Balfour Beatty

News Release

15 August 2012

BALFOUR BEATTY PLC
RESULTS FOR THE HALF-YEAR ENDED 29 JUNE 2012

Balfour Beatty, the international infrastructure group, reports its financial results for the half-year ended 29 June 2012:

(£m unless otherwise specified)	**2012 first half**	2011 first half	Change (%)
Revenue including JVs and associates	**5,535**	5,222	+6
Group revenue	**4,825**	4,512	+7
Profit from continuing operations			
- underlying[1]	**156**	136	+15
- reported	**95**	89	+7
Pre-tax profit from continuing operations			
- underlying[1]	**154**	138	+12
- reported	**93**	91	+2
Earnings per share			
- underlying[1]	**18.8p**	14.7p	+28
- basic	**12.2p**	10.2p	+20
Dividends per share	**5.6p**	5.3p	+6
Financing			
- net cash before PPP subsidiaries (non-recourse)	**34**	292	
- net borrowings of PPP subsidiaries (non-recourse)	**(352)**	(294)	

[1] *before non-underlying items (see Note 6)*

Half-year highlights

- First-half performance demonstrates the diversity, flexibility and resilience of our business
- Good progress on the implementation of the strategy in industry verticals and growth markets
- With £5bn of new orders in the first half, order book stable at £15.0bn (FY2011: £15.2bn)
- Revenue up 6% (+1% excluding the impact of acquisitions and currency)
- Margins up in Professional Services while pressure remains in Construction Services; cost increases in Support Services not expected to be repeated in the second half
- Cost efficiency programmes on track
- £52m gain from infrastructure investment disposals (HY2011: £14m)
- Underlying EPS up 28%
- Interim dividend increased by 6% to 5.6p
- Net cash at £34m impacted by working capital outflow

"We have delivered another set of solid results in challenging markets and remain on track to meet our expectations for the full year.

We are making good progress on the early stages of our growth strategy in key industry verticals where our deep asset knowledge differentiates us from the competition.

The increase in our interim dividend, consistent with our progressive policy, reflects our confidence that we are well-placed to take full advantage of the global growth in infrastructure markets."

Ian Tyler, Chief Executive

BALFOUR BEATTY PLC
INTERIM MANAGEMENT REPORT

OVERVIEW

In the first half of 2012, we maintained a good momentum of operational and financial performance. We are pleased to announce that, with £5bn of orders won in the first half, our order book is stable at £15.0bn, giving the business good visibility for the future.

Compared to the first half of 2011, revenue has increased by 6% including the impact of acquisitions and by 1% excluding acquisitions. With a good contribution from the sale of two infrastructure investment assets, underlying profit from continuing operations increased by 15%.

Professional Services continues to perform well owing to its geographic diversity, non-cyclicality and focus on margin improvement. Volume and margin pressure remain in Construction Services in the UK and the US as anticipated; our actions to mitigate their impact are on track and delivering. Support Services continues to grow strongly on the back of good order intake in 2011. The adverse impact of cost increases on a small number of projects experienced in the period is not expected to be repeated in the remainder of the year, so Support Services profitability should return to a normal level in the second half.

From a strategic perspective, the work we have been doing in recent months to lay the ground for the future shape of the Group has progressed well. The UK construction business is moving onto a new operating model based on just three business streams. The new model, which will be running from January 2013, should foster collaboration in the business and increase our customer focus, while enabling the implementation of the cost efficiency programmes.

We have also executed well on our plan to crystallise some of the value in our investments portfolio. The disposal programme has delivered £52m of gains in the first half, with the sale of the chosen assets more than achieving our target gain for the year from these assets.

The initiatives to execute the medium-term strategy of growth in industry verticals and higher growth markets are being implemented in parallel with the internal restructuring in the business. In March, we set out five key industry verticals for our business: transportation, rail, power, mining and water. In these verticals we believe we have, or have the capacity to develop, real competitive advantage by aligning our capabilities

across our businesses. During the period, we have won a number of strategic projects by putting teams together from the different divisions.

Longer term, we strongly believe the global infrastructure market is a good place to be. We are targeting the strongest growth sectors of that market, and are competitively advantaged in those sectors. The development of infrastructure is an increasingly central imperative for economic policy in both mature and emerging markets. We have deep knowledge and capability across the infrastructure market, and as we focus on industry verticals, we will be less impacted by short-term cyclicality and more exposed to higher growth sectors and geographies.

OPERATIONAL PERFORMANCE

Professional Services

	HY 2012	HY 2011	Actual growth (%)	Constant currency growth (%)	FY 2011
Order book (£bn)	1.6	1.6	+1	+1	1.6
Revenue (£m)	845	840	+1	-	1,645
Profit from operations[1] (£m)	42	38	+11	+11	87
Margin[1] (%)	5.0	4.5			5.3

[1] before non-underlying items (see Note 6)

With its geographic diversity and non-cyclicality, Professional Services continues to perform well. The order book is stable overall, with the decline in the UK offset by growth in North America and the Middle East. It is worth noting that the business has improved its margins to 5.0% in the first half. Based on this performance, we expect to be able to improve on last year's full-year margin.

In the US, performance was good in transportation which accounts for the majority of the business. The overall market has been stable as states and local government agencies in the US find ways to deliver critical infrastructure projects using alternative delivery models and ownership structures. We believe Parsons Brinckerhoff's strength in design-build projects has helped to win our share in this market. Currently Parsons Brinckerhoff is serving as lead designer to the design-build team responsible for doubling the capacity of Virginia's Midtown Tunnel and the lead engineer on the design-build team delivering the Florida Department of Transport's I-275 Widening Project. Looking further ahead in transportation, the authorisation of the two-year Transportation Bill (MAP-21) is expected to further benefit the order book in late 2012 and into 2013.

Prospects and performance expectations remain positive for power projects and underground storage opportunities in North America.

We acquired Halsall in Canada with the dual objective of expanding the existing building business and utilising this platform to leverage Parsons Brinckerhoff's transportation expertise into Canada. Almost two years on, we are encouraged to see evidence of success. The Canadian business has recently secured some key project wins in transportation infrastructure, most notably the Waterloo Rapid Transit project and the Burlington Canal Lift Bridge.

The EuMENA region recorded a steady performance overall, with weakness in the UK offset by growth in the Middle East. While pricing remains competitive, we are seeing UK performance stabilise, as a result of management action to align the cost base with a lower level of activity and our ability to shift resources to the Middle East.

