance sheet

The Statement of Financial Position has been renamed the Balance Sheet.

Discontinued operations

The Income Statement has been re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations. Refer to Notes 9 and 26.

1.6 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 28 June 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 27 Separate Financial Statements
    - IAS 28 Investments in Associates and Joint Ventures
    - IAS 36 Recoverable amount disclosures for non-financial assets
    - IAS 39 Novation of derivatives and continuation of hedge accounting.

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

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement however the effective date has been postponed. IFRS 9 in issue as at 28 June 2013 concerns the classification and measurement of financial assets and financial liabilities and the de-recognition of financial instruments. New requirements for impairment and hedge accounting are expected to be added to IFRS 9 in the second half of 2013.

The requirements of IFRS 9 in issue as at 28 June 2013 would result in the Group's PPP financial assets being reclassified from "available-for-sale", which is a category that would no longer exist under the current new standard, to a debt instrument measured either at amortised cost or at fair value through profit or loss. Assuming the Group adopts the fair value through profit or loss option, movements in the fair value of PPP financial assets will no longer be recognised in other comprehensive income. Retrospective application of this requirement would result in the closing balance of fair value movements recognised in PPP financial asset reserves being transferred to retained earnings. The effect within the Group's reserves would be a transfer of £74m from PPP financial asset reserves to retained earnings. The effect within the share of joint ventures' and associates' reserves would be a transfer of £293m from PPP financial asset reserves to retained earnings.

On 28 November 2012 the IASB issued an Exposure Draft, Classification and Measurement: Limited Amendments to IFRS 9, which proposes a new category for the classification of financial assets and liabilities, "Fair value through other comprehensive income". Should these proposals be adopted, the Group's PPP financial assets will be classified as "Fair value through other comprehensive income" which would not result in a material change to the current accounting for the Group's PPP financial assets.

2 Exchange rates

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

Average rates

£1 buys	**2013 first half unaudited**	2012 first half unaudited	2012 year audited	29 June 2012-28 June 2013 % change	31 Dec 2012-28 June 2013 % change
US$	**1.54**	1.58	1.59	(2.5)%	(3.1)%
Euro	**1.18**	1.22	1.23	(3.3)%	(4.1)%

Closing rates

£1 buys	**2013 first half unaudited**	2012 first half unaudited	2012 year audited	29 June 2012-28 June 2013 % change	31 Dec 2012-28 June 2013 % change
US$	**1.52**	1.57	1.62	(3.2)%	(6.2)%
Euro	**1.17**	1.24	1.23	(5.7)%	(4.9)%

3 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, refurbishments and facilities management.
- **Infrastructure Investments** – acquisition, operation and disposal of infrastructure assets such as PPP concessions and airports.

3.1 Income statement - performance by activity from continuing operations

For the half-year ended 28 June 2013 unaudited	Professional Services £m	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Revenue including share of joint ventures and associates	**870**	**3,151**	**648**	**295**	**3**	**4,967**
Share of revenue of joint ventures and associates	**(8)**	**(433)**	**(18)**	**(186)**	**–**	**(645)**
Group revenue	**862**	**2,718**	**630**	**109**	**3**	**4,322**
Underlying group operating profit/(loss)[1]	**26**	**(54)**	**16**	**47**	**(13)**	**22**
Share of results of joint ventures and associates	**–**	**13**	**1**	**16**	**–**	**30**
Underlying profit/(loss) from operations[1]	**26**	**(41)**	**17**	**63**	**(13)**	**52**
Non-underlying items						
- amortisation of acquired intangible assets	**(6)**	**(6)**	**–**	**(4)**	**–**	**(16)**
- other non-underlying items	**(14)**	**(10)**	**(8)**	**–**	**(3)**	**(35)**
Profit/(loss) from continuing operations	**6**	**(57)**	**9**	**59**	**(16)**	**1**
Investment income						**33**
Finance costs						**(40)**
Loss before taxation from continuing operations						**(6)**

[1] Before non-underlying items (Note 7).

For the half-year ended 29 June 2012 unaudited	Professional Services £m	Construction Services [2,3] £m	Support Services [3] £m	Infrastructure Investments £m	Corporate activities £m	Total [2,3] £m
Revenue including share of joint ventures and associates	845	3,303	593	358	–	5,099
Share of revenue of joint ventures and associates	(5)	(379)	(24)	(249)	–	(657)
Group revenue	840	2,924	569	109	–	4,442
Underlying group operating profit/(loss) [1]	42	32	3	45	(16)	106
Share of results of joint ventures and associates	–	27	1	22	–	50
Underlying profit/(loss) from operations [1]	42	59	4	67	(16)	156
Non-underlying items						
- amortisation of acquired intangible assets	(9)	(7)	–	(4)	–	(20)
- other non-underlying items	(13)	(9)	(3)	(12)	(1)	(38)
Profit/(loss) from continuing operations	20	43	1	51	(17)	98
Investment income						29
Finance costs						(35)
Profit before taxation from continuing operations						92

[1] Before non-underlying items (Note 7).
[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

3 Segment analysis continued

3.1 Income statement - performance by activity from continuing operations continued

For the year ended 31 December 2012 audited	Professional Services £m	Construction Services [2,3] £m	Support Services [3] £m	Infrastructure Investments £m	Corporate activities £m	Total [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 from continuing operations						147

[1] Before non-underlying items (Note 7).
[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

3.2 Assets and liabilities by activity

As at half-year ended 28 June 2013 unaudited	Professional Services £m	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Due from construction contract customers	**204**	**305**	**135**	**–**	**–**	**644**
Due to construction contract customers	**(124)**	**(181)**	**(56)**	**–**	**–**	**(361)**
Inventories and non-construction work in progress	**4**	**71**	**68**	**–**	**3**	**146**
Trade and other receivables – current	**314**	**750**	**147**	**58**	**7**	**1,276**
Trade and other payables – current	**(290)**	**(1,508)**	**(300)**	**(46)**	**(98)**	**(2,242)**
Provisions	**(17)**	**(132)**	**(29)**	**(5)**	**(23)**	**(206)**
Working capital *	**91**	**(695)**	**(35)**	**7**	**(111)**	**(743)**
Classified as net assets held for sale	**–**	**10**	**35**	**–**	**–**	**45**
Adjusted working capital	**91**	**(685)**	**–**	**7**	**(111)**	**(698)**

* Includes non-operating items, current working capital and provisions.

Total assets	**912**	**2,479**	**731**	**1,295**	**788**	**6,205**
Total liabilities	**(513)**	**(2,306)**	**(569)**	**(210)**	**(1,415)**	**(5,013)**
Net assets/(liabilities)	**399**	**173+**	**162^**	**1,085**	**(627)**	**1,192**

+ Includes net assets held for sale of £39m relating to the Rail disposal group (Note 9).
^ Includes net assets held for sale of £115m relating to the UK facilities management disposal group (Note 9).