Volumes are growing in the Middle East, particularly in Qatar where we are programme manager to both The Roads and Drainage Project for Ashghal and The Qatar Rail Project for Qatar Railway Company. Both projects are proceeding well. We are also active on projects in other markets in the region such as Saudi Arabia where we were recently awarded the contract to act as comprehensive owner's engineer on a power generation plant for the Saudi Electric Company.

Our business remains strong overall in the AAPSA region with good performances in Singapore, China and Hong Kong. In Australia, the parts of our business exposed to the natural resources economy are growing strongly. We have started work on the Cobbora Mine EPCM (Engineering Procurement and Construction Management) contract won earlier in the year. In contrast, there is some weakness in public projects in a number of regions in Australia mainly due to deferrals of previously proposed projects, requiring a rebalancing of our resources in the country.

The outlook for 2012 remains positive, particularly in transportation and power in the Americas, in higher growth regions in the Middle East, Africa and Asia, and in mining globally.

Construction Services

	HY 2012	HY 2011	Actual growth (%)	Constant currency growth (%)	FY 2011
Order book (£bn)	8.3	9.1	-9	-9	8.5
Revenue (£m)	3,504	3,270	+7	+7	7,050
Profit from operations[1] (£m)	53	67	-21	-21	169
Margin[1] (%)	1.5	2.0			2.4

[1] *before non-underlying items (see Note 6)*

In the run-up to the London Olympics, the UK construction business delivered not just the Olympic Aquatics Centre, but also numerous public landmark projects such as the A3 Hindhead dual carriageway and the major improvement schemes for the M25 motorway. These were public projects, tendered to support the Olympics or prioritised to be completed before the event. We are pleased to report that all of these projects were delivered on time and on budget.

In the 'post-Olympics' world, the UK business has been focusing on replenishing the order book with more varied, smaller, often private sector projects. Our depth of capability across a range of end-markets is benefitting us in this regard; our UK order book and revenue have declined by 3% and 2% respectively in the first half, in a marketplace that has continued to shrink. Against this difficult backdrop, the cost reduction initiatives summarised below as well as good operational performance have held profitability at the expected level.

Although the traditional building and civil markets are challenging, our diverse skill set stands us in good stead in emerging sectors. Having been awarded the Essex Waste Treatment contract and chosen as preferred bidder for Gloucester Waste to Energy, we are awaiting the result of three further schemes with a total potential value to Balfour Beatty of £300 million and we are bidding four further schemes worth £400 million in the energy and waste infrastructure sectors. In addition, we see good opportunities in CCGT (Combined Cycle Gas Turbine) power generation throughout the UK.

We have also had considerable success in student accommodation schemes, commercial property in the South East and nuclear decommissioning projects, and expect the positive trends in these markets to continue.

US construction markets appear to have reached a state of stability with meaningful recovery still forecast to be 12 to 18 months away and dependent on the availability of federal and private financing. In the first half, the order book declined by 8% while ABNC (awarded but not contracted) expanded such that in aggregate, our pipeline of secured

orders and ABNC was stable. Revenue increased by 10% before the impact of acquisitions, or 31% with the inclusion of acquisitions.

Howard S. Wright (HSW) and Fru-Con are delivering well. The west coast of the US, where HSW has a strong presence, is offering the larger opportunities which are generally in short supply in the market. Through Fru-Con we are developing our national water market strategy and are making good progress in leveraging our water capabilities into new geographies. The Galveston project in Texas, where Fru-Con will provide upgrades in capacity and technology to a waste water plant, is an example of the success of that particular initiative.

We see opportunities in the US building construction market in 'mission critical', which encompasses technology and data centres, as well as healthcare, multi-unit housing and energy retrofit.

The revenue of Gammon, our JV in Hong Kong, has continued to grow on the back of continuing strong order intake. Revenue of our Middle East JVs remains at a low level but the recent improvement in debt repayments in the region has resulted in the reversal of bad debt provisions, and facilitated claim settlements, boosting profitability.

Conditions in the Rail sector have been difficult in the period. In particular, markets in Continental Europe have weakened and this, combined with operational issues on a small number of projects, has impacted profitability. At a strategic level, we continue to focus on expanding our international activities in key markets and providing a vertically integrated service to strategic customers by transferring knowledge between divisions and geographies. Our major international projects in collaboration with Parsons Brinckerhoff, Denmark Signalling and Melbourne Regional Rail Link, are progressing well.

Overall, performance is developing as anticipated for the Construction Services division. With a better result from our rail business in the remainder of the year, and taking into account the second-half weighting of construction profits, we expect to be able to maintain underlying margin at around 2% for the full year.

Support Services

	HY 2012	HY 2011	Actual growth (%)	Constant currency growth (%)	FY 2011
Order book (£bn)	5.1	4.8	+5	+5	5.1
Revenue (£m)	828	757	+9	+9	1,584
Profit from operations[1] (£m)	10	25	-60	-60	67
Margin[1] (%)	1.2	3.3			4.2

[1] before non-underlying items (see Note 6)

Support Services revenue has continued to grow strongly on the back of good order intake in 2011. We achieved 9% revenue growth in the first half, with meaningful contributions from power, transport and buildings. The order book has been stable since the year end, with increases in transport and buildings, while we work through the multi-year utility contracts in power and water.

In the first half, as expected, we incurred further start-up costs on the substantial new contracts we have been mobilising. These start-up costs, combined with one-off cost increases in a small number of contracts in the Utilities sector amounting to c.£10m, have reduced the profitability of the division in the first half, although they are not expected to be repeated in the second half. We expect profitability to recover in the remainder of the year, achieving a second-half margin level in excess of last year's 5.1%.

Given our strong track record in road maintenance and network management, we are well-placed with the UK Highways Agency for the new Asset Support Contracts (ASC) which are replacing the Managing Agent Contractor (MAC) contracts. The move is driven by the need to find more cost-effective ways of maintaining the Strategic Road Network and takes a more outcome-based approach to service levels where our whole lifecycle capability and commitment to the transportation vertical is our strength. In June, we secured the Area 10 contract under the new ASC and are currently bidding Area 6.

Our business with local authorities remains strong. In the first half, we have been awarded extensions to the Warwickshire and Rochdale highways maintenance contracts, and won a number of other smaller contracts, altogether totalling around £90m of new work. In August, we were also chosen as preferred bidder for North Tyneside Council's Business Services contract valued in excess of £200 million over 15 years.