As at half-year ended 29 June 2012 unaudited	Professional Services £m	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Due from construction contract customers	184	450	26	–	–	660
Due to construction contract customers	(134)	(370)	(17)	–	–	(521)
Inventories and non-construction work in progress	1	79	78	–	1	159
Trade and other receivables – current	305	779	260	108	62	1,514
Trade and other payables – current	(281)	(1,518)	(349)	(46)	(134)	(2,328)
Provisions	(22)	(163)	(35)	(1)	(21)	(242)
Working capital *	53	(743)	(37)	61	(92)	(758)

* Includes non-operating items, current working capital and provisions.

Total assets	862	2,554	602	1,082	800	5,900
Total liabilities	(555)	(2,195)	(421)	(247)	(1,226)	(4,644)
Net assets/(liabilities)	307	359	181	835	(426)	1,256

3 Segment analysis continued

3.2 Assets and liabilities by activity continued

As at year ended 31 December 2012 audited	Professional Services £m	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Due from construction contract customers	187	387	60	–	–	634
Due to construction contract customers	(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	(15)	(156)	(34)	(4)	(19)	(228)
Working capital *	57	(725)	(59)	2	(52)	(777)

* Includes non-operating items, current working capital and provisions.

Total assets	864	2,268	579	1,341	740	5,792
Total liabilities	(571)	(2,087)	(449)	(256)	(1,120)	(4,483)
Net assets/(liabilities)	293	181	130	1,085	(380)	1,309

3.3 Other information – continuing operations

	Professional Services £m	Construction Services [3] £m	Support Services [3] £m	Infrastructure Investments £m	Corporate activities £m	Total £m
For the half-year ended 28 June 2013 unaudited						
Capital expenditure on property, plant and equipment	**15**	**7**	**4**	**2**	**5**	**33**
Depreciation	**7**	**8**	**9**	**1**	**–**	**25**
Gain on disposals of interests in PPP joint ventures	**–**	**–**	**–**	**45**	**–**	**45**
For the half-year ended 29 June 2012 unaudited						
Capital expenditure on property, plant and equipment	7	9	5	1	–	22
Depreciation	6	8	9	1	1	25
Gain on disposals of interests in PPP joint ventures	–	–	–	52	–	52
For the year ended 31 December 2012 audited						
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 PPP joint ventures	–	–	–	52	–	52

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

3.4 Revenue by geographic destination – continuing operations

	United Kingdom [3] £m	United States £m	Rest of world [3,4] £m	Total [3] £m
For the half-year ended 28 June 2013 unaudited				
Revenue including share of joint ventures and associates	**2,286**	**1,936**	**745**	**4,967**
Share of revenue of joint ventures and associates	**(225)**	**(78)**	**(342)**	**(645)**
Group revenue	**2,061**	**1,858**	**403**	**4,322**
For the half-year ended 29 June 2012 unaudited				
Revenue including share of joint ventures and associates	2,545	1,824	730	5,099
Share of revenue of joint ventures and associates	(269)	(51)	(337)	(657)
Group revenue	2,276	1,773	393	4,442
For the year ended 31 December 2012 audited				
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

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).
[4] Re-presented to amalgamate geographic information relating to continuing Mainland European operations and Rest of world for the year ended 31 December 2012.

3 Segment analysis continued

3.5 Infrastructure Investments

Underlying profit from operations	Group 2013 first half unaudited £m	Share of joint ventures and associates [5] 2013 first half unaudited £m	Total 2013 first half unaudited £m	Group 2012 first half unaudited £m	Share of joint ventures and associates [5] 2012 first half unaudited £m	Total 2012 first half unaudited £m	Group 2012 Year Audited £m	Share of joint ventures and associates [5] 2012 year audited £m	Total 2012 year audited £m
PPP UK ^	**1**	**12**	**13**	1	19	20	2	35	37
PPP US	**11**	**4**	**15**	9	4	13	12	6	18
Infrastructure	**(1)**	**–**	**(1)**	(2)	(1)	(3)	(3)	(1)	(4)
Infrastructure Fund *	**(2)**	**–**	**(2)**	(3)	–	(3)	(4)	–	(4)
Gain on disposals of interests in PPP joint ventures	**45**	**–**	**45**	52	–	52	52	–	52
	54	**16**	**70**	57	22	79	59	40	99
Bidding costs and overheads *	**(7)**	**–**	**(7)**	(12)	–	(12)	(30)	–	(30)
	47	**16**	**63**	45	22	67	29	40	69

[5] The Group's share of the results of joint ventures and associates is disclosed net of investment income, finance costs and taxation.
^ Including Singapore.
* Re-presented to separately identify costs directly related to the Infrastructure Fund.

4 Share of results and net assets of joint ventures and associates – continuing operations

4.1 Income Statement

	2013 first half unaudited £m	2012 first half unaudited [2,3] £m	2012 year audited [2,3] £m
Revenue	**645**	657	1,310
Underlying operating profit [1]	**24**	38	81
Investment income	**86**	93	181
Finance costs	**(74)**	(76)	(157)
Taxation	**(6)**	(5)	(13)
Share of underlying results of joint ventures and associates	**30**	50	92

[1] Before non-underlying items (Note 7).
[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

4.2 Balance Sheet

		2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Intangible assets	– goodwill	**31**	43	42
	– PPP concession intangible	**19**	19	18
	– other	**1**	3	3
Property, plant and equipment		**41**	55	62
PPP financial assets		**2,234**	2,284	2,641
Military housing projects		**75**	57	65
Infrastructure Fund investment		**9**	–	–
Net cash/(borrowings)	– PPP non-recourse	**(1,475)**	(1,741)	(1,718)
	– other	**176**	132	135
Other net liabilities		**(439)**	(437)	(522)
Share of net assets of joint ventures and associates		**672**	415	726

5 Investment income

	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
PPP subordinated debt interest receivable	**13**	11	24
Interest receivable on PPP financial assets (Note 15)	**16**	15	31
Other interest receivable and similar income	**4**	3	7
	33	29	62

6 Finance costs

		2013 first half unaudited £m	2012 first half unaudited [2,3,6] £m	2012 year audited [2,3,6] £m
PPP non-recourse	– bank loans and overdrafts	**14**	13	27
Preference shares	– finance cost	**6**	6	12
Other interest payable	– loans under committed facilities	**4**	3	8
	– other bank loans and overdrafts	**5**	1	3
	– commitment fees	**1**	3	4
	– other finance charges	**4**	4	6
Net finance cost on pension scheme assets and liabilities		**6**	5	9
		40	35	69

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).
[6] Re-presented to separately disclose interest payable on loans under committed facilities.