In facilities management, the mobilisation of new contracts for customers such as UK Power Networks, EDF Energy and the Olympic Park legacy company is underway. Balfour Beatty WorkPlace was selected by the London Legacy Development Corporation to manage the Olympic park and the Orbit on a 10-year contract from 2013, and we are

already in the park where we began the operation of the Orbit during the Olympic Games on behalf of LOCOG.

We are continuing to grow our established relationships in the power market as well as penetrating the renewable energy market where we won the Humber Gateway wind farm contract, one of the largest cabling projects in the UK for some time.

We were awarded a one-year extension to carry out gas mains renewals on behalf of Northern Gas Networks (NGN) in February. Balfour Beatty has worked with NGN since 2005 and this contract extension enables us to continue to support NGN into RIIO - the new performance-based regulatory framework.

In March, we won a contract with Scottish and Southern Energy (SSE) to deliver three packages of work as part of the Beauly Blackhillock overhead transmission line project in Scotland, a sub-project within the wider Beauly Denny project. SSE is a strategic client and this latest contract award continues to build on several years of working collaboratively to plan and deliver the Beauly Denny overhead line project, which began construction in 2011. The award of these projects with significant environmental, geographical and engineering challenges, demonstrates our end-to-end capabilities in delivering complex overhead line projects.

Infrastructure Investments

	HY 2012	HY 2011	FY 2011
Profit from operations[1] (£m)	67	22	43
Net interest income from PPP concessions[2] (£m)	13	12	28
Pre-tax result[1] (£m)	80	34	71
Directors' valuation of PPP concessions (£m)	711	682	743

[1] *before non-underlying items (see Notes 2.1 and 6)*
[2] *subordinated debt interest income and net interest income from PPP subsidiaries (see Notes 4 and 5)*

The Investments division delivered a considerably better result than that in 2011 due to the successful disposal of two infrastructure investment assets. The total consideration for the disposals was £84m, resulting in total disposal gains of £52m (HY2011: £14m). The proceeds achieved exceeded the Directors' valuation of these PPP concessions as at 31 December 2011.

Even after the impact of disposals, the Directors' valuation update as at June 2012 was £711m, an increase on June 2011, and down only £32m from £743m at December 2011.

These transactions demonstrate the value that has accumulated in our PPP portfolio and are in keeping with our strategy of generating greater income from our Infrastructure Investments activity through a regular stream of mature asset disposals.

In accordance with our intention to continue to develop our infrastructure investments portfolio both in the UK and internationally, we have active bids in the UK in various sectors including student accommodation, healthcare, waste, OFTO and transportation. We reached financial close on the Essex Waste Treatment project in May and have subsequently achieved planning - ahead of schedule. We expect to start construction on site in the first quarter of 2013.

In North America we have been short-listed for the Ohio River Bridge Project for reconfiguring Louisville's Kennedy Interchange and the building of two bridges. In student housing, we have been awarded preferred bidder for University of Nevada Reno and continue to pursue a number of campus solutions projects in the US as well as PPP opportunities in education in Canada. Having reached financial close on the Western Group housing privatisation project in March, we are now working on closing the Northern Group and ACC Group III projects in the military housing sector for the US Air Force.

In the remainder of the year, we will focus on our bidding activity and expect a steady performance.

COST AND EFFICIENCY UPDATE

Phase 1 of our cost efficiency drive announced in 2010 was based on the establishment of a Shared Service Centre in Newcastle and targeted savings of £30 million by 2013. At the end of 2011, we had a run-rate of £15 million, and we are on track to achieve our target savings.

In March this year, we announced Phase 2, for which the rationale was three-fold: to rationalise the cost base, to apply our learnings from Phase 1 to other areas of the Group and to aid collaboration across the business by co-locating our employees. This programme is broader and deeper than Phase 1 and targets £50 million of savings by 2015.

We have already made good progress in Phase 2 this year. The UK construction business is being rationalised with a new operating model based on just three business streams which will be up and running in January 2013. This will allow us to reduce the number of employees in back office functions by approximately 650 and rationalise our property portfolio from 75 locations to around 40 locations. The Support Services division is also undergoing tactical cost reduction. These two divisions will account for the majority of the targeted savings, and most of the savings are expected to come through in 2013.

Cost efficiency initiatives are also underway in the IT area and in the US operations as part of Phase 2; however, these savings are expected to be realised later in 2013 and 2014.

FINANCIAL SUMMARY

With £5.1bn of orders won in the period, our order book remained largely stable at £15.0bn. The 1% decline since the year end was partly accounted for by currency movements.

Revenue from continuing operations, including joint ventures and associates, increased by 6% to £5,535m. Excluding the impact of acquisitions made in 2011, revenue growth was 1%, with stable revenue in Professional Services and Construction Services, and 8% growth in Support Services.

Underlying profit from operations increased 15% to £156m. There was a good performance from Professional Services where profit increased by 11% and margins improved to 5.0% (HY2011: 4.5%). Increased disposal gains from investments, up from £14m in the first half of last year to £52m this year, were partially offset by a decline in Construction Services profits, principally arising in the US and UK operations as well as European Rail, and a reduction in Support Services which was a combination of cost increases in a small number of Utilities contracts, and a skewing of profits to the second half due to mobilisation costs on recent contracts.

Net finance cost of £2m compared with net finance income of £2m for the first half last year. The increased cost was principally due to the lower level of cash balances in the period.

Underlying earnings per share rose by 28% to 18.8p. This benefited from a lower tax rate in the UK due to the greater proportion of profits arising from gains on disposals. The effective tax rate for the Group was 25% in the period, but given the first half timing of these disposals, we anticipate an underlying effective tax rate for the full year of 31%.

The Board has declared an interim dividend of 5.6p per ordinary share, an increase of 6%, reflecting our continuing confidence in our ability to deliver growth over the medium term.

Cash used in operations of £292m was £178m higher than the same period last year, principally due to a £117m increase in working capital outflow compared with the first half of 2011. Investment disposal proceeds of £66m were only received after the period end. The movement in working capital continued the trends seen in recent periods, with the

expected increase in Professional Services towards a more normal level of positive working capital, and a reduction in negative working capital in Construction Services due to the business cycle and geographic mix as well as changes in the type of work.

Excluding the £352m of non-recourse net debt held in PPP subsidiaries, our net cash position at the period end was £34m.

The pension deficit at the end of the period was £163m after tax, having benefitted from deficit payments of £31m.

NON-UNDERLYING ITEMS

As announced in March, following on from the successful creation of a Shared Service Centre, we are expanding the scope of our cost reduction programme described in the Cost Efficiency section above. As a result, we booked £14m of costs in the period, principally for redundancy costs. Our estimate of the cost of the programme remains in the range of 1 to 1.5x the annualised savings of £50m.