7 Non-underlying items

	2013 first half unaudited £m	2012 first half unaudited [3] £m	2012 year audited [3] £m
7.1 Operating expenses (charged against)/credited to profit			
Continuing operations			
7.1.1 Amortisation of acquired intangible assets	**(16)**	(20)	(39)
7.1.2 Other non-underlying items			
– restructuring and reorganisation costs relating to continuing businesses ^	**(32)**	(14)	(59)
– restructuring charges in respect of continuing Mainland European rail business	**–**	–	(7)
– cost of implementing UK shared service centre	**(2)**	–	(4)
– post-acquisition integration, reorganisation and other costs	**(1)**	(12)	(9)
– write-down of investment in Exeter International Airport	**–**	(12)	(12)
Total other non-underlying items from continuing operations	**(35)**	(38)	(91)
Charged against profit before taxation from continuing operations	**(51)**	(58)	(130)
7.2 Tax on items above	**16**	15	35
Non-underlying items charged against profit for the period from continuing operations	**(35)**	(43)	(95)
Discontinued operations			
7.3.1 Amortisation of acquired intangible assets	**(2)**	(3)	(6)
7.3.2 Other non-underlying items			
– goodwill impairment in respect of Mainland European rail businesses	**(38)**	–	(95)
– restructuring charges in respect of Mainland European rail businesses	**(6)**	–	(2)
– loss on disposal of Rail Spain	**(4)**	–	–
– Rail Germany regulatory fine	**(2)**	–	–
– UK facilities management business disposal transaction costs ^	**(2)**	–	(2)
Total other non-underlying items from discontinued operations	**(52)**	–	(99)
Charged against profit before taxation from discontinued operations	**(54)**	(3)	(105)
7.4 Tax on items above	**1**	1	4
Non-underlying items charged against profit for the period from discontinued operations	**(53)**	(2)	(101)
Charged against profit for the period	**(88)**	(45)	(196)

[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).
^ Re-presented to separately identify disposal transaction costs relating to the UK facilities management business.

Continuing operations

7.1.1 The amortisation of acquired intangible assets from continuing operations comprises: customer contracts £5m (2012: first half £8m, full-year £16m); customer relationships £6m (2012: first half £7m, full-year £14m); and brand names £5m (2012: first half £5m, full-year £9m).

7.1.2.1 The Group is restructuring a number of its businesses in order to increase its focus on the needs of customers and upon growth sectors, further integrate its service offering to these customers, and realise operational efficiencies. In 2013 restructuring costs of £32m were incurred (2012: first half £14m, full-year £59m) relating to: Construction Services UK £9m (2012: first half £9m, full-year £34m), where six business units have been streamlined and restructured into one business with three business streams; Support Services UK £2m (2012: first half £2m, full-year £5m); other UK entities £6m (2012: first half £1m, full-year £10m); Professional Services US £9m (2012: first half £nil, full-year £2m); Professional Services Australia £5m (2012: first half £nil, full-year £2m) and other non-UK entities £1m (2012: first half £2m, full-year £6m).

The 2013 restructuring costs comprise: redundancy costs £20m (2012: first half £8m, full-year £20m); external advisers £8m (2012: first half £4m, full-year £8m); impairment of land and buildings £nil (2012: first half £nil, full-year £5m); other property related costs £1m (2012: first half £nil, full-year £11m); pension curtailment cost £1m (2012: first half £nil, full-year £2m); gain on sale of property £(3)m (2012: first half £nil, full-year £nil); and other restructuring costs £5m (2012: first half £2m, full-year £13m).

7 Non-underlying items continued

Continuing operations continued

7.1.2.2 Restructuring costs of £7m were incurred in the second half of 2012 in respect of the Mainland European rail business which is not yet classified as a discontinued operation.

7.1.2.3 In the first half of 2013, the implementation of the UK shared service centre in Newcastle-upon-Tyne led to incremental costs of £2m (2012: first half £nil, full-year £4m) being incurred.

7.1.2.4 Post-acquisition integration and reorganisation costs of £1m (2012: first half £12m, full-year £9m) have been incurred in the first half of 2013 of which £1m (2012: first half £nil, full-year £nil) relates to Howard S. Wright post-acquisition reorganisation costs and £nil (2012: first half £1m, full-year £1m) relates to Parsons Brinckerhoff post-acquisition reorganisation costs. In addition, in 2012 a provision of £11m was raised at the half-year relating to a liability 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. The liability was settled in the second half of 2012 for £8m.

7.1.2.5 During the first half of 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 19.3.5).

7.2 The non-underlying items charged against Group operating profit from continuing operations gave rise to a tax credit of £16m comprising: £5m on amortisation of acquired intangible assets and £11m on other non-underlying items (2012: first half £15m comprising: £6m on amortisation of acquired intangible assets and £9m on other non-underlying items, full-year £35m comprising: £13m on amortisation of acquired intangible assets and £22m on other non-underlying items).

Discontinued operations

7.3.1 The amortisation of acquired intangible assets from discontinued operations comprises customer contracts £1m (2012: first half £1m, full-year £1m); customer relationships £1m (2012: first half £2m, full-year £4m); and brand names £nil (2012: first half £nil, full-year £1m).

7.3.2.1 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 the reporting date Rail Germany, Rail Scandinavia and Rail Spain are classified as discontinued operations with a £38m goodwill impairment arising in respect of Rail Germany. During the 2012 full-year, £95m of goodwill in the Mainland European rail businesses was impaired comprising: Germany £80m; Scandinavia £12m; and Spain £3m. Refer to Note 9.

7.3.2.2 Restructuring costs of £6m (2012: first half £nil, full-year £2m) were incurred in respect of Mainland European rail businesses classified as discontinued operations.

7.3.2.3 On 1 March 2013 the Group disposed of Rail Spain for a net loss of £4m. Refer to Note 19.3.1.

7.3.2.4 In the first half of 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.

7.3.2.5 Transaction costs of £2m were incurred relating to the disposal of the UK facilities management business (2012: first half £nil, full-year £2m).

7.4 The non-underlying items charged against profit from discontinued operations gave rise to a tax credit of £1m on amortisation of acquired intangible assets (2012: first half £1m on amortisation of acquired intangible assets, full-year £4m comprising: £1m on amortisation of acquired intangible assets and £3m on other non-underlying items).

8 Taxation

	Underlying Items [1] 2013 first half unaudited £m	Non-underlying items (Note 7) 2013 first half unaudited £m	Total 2013 first half unaudited £m	2012 first half unaudited [2,3] £m	2012 year audited [2,3] £m
Total UK tax	**(6)**	**(7)**	**(13)**	(6)	(6)
Total non-UK tax	**11**	**(10)**	**1**	15	35
Total tax charge/(credit)	**5**	**(17)**	**(12)**	9	29
Continuing operations ^					
UK current tax	**(2)**	**–**	**(2)**	(2)	(9)
Non-UK current tax	**16**	**(12)**	**4**	13	36
Total current tax	**14**	**(12)**	**2**	11	27
UK deferred tax	**(6)**	**(6)**	**(12)**	(5)	–
Non-UK deferred tax	**(6)**	**2**	**(4)**	1	(1)
Total deferred tax	**(12)**	**(4)**	**(16)**	(4)	(1)
Total tax charge/(credit) from continuing operations	**2**	**(16)**	**(14)**	7	26
Discontinued operations ^					
UK current tax	**2**	**–**	**2**	2	7
Non-UK current tax	**1**	**–**	**1**	–	1
Total current tax	**3**	**–**	**3**	2	8
UK deferred tax	**–**	**(1)**	**(1)**	(1)	(4)
Non-UK deferred tax	**–**	**–**	**–**	1	(1)
Total deferred tax	**–**	**(1)**	**(1)**	–	(5)
Total tax charge/(credit) from discontinued operations	**3**	**(1)**	**2**	2	3

[1] Before non-underlying items (Note 7).
[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).
^ Excluding joint ventures and associates.