In the period we also booked £12m of costs related to post acquisition integration and reorganisation costs, approximately £11m of which results from a recent UK Court of Appeal decision in a case involving a Parsons Brinckerhoff project dating back over 10 years ago. We knew about it at the time of the PB acquisition, but had not provided for it on the basis of the legal advice at the time. We are currently pursuing other avenues of relief, including further appeal, but we have booked the full impact in the first half.

Conditions in the regional airport market have been difficult for some time, and whilst underlying trading in Exeter Airport has not deteriorated we believe that the timing for recovery of passenger numbers has gone further out, particularly in the light of the imposition of increased Air Passenger Duty rates with effect from April 2012. Hence, we have written down our investment in Exeter Airport from £12m to zero.

OUTLOOK

We have delivered another set of solid results in challenging markets and remain on track to meet our expectations for the full year.

We are making good progress on the early stages of our growth strategy in key industry verticals where our deep asset knowledge differentiates us from the competition.

The increase in our interim dividend, consistent with our progressive policy, reflects our confidence that we are well-placed to take full advantage of the global growth in infrastructure markets.

ENDS

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Forward-looking statements

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

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

Notes to editors:

Balfour Beatty (www.balfourbeatty.com) is a world-class infrastructure group with capabilities in professional services, construction services, support services and infrastructure investments.

We work in partnership with our customers principally in the UK, continental Europe, the US, South-East Asia, Australia and the Middle East, who value the highest levels of quality, safety and technical expertise.

Key infrastructure markets include transportation (roads, rail and airports); social infrastructure (education, specialist healthcare, and various types of accommodation); utilities (water, gas and power transmission and generation) and commercial (offices, leisure and retail).

The Group delivers services essential to the development, creation and care of these infrastructure assets including project design, financing and management, engineering and construction, and facilities management services.

Balfour Beatty employs 50,000 people around the world.

Additional information

A presentation to analysts and investors will be made at Goldman Sachs International, Auditorium, River Court, 120 Fleet Street, London, EC4A 2BB at 10:30 (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 7784 1036 and quote confirmation code 8983435. A recording of the call and its transcript can be found on our website within 24 hours of the event.

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

The financial report for the half-year ended 29 June 2012 can be viewed on the Company's website at www.balfourbeatty.com

The interim 2012 dividend of 5.6p net per ordinary share will be paid on 7 December 2012 to holders of these shares on the register on 12 October 2012 by direct credit or, where no mandate has been given, by cheque posted on 6 December 2012 payable on 7 December 2012. The ordinary shares will be quoted ex-dividend on 10 October 2012.

A preference dividend of 5.375p gross (4.8375p net at current tax rate) per cumulative convertible redeemable preference share will be paid on 1 January 2013 in respect of the six months ending 31 December 2012 to holders of these shares on the register on 23 November 2012 by direct credit or, where no mandate has been given, by cheque posted on 31 December 2012 payable on 1 January 2013. The preference shares will be quoted ex-dividend on 21 November 2012.

Condensed Group income statement

For the half-year ended 29 June 2012

	Notes	2012 first half unaudited			2011 first half unaudited			2011 year audited		
		Underlying items[1] £m	Non-underlying items (Note 6) £m	Total £m	Underlying items[1] £m	Non-underlying Items (Note 6) £m	Total £m	Underlying items[1] £m	Non-underlying Items (Note 6) £m	Total £m
Continuing operations										
Revenue including share of joint ventures and associates		**5,535**	**–**	**5,535**	5,222	–	5,222	11,035	–	11,035
Share of revenue of joint ventures and associates	3	**(710)**	**–**	**(710)**	(710)	–	(710)	(1,541)	–	(1,541)
Group revenue		**4,825**	**–**	**4,825**	4,512	–	4,512	9,494	–	9,494
Cost of sales		**(4,316)**	**–**	**(4,316)**	(3,979)	–	(3,979)	(8,358)	–	(8,358)
Gross profit		**509**	**–**	**509**	533	–	533	1,136	–	1,136
Gain on disposals of investments[2]	16	**52**	**–**	**52**	14	–	14	20	–	20
Amortisation of acquired intangible assets		**–**	**(23)**	**(23)**	–	(29)	(29)	–	(62)	(62)
Other net operating expenses[2]		**(457)**	**(38)**	**(495)**	(441)	(18)	(459)	(900)	(26)	(926)
Group operating profit/(loss)		**104**	**(61)**	**43**	106	(47)	59	256	(88)	168
Share of results of joint ventures and associates	3	**52**	**–**	**52**	30	–	30	75	–	75
Profit/(loss) from operations		**156**	**(61)**	**95**	136	(47)	89	331	(88)	243
Investment income	4	**29**	**–**	**29**	27	–	27	57	–	57
Finance costs	5	**(31)**	**–**	**(31)**	(25)	–	(25)	(54)	–	(54)
Profit/(loss) before taxation		**154**	**(61)**	**93**	138	(47)	91	334	(88)	246
Taxation	7	**(26)**	**16**	**(10)**	(38)	11	(27)	(91)	27	(64)
Profit/(loss) for the period from continuing operations		**128**	**(45)**	**83**	100	(36)	64	243	(61)	182
Profit for the period from discontinued operation	8	**–**	**–**	**–**	–	5	5	–	4	4
Profit for the period		**128**	**(45)**	**83**	100	(31)	69	243	(57)	186
Attributable to										
Equity holders		**128**	**(45)**	**83**	100	(31)	69	243	(57)	186
Non-controlling interests		**–**	**–**	**–**	–	–	–	–	–	–
Profit for the period		**128**	**(45)**	**83**	100	(31)	69	243	(57)	186

[1] Before non-underlying items (Note 6).

[2] Re-presented to separately disclose gain on disposals of investments (Note 1.5).

	Notes	2012 first half unaudited pence	2011 first half unaudited pence	2011 year audited pence
Basic earnings per ordinary share				
– continuing operations	9	**12.2**	9.5	26.7
– discontinued operation	9	**–**	0.7	0.6
		12.2	10.2	27.3
Diluted earnings per ordinary share				
– continuing operations	9	**12.2**	9.4	26.7
– discontinued operation	9	**–**	0.7	0.6
		12.2	10.1	27.3
Dividends per ordinary share proposed for the period	10	**5.6**	5.3	13.8

Condensed Group statement of comprehensive income

For the half-year ended 29 June 2012

	2012 first half unaudited £m	2011 first half[3] unaudited £m	2011 year[3] audited £m
Profit for the period	**83**	69	186
Other comprehensive income/(expense) for the period			
Items which will not subsequently be reclassified to the income statement			
Actuarial movements on retirement benefit liabilities	**21**	89	53
Tax relating to items not reclassified to the income statement	**(7)**	(26)	(19)
	14	63	34
Items which will subsequently be reclassified to the income statement			
Fair value revaluations – PPP financial assets	**25**	(5)	204
– PPP cash flow hedges	**(4)**	(13)	(239)
– other cash flow hedges	**1**	1	–
– available-for-sale investments in mutual funds	**2**	2	(2)
Currency translation differences	**(17)**	(9)	4
Tax relating to items which will be reclassified to the income statement	**(7)**	6	7
	–	(18)	(26)
Total other comprehensive income for the period	**14**	45	8
Total comprehensive income for the period	**97**	114	194
Attributable to			
Equity holders	**97**	114	194
Non-controlling interests	**–**	–	–
Total comprehensive income for the period	**97**	114	194

[3] Re-presented to reflect early adoption of amendments to IAS 1 Presentation of Items of Other Comprehensive Income (Note 1.4).

Condensed Group statement of changes in equity

For the half-year ended 29 June 2012

	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	Other reserves: Hedging reserves £m	Other reserves: PPP financial assets £m	Other reserves: Currency translation reserve £m	Other reserves: Merger reserve £m	Other reserves: Other £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2011 audited	343	59	16	30	144	(31)	19	74	249	23	230	4	1,160
Total comprehensive income/(expense) for the period	–	–	1	–	21	(2)	(3)	(7)	–	2	102	–	114
Ordinary dividends	–	–	–	–	–	–	–	–	–	–	(52)	–	(52)
Joint ventures' and associates' dividends	–	–	–	–	(22)	–	–	–	–	–	22	–	–
Issue of ordinary shares	–	2	–	–	–	–	–	–	–	–	–	–	2
Recycling of revaluation reserves to the income statement on disposal	–	–	–	–	(6)	–	–	–	–	–	–	–	(6)
Movements relating to share-based payments	–	–	–	–	–	–	–	–	–	(2)	2	–	–
Transfers	–	–	–	(2)	–	–	–	–	–	–	2	–	–
At 1 July 2011 unaudited	343	61	17	28	137	(33)	16	67	249	23	306	4	1,218
Total comprehensive income/(expense) for the period	–	–	–	–	39	(64)	51	8	–	(3)	49	–	80
Ordinary dividends	–	–	–	–	–	–	–	–	–	–	(36)	–	(36)
Joint ventures' and associates' dividends	–	–	–	–	(32)	–	–	–	–	–	32	–	–
Issue of ordinary shares	1	–	–	–	–	–	–	–	–	–	–	–	1
Movements relating to share-based payments	–	–	–	–	–	–	–	–	–	(3)	3	–	–
Transfers	–	–	–	(1)	–	–	–	–	–	–	1	–	–
At 31 December 2011 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)**
Movements relating to share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**3**	**–**	**2**
Transfers	**–**	**–**	**–**	**–**	**(20)**	**–**	**–**	**–**	**–**	**–**	**20**	**–**	**–**
At 29 June 2012 unaudited	**344**	**61**	**17**	**27**	**93**	**(103)**	**91**	**57**	**249**	**18**	**398**	**4**	**1,256**

Condensed Group statement of financial position

As at 29 June 2012

	Notes	2012 first half unaudited £m	2011 first half[4] unaudited £m	2011 year audited £m
Non-current assets				
Intangible assets – goodwill	11	**1,264**	1,263	1,279
– other		**223**	260	239
Property, plant and equipment		**272**	299	288
Investments in joint ventures and associates	3	**415**	445	466
Investments		**94**	101	96
PPP financial assets		**521**	351	457
Deferred tax assets		**94**	119	105
Trade and other receivables		**93**	86	87
		2,976	2,924	3,017
Current assets				
Inventories and non-construction work in progress		**159**	122	140
Due from customers for construction contract work		**660**	694	604
Derivative financial instruments		**1**	8	1
Trade and other receivables	12	**1,514**	1,364	1,410
Current tax assets		**4**	6	5
Cash and cash equivalents – PPP subsidiaries		**22**	23	18
– other		**564**	547	577
		2,924	2,764	2,755
Assets held for sale	8	**–**	55	–
		2,924	2,819	2,755
Total assets		**5,900**	5,743	5,772
Current liabilities[4]				
Trade and other payables	13	**(2,328)**	(2,441)	(2,426)
Due to customers for construction contract work		**(521)**	(624)	(576)
Derivative financial instruments		**(15)**	(3)	(10)
Current tax liabilities		**(32)**	(27)	(30)
Borrowings – PPP non-recourse loans		**(13)**	(19)	(21)
– other		**(525)**	(245)	(231)
Provisions[4]		**(113)**	(109)	(107)
		(3,547)	(3,468)	(3,401)
Non-current liabilities[4]				
Trade and other payables		**(157)**	(151)	(142)
Derivative financial instruments		**(122)**	(47)	(120)
Borrowings – PPP non-recourse loans		**(361)**	(298)	(329)
– other		**(5)**	(10)	(6)
Deferred tax liabilities		**(9)**	(10)	(15)
Liability component of preference shares		**(91)**	(90)	(91)
Retirement benefit liabilities	14	**(223)**	(328)	(275)
Provisions[4]		**(129)**	(123)	(130)
		(1,097)	(1,057)	(1,108)
Total liabilities		**(4,644)**	(4,525)	(4,509)
Net assets		**1,256**	1,218	1,263
Equity				
Called-up share capital	15	**344**	343	344
Share premium account		**61**	61	61
Equity component of preference shares		**17**	17	17
Special reserve		**27**	28	27
Share of joint ventures' and associates' reserves		**93**	137	144
Other reserves		**312**	322	311
Retained profits		**398**	306	355
Equity attributable to equity holders of the parent		**1,252**	1,214	1,259
Non-controlling interests		**4**	4	4
Total equity		**1,256**	1,218	1,263

[4] Re-presented to reflect the disclosure of provisions between current liabilities and non-current liabilities (Note 1.5).