In addition to the Group tax charge above, tax of £20m is credited directly to equity (2012: first half £15m charge, full-year £72m charge), comprising a deferred tax credit of £7m (2012: first half £15m charge, full-year £13m credit); current tax of £nil (2012: first half £nil, full-year £1m credit); and a deferred tax credit in respect of joint ventures and associates of £13m (2012: first half £nil, full-year £86m charge).

9 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. Accordingly, when these businesses meet the criteria to be classified as an asset held for sale, they will form part of the Rail disposal group and be disclosed as discontinued operations.

On 1 March 2013, as the initial step in its policy of divesting of its Mainland European rail businesses, the Group disposed of its interest in Balfour Beatty Rail Iberica S.A. (Rail Spain) to its local management for a cash consideration of €1 resulting in a net £4m loss on disposal. Refer to Note 19.3.1.

The Group has been actively marketing its Mainland European rail businesses and is in negotiations with interested parties. At the reporting date Rail Germany and Rail Scandinavia met the criteria to be classified as an asset held for sale and accordingly together with Rail Spain constitute the Rail disposal group within discontinued operations, with a £38m goodwill impairment arising in respect of Rail Germany.

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

UK facilities management disposal group

On 9 August 2013 the Group signed a binding agreement to sell its UK facilities management business (Balfour Beatty WorkPlace) to GDF Suez Energy Services for approximately £190m, subject to adjustments in respect of net debt transferring with the business, pension liabilities and relating to completion accounts. The net cash inflow upon completion is expected to be in excess of £150m. Completion is expected in the fourth quarter of 2013 following finalisation of the completion accounts, subject to EU competition clearance. At the reporting date the UK facilities management business met the criteria to be classified as an asset held for sale and a discontinued operation. The UK facilities management business was part of the Support Services segment.

The 2012 half-year and full year income statements have been re-presented to classify the Rail and UK facilities management disposal groups as discontinued operations, refer to Note 26.

9 Discontinued operations continued

Results of the discontinued operations included within the Condensed Group Income Statement

Results included in the income statement	Rail disposal group 2013 first half unaudited £m	UK facilities management disposal group 2013 first half unaudited £m	Total discontinued operations 2013 first half unaudited £m	Rail disposal group 2012 first half unaudited £m	UK facilities management disposal group 2012 first half unaudited £m	Total discontinued operations 2012 first half unaudited £m	Rail disposal group 2012 year audited £m	UK facilities management disposal group 2012 year audited £m	Total discontinued operations 2012 year audited £m
Revenue including share of joint ventures and associates	**187**	**272**	**459**	201	235	436	448	482	930
Share of revenue of joint ventures and associates	**(4)**	**(45)**	**(49)**	(4)	(49)	(53)	(12)	(91)	(103)
Group revenue	**183**	**227**	**410**	197	186	383	436	391	827
Underlying group operating (loss)/profit	**(18)**	**9**	**(9)**	(8)	6	(2)	(1)	21	20
Share of results of joint ventures and associates	**–**	**–**	**–**	2	–	2	3	1	4
Underlying (loss)/profit from operations	**(18)**	**9**	**(9)**	(6)	6	–	2	22	24
Net finance costs	**(2)**	**–**	**(2)**	(1)	–	(1)	(2)	–	(2)
Underlying (loss)/profit before tax	**(20)**	**9**	**(11)**	(7)	6	(1)	–	22	22
Amortisation of acquired intangible assets	**–**	**(2)**	**(2)**	–	(3)	(3)	(1)	(5)	(6)
Other non-underlying items	**(50)**	**(2)**	**(52)**	–	–	–	(97)	(2)	(99)
	(50)	**(4)**	**(54)**	–	(3)	(3)	(98)	(7)	(105)
Group operating (loss)/profit	**(70)**	**5**	**(65)**	(7)	3	(4)	(98)	15	(83)
Taxation	**(1)**	**(1)**	**(2)**	(1)	(1)	(2)	–	(3)	(3)
(Loss)/profit for the year from discontinued operations	**(71)**	**4**	**(67)**	(8)	2	(6)	(98)	12	(86)

9 Discontinued operations continued

Major classes of assets and liabilities included within discontinued operations held for sale

	Rail disposal group 2013 first half unaudited £m	UK facilities management disposal group 2013 first half unaudited £m	Total discontinued operations 2013 first half unaudited £m
Non-current assets			
Intangible assets – goodwill	–	64	64
– other	3	6	9
Property, plant and equipment	40	4	44
Investments in joint ventures and associates	8	8	16
Trade and other receivables	3	3	6
Retirement benefit assets	–	8	8
Deferred tax assets	–	1	1
	54	94	148
Current assets			
Inventories and non-construction work in progress	16	25	41
Due from construction contract customers	100	–	100
Trade and other receivables	71	121	192
Cash	16	–	16
	203	146	349
Total assets classified as held for sale	257	240	497
Current liabilities			
Due to construction contract customers	(44)	–	(44)
Trade and other payables	(122)	(108)	(230)
Provisions	(7)	(2)	(9)
Current tax liabilities	(2)	(7)	(9)
	(175)	(117)	(292)
Non-current liabilities			
Trade and other payables	(5)	(7)	(12)
Provisions	(4)	(1)	(5)
Retirement benefit liabilities	(31)	–	(31)
Deferred tax liabilities	(3)	–	(3)
	(43)	(8)	(51)
Total liabilities classified as held for sale	(218)	(125)	(343)
Net assets of disposal group	39	115	154

Included within the Group's cash flow for the period ended 28 June 2013 are net £(32)m operating cash outflows; net £(8)m investing cash outflows; and net £(1m) financing cash outflows relating to the Rail disposal group and net £5m operating cash inflows and net £(2)m investing cash outflows relating to the UK facilities management disposal group.

10 Earnings/(loss) per ordinary share

Earnings/(loss)	2013 first half unaudited Basic £m	2013 first half unaudited Diluted £m	2012 first half unaudited[2,3] Basic £m	2012 first half unaudited[2,3] Diluted £m	2012 year audited[2,3] Basic £m	2012 year audited[2,3] Diluted £m
Continuing operations						
Earnings	**8**	**8**	85	85	121	121
Amortisation of acquired intangible assets net of tax	**11**	**11**	14	14	26	26
Other non-underlying items net of tax	**24**	**24**	29	29	69	69
Underlying earnings	**43**	**43**	128	128	216	216
Discontinued operations						
Loss	**(67)**	**(67)**	(6)	(6)	(86)	(86)
Amortisation of acquired intangible assets net of tax	**1**	**1**	2	2	5	5
Other non-underlying items net of tax	**52**	**52**	–	–	96	96
Underlying (loss)/earnings	**(14)**	**(14)**	(4)	(4)	15	15
Total operations						
(Loss)/earnings	**(59)**	**(59)**	79	79	35	35
Amortisation of acquired intangible assets net of tax	**12**	**12**	16	16	31	31
Other non-underlying items net of tax	**76**	**76**	29	29	165	165
Underlying earnings	**29**	**29**	124	124	231	231