Condensed Group statement of cash flows

For the half-year ended 29 June 2012

	Notes	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
Cash flows from operating activities				
Cash (used in)/generated from operations	17.1	**(292)**	(114)	35
Income taxes paid		**(13)**	(14)	(18)
Net cash (used in)/from operating activities		**(305)**	(128)	17
Cash flows from investing activities				
Dividends received from joint ventures and associates		**32**	22	54
Dividends received from discontinued operation		**–**	5	5
Interest received		**22**	14	23
Acquisition of businesses, net of cash and cash equivalents acquired		**(3)**	(95)	(100)
Purchase of intangible assets – other		**(10)**	(10)	(19)
Purchase of property, plant and equipment		**(28)**	(41)	(77)
Purchase of other investments		**(3)**	(14)	(21)
Investments in and loans made to joint ventures and associates		**(14)**	(20)	(41)
Investments in PPP financial assets		**(19)**	(17)	(40)
Disposal of investments in joint ventures		**18**	16	28
Disposal of business		**–**	37	37
Disposal of property, plant and equipment		**10**	6	21
Disposal of other investments		**7**	9	19
Net cash from/(used in) investing activities		**12**	(88)	(111)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**–**	2	3
Purchase of ordinary shares		**(3)**	(3)	(4)
Proceeds from new loans		**345**	240	282
Repayment of loans		**(16)**	(5)	(8)
Repayment of finance leases		**(2)**	(2)	(4)
Ordinary dividends paid		**–**	–	(88)
Interest paid		**(23)**	(19)	(44)
Preference dividends paid		**(5)**	(11)	(11)
Net cash from financing activities		**296**	202	126
Net increase/(decrease) in cash and cash equivalents		**3**	(14)	32
Currency translation differences		**(2)**	(3)	(2)
Cash and cash equivalents at beginning of period		**580**	550	550
Cash and cash equivalents at end of period	17.2	**581**	533	580

Notes to the financial statements

1 Accounting policies

1.1 Basis of preparation

The condensed Group financial statements for the half-year ended 29 June 2012 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 2011, 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 14 August 2012. 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 2011 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 2011 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 104 to 105 of the Annual report and accounts 2011.

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 Changes in accounting policies

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income was adopted in the current period requiring items of other comprehensive income during the period to be presented as items which will subsequently be reclassified to the income statement and items which will not. The tax applicable to each category is also disclosed separately and as a result the comparative information has been re-presented.

1.5 Re-presentation of comparative information

The 2011 first half and full year income statements have been re-presented to separately disclose the gain on disposals of interests in PPP joint ventures (Note 16.3) on the face of the income statement. Previously this amount was included within other net underlying operating expenses.

	As re-presented 2011 first half £m	As previously reported 2011 first half £m	As re-presented 2011 year £m	As previously reported 2011 year £m
Gain on disposals of investments	14	–	20	–
Other net underlying operating expenses	(441)	(427)	(900)	(880)

The 2011 first half statement of financial position has been re-presented to reflect the disclosure of provisions between current and non-current liabilities which was previously only shown within the provisions note. This increased 2011 first half current liabilities by £109m and decreased 2011 first half non-current liabilities by £109m.

The 2011 full-year Trade and other receivables note has been re-presented to separately identify trade receivables and other receivables which were previously amalgamated (Note 12).

	As re-presented 2011 year £m	As previously reported 2011 year £m
Trade receivables	970	1,094
Other receivables	124	–
Trade and other receivables	1,094	1,094

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 29 June 2012.

- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- IAS 27 Separate Financial Statements;
- IAS 28 Investments in Associates and Joint Ventures;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; and
- Amendments to the following standards
  - IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
  - IFRS 1 Government Loans;
  - IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities;
  - IAS 12 Deferred Tax: Recovery of Underlying Assets;
  - IAS 19 Employee Benefits;
  - IAS 32 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities;
  - Improvements to IFRSs (2009 – 2011); and
  - IFRS 10, IFRS 11 and IFRS 12: Transition guidance.

Of these, IFRS 9 and IAS 19 are expected to have the most significant effect.

IFRS 9 is expected to replace IAS 39 Financial Instruments: Recognition and Measurement from 2015, subject to EU adoption. IFRS 9 in issue as at 29 June 2012 only concerns the classification and measurement of financial assets and financial liabilities. New requirements for de-recognition of financial instruments, impairment and hedge accounting are expected to be added to IFRS 9 in the second half of 2012. The requirements of IFRS 9 in issue as at 29 June 2012 would result in the Group's PPP financial assets being reclassified from "available-for-sale", which is a category that will no longer exist under the new standard, to a debt instrument measured either at amortised cost or at fair value through profit or loss. As a result, movements in the fair value of PPP financial assets would 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 £91m from PPP financial asset reserves to retained earnings. The effect within the share of joint ventures' and associates' reserves would be a transfer of £105m from PPP financial asset reserves to retained earnings.

Adopting amendments to IAS 19 Employee Benefits would have increased the 2012 first half net finance cost by £5m (2011: first half £8m). The effect on full-year 2012 would be to increase the net finance cost by £10m (2011: full-year £16m). The estimated effect on the full-year for 2013, based on current actuarial assumptions, is to increase the net finance cost by £13m.

1 Accounting policies continued

1.7 Exchange rates

Exchange rates applied in the preparation of these financial statements.

Average rates

£1 buys	**2012 first half unaudited**	2011 first half unaudited	2011 year audited	1 July 2011 – 29 June 2012 % change	31Dec 2011– 29 June 2012 % change
US$	1.58	1.61	1.60	(1.9)%	(1.3)%
Euro	1.22	1.14	1.15	7.0%	6.1%

Closing rates

£1 buys	**2012 first half unaudited**	2011 first half unaudited	2011 year audited	1 July 2011 – 29 June 2012 % change	31Dec 2011– 29 June 2012 % change
US$	**1.57**	1.60	1.55	(1.9)%	1.3%
Euro	**1.24**	1.11	1.20	11.7%	3.3%

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

2.1 Income statement - performance by activity

For the half-year ended 29 June 2012 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	**845**	**3,504**	**828**	**358**	**–**	**5,535**
Share of revenue of joint ventures and associates	**(5)**	**(383)**	**(73)**	**(249)**	**–**	**(710)**
Group revenue	**840**	**3,121**	**755**	**109**	**–**	**4,825**
Underlying group operating profit/(loss)	**42**	**24**	**9**	**45**	**(16)**	**104**
Share of results of joint ventures and associates	**–**	**29**	**1**	**22**	**–**	**52**
Underlying profit/(loss) from operations	**42**	**53**	**10**	**67**	**(16)**	**156**
Amortisation of acquired intangible assets	**(9)**	**(7)**	**(3)**	**(4)**	**–**	**(23)**
Other non-underlying items	**(13)**	**(9)**	**(3)**	**(12)**	**(1)**	**(38)**
Profit/(loss) from operations	**20**	**37**	**4**	**51**	**(17)**	**95**
Investment income						**29**
Finance costs						**(31)**
Profit before taxation						**93**
Other information						
Capital expenditure	**7**	**13**	**6**	**1**	**–**	**27**
Depreciation	**6**	**13**	**11**	**1**	**1**	**32**
Gain on disposals of interests in PPP joint ventures	**–**	**–**	**–**	**52**	**–**	**52**