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

Earnings/(loss) per share	Basic pence	Diluted pence	Basic pence	Diluted pence	Basic pence	Diluted pence
Continuing operations						
Earnings per ordinary share	**1.2**	**1.2**	12.4	12.4	17.9	17.9
Amortisation of acquired intangible assets	**1.6**	**1.6**	2.0	2.0	3.8	3.8
Other non-underlying items	**3.5**	**3.5**	4.3	4.3	10.0	10.0
Underlying earnings per ordinary share	**6.3**	**6.3**	18.7	18.7	31.7	31.7
Discontinued operations						
Loss per ordinary share	**(9.8)**	**(9.8)**	(0.8)	(0.8)	(12.6)	(12.6)
Amortisation of acquired intangible assets	**0.2**	**0.2**	0.3	0.3	0.6	0.6
Other non-underlying items	**7.6**	**7.6**	–	–	14.1	14.1
Underlying (loss)/earnings per ordinary share	**(2.0)**	**(2.0)**	(0.5)	(0.5)	2.1	2.1
Total operations						
(Loss)/earnings per ordinary share	**(8.6)**	**(8.6)**	11.6	11.6	5.3	5.3
Amortisation of acquired intangible assets	**1.8**	**1.8**	2.3	2.3	4.4	4.4
Other non-underlying items	**11.1**	**11.1**	4.3	4.3	24.1	24.1
Underlying earnings per ordinary share	**4.3**	**4.3**	18.2	18.2	33.8	33.8

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

11 Dividends on ordinary shares

	2013 first half unaudited Per share pence	2013 first half unaudited Amount £m	2012 first half unaudited Per share pence	2012 first half unaudited Amount £m	2012 year audited Per share pence	2012 year audited Amount £m
Proposed dividends for the period						
Interim 2012	**–**	**–**	5.6	38	5.6	38
Final 2012	**–**	**–**	–	–	8.5	58
Interim 2013	**5.6**	**38**	–	–	–	–
	5.6	**38**	5.6	38	14.1	96
Recognised dividends for the period						
Final 2011		**–**		58		58
Interim 2012		**–**		–		38
Final 2012		**58**		–		–
		58		58		96

The interim 2013 dividend will be paid on 6 December 2013 to holders on the register on 11 October 2013 by direct credit or, where no mandate has been given, by cheque posted on 5 December 2013 payable on 6 December 2013. The ordinary shares will be quoted ex-dividend on 9 October 2013.

	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Dividends on ordinary shares	**58**	58	96
Other dividends to non-controlling interests	**–**	–	1
Total recognised dividends for the period	**58**	58	97

12 Intangible assets – goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 1 January 2012 audited	1,325	(46)	1,279
Currency translation differences	(14)	–	(14)
Businesses acquired – prior year	(1)	–	(1)
At 29 June 2012 unaudited	1,310	(46)	1,264
Currency translation differences	(20)	2	(18)
Impairment charges in respect of Mainland European rail businesses (Note 7)	–	(95)	(95)
Business acquired	9	–	9
At 31 December 2012 audited	1,299	(139)	1,160
Currency translation differences	**53**	**(8)**	**45**
Impairment charges in respect of Mainland European rail business (Note 7)	**–**	**(38)**	**(38)**
Reclassified to assets held for sale	**(201)**	**137**	**(64)**
At 28 June 2013 unaudited	**1,151**	**(48)**	**1,103**

13 Trade and other receivables

	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Current			
Trade receivables	**912**	1,000	851
Less: Provision for impairment of trade receivables	**(20)**	(39)	(29)
	892	961	822
Other receivables	**70**	187	69
Due from joint ventures and associates	**30**	20	38
Due from jointly controlled operations	**2**	4	1
Contract retentions receivable ^	**204**	226	199
Accrued income	**22**	36	38
Prepayments	**56**	80	74
	1,276	1,514	1,241
Non-current			
Trade receivables	**2**	–	2
Other receivables	**9**	14	9
Due from joint ventures and associates	**5**	2	2
Contract retentions receivable ^	**82**	57	67
Prepayments	**–**	4	4
Due on acquisitions	**17**	16	16
	115	93	100
	1,391	1,607	1,341
Comprising			
Financial assets	**1,335**	1,523	1,263
Non-financial assets - prepayments	**56**	84	78
	1,391	1,607	1,341

^ Include £284m (2012: first half £282m; full-year £265m) construction contract retentions receivable.

Based on prior experience, an assessment of the current economic environment and a review of the financial circumstances of individual customers, the Directors believe no further credit risk provision is required in respect of trade receivables.

The Directors consider that the carrying values of current trade and other receivables approximate their fair values. The fair value of non-current trade and other receivables amounts to £110m (2012: first half £88m, full-year £98m) and has been determined by discounting future cash flows using yield curves and exchange rates prevailing at the reporting date.

14 Trade and other payables

	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Current			
Trade and other payables	**930**	987	900
Accruals	**1,096**	1,119	1,130
Deferred income	**15**	19	15
Advance payments on contracts *	**20**	20	19
VAT, payroll taxes and social security	**98**	108	108
Due to joint ventures and associates	**15**	8	15
Dividends on preference shares	**5**	5	5
Dividends on ordinary shares	**58**	58	–
Due on acquisitions	**5**	4	22
	2,242	2,328	2,214
Non-current			
Trade and other payables	**90**	77	94
Accruals	**15**	16	16
Deferred income	**2**	8	4
Advance payments on contracts *	**–**	1	1
Due to joint ventures and associates	**25**	26	25
Due on acquisitions	**17**	29	19
	149	157	159
	2,391	2,485	2,373
Comprising			
Financial liabilities	**2,277**	2,351	2,150
Non-financial liabilities	**114**	134	223
	2,391	2,485	2,373

* Include £15m (2012: first half £14m; full-year £14m) advances on construction contracts.

The Directors consider that the carrying values of current trade and other payables approximate their fair values. The fair value of non-current trade and other payables amounts to £125m (2012: first half £136m, full-year £135m) and has been determined by discounting future cash flows using yield curves and exchange rates prevailing at the reporting date.

15 PPP financial assets

	Schools £m	Roads £m	Other £m	Total £m
At 1 January 2013 audited	217	280	45	542
Income recognised in the income statement				
– construction contract margin	**–**	**1**	**–**	**1**
– interest income (Note 5)	**6**	**8**	**2**	**16**
Losses recognised in the statement of comprehensive income				
– fair value movements	**(10)**	**(14)**	**–**	**(24)**
Other movements				
– cash expenditure	**1**	**18**	**9**	**28**
– cash received	**(10)**	**(14)**	**(2)**	**(26)**
At 28 June 2013 unaudited	**204**	**279**	**54**	**537**

16 Retirement benefit liabilities

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

		2013 first half unaudited %	2012 first half unaudited %	2012 year audited %
Discount rate on obligations		**4.60**	4.80	4.40
Inflation rate	– RPI	**3.30**	2.80	2.90
	– CPI	**2.30**	1.90	2.20
Future increases in pensionable salary	– certain members of the Balfour Beatty Pension Fund whose increase in pensionable pay is limited	**–**	–	–
	– certain other members of the Balfour Beatty Pension Fund that have a protected right to a defined benefit membership	**2.30**	4.30	2.20
	– other members	**4.80**	4.30	4.40
	– Railways Pension Scheme	**2.30**	3.80	2.20

Amounts recognised in the Balance Sheet

	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Present value of obligations	**(3,138)**	(2,905)	(3,151)
Fair value of plan assets	**2,788**	2,682	2,813
Liability in the Balance Sheet	**(350)**	(223)	(338)

The defined benefit obligation comprises £73m (2012: first half £90m, full-year £97m) arising from wholly unfunded plans and £3,065m (2012: first half £2,815m, full-year £3,054m) arising from plans that are wholly or partly funded.