Revenue by geographic destination	United Kingdom £m	United States £m	Rest of world £m	Total £m
Revenue including share of joint ventures and associates	**2,780**	**1,824**	**931**	**5,535**
Share of revenue of joint ventures and associates	**(317)**	**(51)**	**(342)**	**(710)**
Group revenue	**2,463**	**1,773**	**589**	**4,825**

2 Segment analysis continued

2.1 Income statement - performance by activity continued

For the half-year ended 1 July 2011 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	840	3,270	757	355	–	5,222
Share of revenue of joint ventures and associates	(4)	(382)	(64)	(260)	–	(710)
Group revenue	836	2,888	693	95	–	4,512
Underlying group operating profit/(loss)	38	59	24	1	(16)	106
Share of results of joint ventures and associates	–	8	1	21	–	30
Underlying profit/(loss) from operations	38	67	25	22	(16)	136
Amortisation of acquired intangible assets	(15)	(7)	(2)	(5)	–	(29)
Other non-underlying items	(1)	(9)	(1)	–	(7)	(18)
Profit/(loss) from operations	22	51	22	17	(23)	89
Investment income						27
Finance costs						(25)
Profit before taxation						91
Other information						
Capital expenditure	4	15	18	2	1	40
Depreciation	6	16	13	1	–	36
Gain on disposals of interests in PPP joint ventures	–	–	–	14	–	14

Revenue by geographic destination	United Kingdom £m	United States £m	Rest of world £m	Total £m
Revenue including share of joint ventures and associates	2,817	1,464	941	5,222
Share of revenue of joint ventures and associates	(322)	(42)	(346)	(710)
Group revenue	2,495	1,422	595	4,512

For the year ended 31 December 2011 audited	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	1,645	7,050	1,584	756	–	11,035
Share of revenue of joint ventures and associates	(1)	(849)	(140)	(551)	–	(1,541)
Group revenue	1,644	6,201	1,444	205	–	9,494
Underlying group operating profit/(loss)	87	141	63	–	(35)	256
Share of results of joint ventures and associates	–	28	4	43	–	75
Underlying profit/(loss) from operations	87	169	67	43	(35)	331
Amortisation of acquired intangible assets	(30)	(17)	(4)	(11)	–	(62)
Other non-underlying items	(1)	(11)	(14)	–	–	(26)
Profit/(loss) from operations	56	141	49	32	(35)	243
Investment income						57
Finance costs						(54)
Profit before taxation						246
Other information						
Capital expenditure	9	31	34	2	1	77
Depreciation	12	29	26	2	1	70
Gain on disposals of interests in PPP joint ventures	–	–	–	20	–	20

Performance by geographic destination	United Kingdom £m	United States £m	Rest of world £m	Total £m
Revenue including share of joint ventures and associates	5,700	3,413	1,922	11,035
Share of revenue of joint ventures and associates	(675)	(112)	(754)	(1,541)
Group revenue	5,025	3,301	1,168	9,494

2 Segment analysis continued

2.2 Assets and liabilities by activity

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 customers for construction contract work	**184**	**450**	**26**	**–**	**–**	**660**
Due to customers for construction contract work	**(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**

As at half-year ended 1 July 2011 unaudited	Professional Services £m	Construction Services £m	Support Services £m	Infrastructure Investments[5] £m	Corporate activities £m	Total £m
Due from customers for construction contract work	165	492	37	–	–	694
Due to customers for construction contract work	(161)	(449)	(14)	–	–	(624)
Inventories and non-construction work in progress	2	72	47	–	1	122
Trade and other receivables – current	300	750	245	44	25	1,364
Trade and other payables – current	(260)	(1,710)	(317)	(48)	(106)	(2,441)
Provisions	(24)	(150)	(39)	(1)	(18)	(232)
Working capital*	22	(995)	(41)	(5)	(98)	(1,117)

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

Total assets[5]	865	2,569	592	959	758	5,743
Total liabilities	(556)	(2,512)	(418)	(174)	(865)	(4,525)
Net assets/(liabilities)	309	57	174	785	(107)	1,218

[5] Infrastructure Investments includes Barking Power classified as an asset held for sale (Note 8).

As at year ended 31 December 2011 audited	Professional Services £m	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Due from customers for construction contract work	165	412	27	–	–	604
Due to customers for construction contract work	(151)	(415)	(10)	–	–	(576)
Inventories and non-construction work in progress	1	69	69	–	1	140
Trade and other receivables – current	309	794	233	49	25	1,410
Trade and other payables – current	(272)	(1,679)	(355)	(52)	(68)	(2,426)
Provisions	(22)	(156)	(36)	(2)	(21)	(237)
Working capital*	30	(975)	(72)	(5)	(63)	(1,085)

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

Total assets	858	2,519	581	1,041	773	5,772
Total liabilities	(566)	(2,414)	(430)	(249)	(850)	(4,509)
Net assets/(liabilities)	292	105	151	792	(77)	1,263

2 Segment analysis continued

2.3 Infrastructure Investments (Balfour Beatty Capital UK and US)

Underlying profit from operations	Group 2012 first half unaudited £m	Share of joint ventures and associates[6] 2012 first half unaudited £m	Total 2012 first half unaudited £m	Group 2011 first half unaudited £m	Share of joint ventures and associates[6] 2011 first half unaudited £m	Total 2011 first half unaudited £m	Group 2011 year audited £m	Share of joint ventures and associates[6] 2011 year audited £m	Total 2011 year audited £m
PPP UK^	**53***	**19**	**72**	14*	19	33	21*	37	58
PPP US	**9**	**4**	**13**	9	3	12	12	7	19
Infrastructure	**(2)**	**(1)**	**(3)**	(2)	(1)	(3)	(3)	(1)	(4)
	60	**22**	**82**	21	21	42	30	43	73
Bidding costs and overheads	**(15)**	**–**	**(15)**	(20)	–	(20)	(30)	–	(30)
	45	**22**	**67**	1	21	22	–	43	43

[6] The Group's share of the results of joint ventures and associates is disclosed net of investment income, finance costs and taxation.