Analysis of liability	**2013 first half unaudited £m**	2012 first half unaudited £m	2012 year audited £m
Balfour Beatty Pension Fund	**(238)**	(103)^	(198)
Railways Pension Scheme	**(38)**	(30)	(42)
Other schemes *	**(74)**	(90)	(98)
Liability in the Balance Sheet	**(350)**	(223)	(338)

^ includes £54m relating to the Parsons Brinckerhoff Scheme which merged with the Balfour Beatty Pension Fund in the second half of 2012.
* Available-for-sale investments in mutual funds of £59m (2012: first half £52m, full-year £52m) are held by the Group to satisfy the Group's deferred compensation obligations.

Movement in retirement benefit liabilities for the period		**2013 first half unaudited £m**	2012 first half unaudited [2] £m	2012 year audited [2] £m
At beginning of period		**(338)**	(275)	(275)
Currency translation differences		**(6)**	1	2
Service cost		**(24)**	(25)	(48)
Past service cost credit		**–**	2	2
Curtailment cost		**(1)**	–	(2)
Net interest cost [2]		**(6)**	(5)	(10)
Contributions from employer	– regular funding	**15**	18	35
	– ongoing deficit funding	**33**	31	58
	– conditional deficit funding	**4**	–	–
	– one-off deficit funding	**–**	–	3
Benefits paid		**5**	3	8
Actuarial gains and losses	– on obligations from reassessing the difference between RPI and CPI	**38**	–	(25)
	– on obligations from a change in the mortality assumptions	**–**	–	49
	– on obligations from other movements	**(63)**	31	(218)
	– on assets [2]	**(30)**	(4)	83
Reclassified to assets held for sale	– Mainland European rail businesses (Note 9)	**31**	–	–
	– UK facilities management business (Note 9)	**(8)**	–	–
At end of period		**(350)**	(223)	(338)

[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).

16 Retirement benefit liabilities continued

The investment strategy of the Balfour Beatty Pension Fund (BBPF) and the sensitivity analysis of the Group's retirement benefit obligations and assets to different actuarial assumptions are set out in Note 26 on pages 134 and 139 of the Annual Report and Accounts 2012.

In anticipation of the formal triennial funding valuation of the BBPF the Group agreed to make additional conditional deficit contributions of £1m per month, payable quarterly in arrears, if the BBPF funding levels in any given month are below certain funding targets set out in the BBPF journey plan. The amount paid during the half-year ended 28 June 2013 was £4m.

In the year ended 31 December 2012, the Group reassessed the difference between the RPI and CPI measures of price inflation from 0.90% to 0.70%. The reduction was applied following consideration of proposals made by the Office for National Statistics (ONS) to change the method to calculate RPI and independent advice received from the Group's actuaries. This change in assumptions gave rise to a £25m actuarial increase in liabilities which was charged to equity in the Statement of Comprehensive Income.

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 credited to equity in the Statement of Comprehensive Income.

Parsons Brinckerhoff Ltd had a defined benefit scheme (Parsons Brinckerhoff Scheme) which has been closed to new members since 31 July 2003 and merged with the BBPF on 30 June 2012.

The Group made a pension increase exchange offer to certain current pensioners, widows and widowers of the BBPF to forego their entitlement to future non-statutory inflationary increases in return for a higher pension than their current entitlement which closed in February 2012 resulting in a £2m reduction to the 2012 half-year pension obligation and a consequential net past service cost credit of £2m in the first half of 2012.

With effect from 31 August 2013 certain members, constituting the majority, of the BBPF will cease to accrue future benefits and become deferred members. This curtailment will give rise to a charge in the second half of the year, recognised as a non-underlying item. The charge will be calculated using the actuarial assumptions at 31 August 2013. If the charge were to be based on actuarial conditions at the half-year it would be approximately £56m.

For the four months to December 2013, the estimated income statement effect of the curtailment is a reduction in the defined benefit service charge of £10m offset by a £6m increase in defined contribution costs. Regular defined benefit employer funding contributions are estimated to decrease by £9m in that period.

17 Share capital

During the half-year ended 28 June 2013, 45,762 ordinary shares were issued following the exercise of savings-related share options and 200,435 ordinary shares were issued following the exercise of executive share options for an aggregate cash consideration of £0.4m.

In the half-year ended 28 June 2013, 640,550 ordinary shares were purchased for £1.5m by the Group's employee discretionary trust to satisfy awards under the Balfour Beatty Performance Share Plan and the Balfour Beatty Deferred Bonus Plan.

18 Notes to the Statement of Cash Flows

18.1 Cash (used in)/generated from operations

		2013 first half unaudited £m	2012 first half unaudited [2,3] £m	2012 year audited [2,3] £m
Profit from continuing operations		**1**	98	154
Loss from discontinued operations		**(63)**	(3)	(81)
Share of results of joint ventures and associates – continuing operations		**(30)**	(50)	(92)
Share of results of joint ventures and associates – discontinued operations		**–**	(2)	(4)
Depreciation of property, plant and equipment		**31**	32	64
Amortisation of other intangible assets		**20**	24	49
Pension deficit payments	– ongoing deficit funding	**(33)**	(31)	(58)
	– conditional deficit funding	**(4)**	–	–
	– one-off deficit funding	**–**	–	(3)
Pension past service cost credit		**–**	(2)	(2)
Pension curtailment cost		**1**	–	2
Movements relating to share-based payments		**4**	4	6
Profit on disposal of investments in joint ventures		**(45)**	(52)	(52)
Profit on disposal of property, plant and equipment		**(5)**	(3)	(7)
Loss on disposal of subsidiary		**4**	–	–
Contingent consideration for acquisitions		**(4)**	–	–
Write-down of investment in Exeter International Airport		**–**	12	12
Goodwill impairment in respect of Mainland European rail businesses		**38**	–	95
Impairment of property, plant and equipment		**–**	–	5
Impairment of inventory		**2**	–	4
Other non-cash items		**–**	1	(1)
Operating cash flows before movements in working capital		**(83)**	28	91
Increase in operating working capital		**(153)**	(320)	(310)
Cash used in operations		**(236)**	(292)	(219)

[1] Before non-underlying items (Note 7).
[2] Restated to reflect the effects of the adoption of IAS 19 Employee Benefits (Revised) (Notes 1.4 and 26).
[3] Re-presented to classify certain Mainland European rail businesses and the UK facilities management business as discontinued operations (Notes 9 and 26).

18.2 Cash and cash equivalents

	2013 first half unaudited £m	2012 first half unaudited [6] £m	2012 year audited £m
Cash and deposits	**481**	529	515
Term deposits	**50**	35	2
PPP cash balances	**31**	22	25
Bank overdrafts	**–**	(5)	(10)
	562	581	532

18.3 Analysis of net cash/(borrowings)

Cash and deposits	**481**	529	515
Term deposits	**50**	35	2
Bank overdrafts	**–**	(5)	(10)
Finance leases	**(3)**	(6)	(4)
US private placement loans	**(230)**	–	–
Loans under committed facilities expiring in less than one year	**–**	(32)	–
Loans under committed facilities expiring in more than one year	**(485)**	(485)	(410)
Other short-term loans	**(2)**	(2)	(58)
	(189)	34	35
PPP non-recourse project finance loans with final maturity between 2027 and 2037	**(413)**	(374)	(393)
PPP cash and cash equivalents	**31**	22	25
PPP term deposits greater than three months	**2**	–	–
	(380)	(352)	(368)
Net borrowings	**(569)**	(318)	(333)

[6] Re-presented to separately disclose loans under committed facilities.

18 Notes to the Statement of Cash Flows continued

18.4 Analysis of movement in net (borrowings)/cash

	PPP 2013 first half unaudited £m	Other 2013 first half unaudited £m	2013 first half unaudited £m	2012 first half unaudited £m	2012 year audited £m
Opening net cash	**(368)**	**35**	**(333)**	8	8
Net increase/(decrease) in cash and cash equivalents	**6**	**16**	**22**	3	(31)
Net increase in term deposits greater than 3 months	**2**	**–**	**2**	–	–
Proceeds from new loans	**(29)**	**(249)**	**(278)**	(345)	(350)
Repayment of loans	**9**	**–**	**9**	16	53
Repayment of finance leases	**–**	**1**	**1**	2	4
Reclassified to assets held for sale	**–**	**(16)**	**(16)**	–	–
Currency translation differences	**–**	**24**	**24**	(2)	(17)
Closing net borrowings	**(380)**	**(189)**	**(569)**	(318)	(333)

18.5 Borrowings

During the first half of 2013, the significant movements in borrowings were: drawdown of US private placement loans of £230m (2012: first half £nil, full-year £nil); a net drawdown of short term loans of £19m (2012: first half £305m, full-year £286m); repayment of short term loans of £nil (2012: first half £nil, full-year £32m); a £10m decrease in bank overdrafts (2012: first half £10m net decrease, full-year £5m net decrease); a £29m increase in non-recourse borrowings funding the development of financial assets in PPP subsidiaries (2012: first half £40m, full-year £64m), and a £9m repayment of non-recourse PPP loans (2012: first half £16m, full-year £21m).

19 Acquisitions and disposals

19.1 Current year acquisitions

19.1.1 No acquisitions were made in the first half of 2013.

19.2 Prior period acquisitions

19.2.1 There has been no change in the fair values of the acquired assets and liabilities disclosed as provisional at 31 December 2012 in respect of the acquisition of Subsurface Group Inc (Subsurface), which remain provisional at 28 June 2013.

19.2.2 Deferred consideration paid during the 2013 half-year in respect of acquisitions completed in earlier years was £11m, £8m relating to the acquisition of Subsurface and £3m on previous acquisitions.

19.2.3 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. £1m contingent consideration payable relating to SpawMaxwell was released during the half-year. Contingent consideration payable of £1m remains on Subsurface at 28 June 2013.

19.3 Current period disposals

19.3.1 On 1 March 2013 the Group disposed of its interest in Balfour Beatty Rail Iberica S.A. (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 currency translation reserves to the income statement. The Group continues to guarantee certain bonds on behalf of Rail Spain until their expiry.

19.3.2 On 26 April 2013 the Group disposed of its 50% interest in Consort Healthcare (Tameside) Holdings Limited for a cash consideration of £16m. The 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.

19.3.3 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 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.

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

19.3.5 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.

20 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 obligations 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 management's 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 management considers, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential liability.

21 Related party transactions

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £372m (2012: first half £395m, full-year £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 charged at cost with no mark-up. The amount due from joint ventures and associates from trading activities, including those within discontinued operations, was £47m (2012: first half £22m, full-year £40m). The amount due to joint ventures and associates from trading activities, including those within discontinued operations, was £47m (2012: first half £34m, full-year £40m).

The Group recharged the Balfour Beatty Pension Fund with the costs of administration and advisors' fees borne by the Group amounting to £4m in the half-year ended 28 June 2013 (2012: first half £4m; full-year £8m).

On 1 March 2013 Rail Spain was sold to its local management for a cash consideration of €1. Refer to Note 19.3.1.

22 Financial instruments

Fair value estimation

The Group holds certain financial instruments on the balance sheet at their fair values. The hierarchy level classifies each class of financial asset or liability in accordance with the valuation technique applied in determining its fair value.

Level 1 – The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities. The Group holds available-for-sale investments in mutual funds which are traded in active markets and valued at the closing market price at 28 June 2013.

Level 2 – The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using yield curves at the reporting date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date and yield curves derived from quoted interest rates matching the maturities of the foreign exchange contracts.

Level 3 – The fair value is based on unobservable inputs. The fair value of the Group's PPP financial assets is determined in the construction phase by applying a profit margin that reflects the fair value of construction services performed. In the operational phase it is determined by discounting the future cash flows allocated to the financial asset at a discount rate which is based on long term gilt rates adjusted for the risk levels associated with the assets. The consequent movement in the fair value is taken to equity.

There have been no transfers between these categories in the current or preceding year.

Financial instruments at fair value	**2013 first half unaudited £m**	2012 first half unaudited £m	2012 year audited £m
Financial assets			
Level 1			
Available-for-sale mutual fund financial assets	**59**	52	52
Level 2			
Financial assets – foreign currency contracts	**3**	1	1
Level 3			
Available-for-sale PPP financial assets (Note 15)	**537**	521	542
Total assets measured at fair value	**599**	574	595
Financial liabilities			
Level 2			
Financial liabilities – foreign currency contracts	**(1)**	(3)	(2)
Financial liabilities – PPP interest rate swaps	**(99)**	(134)	(141)
Total liabilities measured at fair value	**(100)**	(137)	(143)

22 Financial instruments continued

In respect of the Level 3 PPP financial assets, a change in the discount rate would have a significant effect on the value of the asset and a 50 basis points increase/decrease, which represents management's assessment of a reasonably possible change in the risk adjusted discount rate, would lead to a £25m increase (2012: first half £28m; full-year £28m) / £23m decrease (2012: first half £26m; full-year £26m) in the fair value of the assets taken through equity.

The carrying value less impairment provision of trade and other receivables and payables approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

23 Principal risks and uncertainties

The nature of the principal risks and uncertainties which could adversely affect the Group's performance and its ability to achieve its strategic objectives in the second half of the year are more fully described on pages 59 to 61 and Note 1.27 on pages 108 to 109 of the Annual Report and Accounts 2012 respectively. These risks include: external risks arising from the continued effects of the global economic downturn, including on order book and margin; strategic risks to which the Group may be exposed as it expands into new territories and by acquisition; the risks arising from the evolving legal and regulatory environments in which the Group operates; organisation and management risks including business conduct and people related risks; and operational risks arising from bidding, project execution, and health, safety and sustainability matters. In particular, we highlighted the fact that reduced private spending, depressed private sector investment in commercial building and delays in government-backed projects shifted our UK construction business mix towards less complex and lower margin projects, and that the difficult trading conditions experienced in the UK and US were likely to continue into 2013.

The Directors do not consider that the nature of the principal risks and uncertainties facing the Group has fundamentally changed since the publication of the Annual Report and Accounts 2012. However, the Directors' assessment of their likelihood and potential impact continues to evolve. The combination of the challenging market and certain operational issues referred to above and a large change management programme had a greater than anticipated impact on the UK construction business, including the effectiveness of its operational delivery.

Following the reorganisation of the UK construction business, there is renewed strong focus on operational delivery, and steps have been taken to decrease the bidding and execution risks. The Group is also actively examining how to enhance the risk management processes to provide greater assurance that risks such as have materialised in the UK construction business are better understood and addressed.

Whilst infrastructure spending has previously tended to be relatively resilient to economic downturns, as reported previously, the sustained prolongation of the economic downturn in the UK means that the construction market in the UK remains particularly challenging. Also, the effects which have emerged during 2013 of a deteriorating environment in Australia, due to a significant number of project cancellations in the natural resources sector as well as the consequential impact on federal and state revenues and spending plans, are now having adverse implications for our business there. Finally, the difficult conditions for the Group's Mainland European rail businesses have continued and, if anything, worsened, supporting the decision to exit from these businesses.

24 Seasonality

In 2013, due to the continued challenging markets, coupled with the timing of the Group's actions to mitigate the impacts on the business and the anticipated recovery in the performance of the UK construction business, profit is expected to be significantly more weighted to the second half than in previous years.

25 Events after the reporting date

On 2 July 2013, the Finance Act 2013 was substantively enacted, implementing a reduction to the main corporation tax rate from 23% to 21% effective from 1 April 2014 and to 20% from 1 April 2015.

The effect of the Finance Act 2013 is expected to reduce the Group's net deferred tax asset by £16m, with £8m being charged to the income statement and £8m being charged to reserves during the second half of the year.

On 9 August 2013 the Group signed a binding agreement to sell its UK facilities management business (Balfour Beatty WorkPlace) to GDF Suez Energy Services for approximately £190m. Refer to Note 9.

26 Prior year comparisons

In 2013 the Group adopted IAS 19 Employee Benefits (Revised) which increased the net finance cost in the income statement with a corresponding restatement of the actuarial movements in the statement of other comprehensive income. The 2012 half-year and full year income statements, statement of comprehensive income and notes have been restated accordingly.

The 2012 half-year and full year income statements have been re-presented to classify Rail Germany, Rail Scandinavia, Rail Spain and the UK facilities management business as discontinued operations at the half-year. Refer to Note 9.

The effect on the financial statements is as follows.

Income Statement

	As previously reported 2012 first half £m	Effect of IAS 19 revised 2012 first half £m	Effect of discontinued operations 2012 first half £m	**As re-presented 2012 first half £m**	**As previously reported 2012 year £m**	Effect of IAS 19 revised 2012 year £m	Effect of discontinued operations 2012 year £m	**As re-presented 2012 year £m**
Continuing operations								
Revenue including share of joint ventures and associates	**5,535**	–	(436)	**5,099**	**10,896**	–	(930)	**9,966**
Share of revenue of joint ventures and associates	**(710)**	–	53	**(657)**	**(1,413)**	–	103	**(1,310)**
Group revenue	**4,825**	–	(383)	**4,422**	**9,483**	–	(827)	**8,656**
Underlying group operating profit[1]	**104**	–	2	**106**	**212**	–	(20)	**192**
Share of results of joint ventures and associates	52	–	(2)	**50**	97	(1)	(4)	92
Underlying profit/(loss) from operations[1]	**156**	–	–	**156**	**309**	(1)	(24)	**284**
Investment income	29	–	–	**29**	62	–	–	62
Finance costs	(31)	(5)	1	**(35)**	(61)	(9)	1	(69)
Underlying profit/(loss) before taxation from continuing operations[1]	**154**	(5)	1	**150**	**310**	(10)	(23)	**277**
Taxation on underlying profit from continuing operations	(26)	1	3	**(22)**	(70)	2	7	(61)
Underlying profit/(loss) for the period from continuing operations[1]	**128**	(4)	4	**128**	**240**	(8)	(16)	**216**
Non-underlying items after tax from continuing operations	**(45)**	–	2	**(43)**	**(196)**	–	101	**(95)**
Profit/(loss) for the period from continuing operations	**83**	(4)	6	**85**	**44**	(8)	85	**121**
Underlying profit/(loss) for the period from discontinued operations after tax	**–**	–	(4)	**(4)**	**–**	(1)	16	**15**
Non-underlying items after tax from discontinued operations	**–**	–	(2)	**(2)**	**–**	–	(101)	**(101)**
Profit/(loss) for the period from discontinued operations	**–**	–	(6)	**(6)**	**–**	(1)	(85)	**(86)**
Profit for the period	**83**	(4)	–	**79**	**44**	(9)	–	**35**

[1] Before non-underlying items (Note 7).

Earnings per share

Basic earnings per ordinary share from continuing operations	**12.2**	(0.6)	0.8	**12.4**	**6.5**	(1.2)	12.6	**17.9**
Basic earnings per ordinary share from discontinued operations	**–**	–	(0.8)	**(0.8)**	**–**	–	(12.6)	**(12.6)**
Basic earnings per ordinary share	**12.2**	(0.6)	–	**11.6**	**6.5**	(1.2)	–	**5.3**
Diluted earnings per ordinary share from continuing operations	**12.2**	(0.6)	0.8	**12.4**	**6.5**	(1.2)	12.6	**17.9**
Diluted earnings per ordinary share from discontinued operations	**–**	–	(0.8)	**(0.8)**	**–**	–	(12.6)	**(12.6)**
Diluted earnings per ordinary share	**12.2**	(0.6)	–	**11.6**	**6.5**	(1.2)	–	**5.3**

Statement of Comprehensive Income

Profit for the period	**83**	(4)	–	**79**	**44**	(9)	–	**35**
Retirement benefit liabilities - actuarial movements	21	5	–	26	(126)	11	–	(115)
- tax	(7)	(1)	–	(8)	20	(2)	–	18
Items which will not subsequently be reclassified to the income statement	**14**	4	–	**18**	**(106)**	9	–	**(97)**
Items which will subsequently be reclassified to the income statement	**–**	–	–	**–**	**244**	–	–	**244**
Total comprehensive income for the period	**97**	–	–	**97**	**182**	–	–	**182**