^ Including Singapore.

* Includes gains on the disposals of interests in PPP joint ventures of £52m (2011: first half £14m, full-year £20m) (Note 16.3).

3 Share of results and net assets of joint ventures and associates

3.1 Income statement - continuing operations	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
Share of revenue of joint ventures and associates	**710**	710	1,541
Underlying operating profit	**40**	20	55
Investment income	**93**	90	185
Finance costs	**(76)**	(73)	(151)
Taxation	**(5)**	(7)	(14)
Share of underlying results of joint ventures and associates	**52**	30	75

3.2 Statement of financial position	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
Intangible assets – goodwill	**43**	54	55
– PPP concession assets	**19**	20	19
– other	**3**	1	1
Property, plant and equipment	**55**	51	54
PPP financial assets	**2,284**	2,259	2,481
Military housing projects	**57**	49	55
Net cash/(borrowings) – PPP non-recourse	**(1,741)**	(1,749)	(1,795)
– other	**132**	131	122
Other net liabilities	**(437)**	(371)	(526)
Share of net assets of joint ventures and associates	**415**	445	466

4 Investment income

	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
PPP subordinated debt interest receivable	**11**	12	25
PPP interest on financial assets	**15**	12	25
Other interest receivable and similar income	**3**	3	7
	29	27	57

5 Finance costs

	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
PPP non-recourse – bank loans and overdrafts	**13**	12	22
Preference shares – finance cost	**6**	6	12
Other interest payable – bank loans and overdrafts	**4**	2	9
– commitment fees	**3**	2	4
– other finance charges	**5**	2	4
Net finance cost on assets and liabilities of pension schemes	**–**	1	3
	31	25	54

A preference dividend of 5.375p gross (4.8375p net) per cumulative convertible redeemable preference share of 1p was paid on 1 July 2012 in respect of the six months ended 30 June 2012 to holders of these shares on the register on 25 May 2012. A preference dividend of 5.375p gross (4.8375p net at current tax rate) per cumulative convertible redeemable preference share will be paid on 1 January 2013 in respect of the six months ending 31 December 2012 to holders of these shares on the register on 23 November 2012 by direct credit or, where no mandate has been given, by cheque posted on 31 December 2012 payable on 1 January 2013. The preference shares will be quoted ex-dividend on 21 November 2012.

6 Non-underlying items

	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
6.1 Operating expenses (charged against)/credited to profit			
Continuing operations			
6.1.1 Amortisation of acquired intangible assets	**(23)**	(29)	(62)
6.1.2 Other non-underlying items			
– restructuring and reorganisation costs relating to existing businesses	**(14)**	–	–
– post-acquisition integration, reorganisation and other costs	**(12)**	(3)	(4)
– write-down of investment in Exeter Airport	**(12)**	–	–
– cost of implementing UK shared service centre	**–**	(7)	(12)
– acquisition related expenses	**–**	(1)	(3)
– loss on disposal of UK specialist rail manufacturing business	**–**	(7)	(7)
Total other non-underlying items	**(38)**	(18)	(26)
Charged against profit before taxation	**(61)**	(47)	(88)
6.2 Tax on items above	**16**	11	27
Non-underlying items charged against profit for the period from continuing operations	**(45)**	(36)	(61)
Discontinued operation			
6.3 Barking			
– dividends received	**–**	5	5
– loss on disposal of Barking	**–**	–	(1)
	–	5	4
Charged against profit for the period	**(45)**	(31)	(57)

6.1.1 The amortisation of acquired intangible assets comprises: customer contracts £9m (2011: first half £11m, full-year £24m); customer relationships £9m (2011: first half £13m, full-year £27m); and brand names £5m (2011: first half £5m, full-year £11m).

6.1.2.1 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 the first half of 2012 total restructuring costs of £14m were incurred (2011: first half £nil, full-year £nil) comprising: UK Construction Services £9m, where six business units will be combined into three; UK Support Services £2m; other UK entities £1m; and other non-UK entities £2m.

6.1.2.2 Post-acquisition integration and reorganisation costs of £12m (2011: first half £3m, full-year £4m) have been incurred in the first half of 2012, of which £11m (2011: first half £nil, full-year £nil) relates to a liability in respect to a geotechnical survey carried out by a company acquired by Parsons Brinckerhoff, prior to its own acquisition by Balfour Beatty in 2009. The remaining £1m comprises: £1m (2011: first half £1m, full-year £1m) relating to Parsons Brinckerhoff post-acquisition reorganisation costs; £nil (2011: first half £1m, full-year £1m) relating to SpawMaxwell, £nil (2011: first half £1m, full-year £1m) relating to Rok and £nil (2011: first half £nil, full-year £1m) relating to various other acquisitions.

6.1.2.3 An impairment charge of £12m (2011: first half £nil, full-year £nil) arose on the Group's 60% interest in Regional & City Airports (Exeter) Holdings Ltd ("Exeter") upon 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.

6 Non-underlying items continued

6.1.2.4 In the first half of 2012, the implementation of the UK shared service centre in Newcastle-upon-Tyne incurred incremental costs of £nil (2011: first half £7m, full-year £12m).

6.1.2.5 There have been no acquisitions in the first half of 2012. Costs of £1m were incurred in the 2011 first half and £3m in the 2011 full-year. These costs were directly attributable to the acquisitions of Romec Services Ltd (2011: first half £1m, full-year £1m); Fru-Con (2011: first half £nil, full-year £1m); and Howard S. Wright (2011: first half £nil, full-year £1m).

6.1.2.6 The UK specialist rail manufacturing business was sold during the first half of 2011. A loss of £7m arose on the sale which comprises: a loss on the disposal of the rail business operations of £4m which includes writing off £7m goodwill; and an onerous lease liability of £3m due to a property becoming vacant.

6.1.2.7 In addition to the items included above during the 2011 year, a net £nil non-underlying item arose in respect of Romec Services Ltd comprising: revaluation of the existing 49% stake on step acquisition £13m; service credit (£4m); and preference dividend to Royal Mail Group (£9m).

6.2 The non-underlying items charged against Group operating profit have given rise to a tax credit of £16m, comprising: £7m on amortisation of acquired intangible assets and £9m on other non-underlying items (2011: first half £11m credit comprising: £9m on amortisation of acquired intangible assets and £2m on other non-underlying items, full-year £27m credit comprising: £23m on amortisation of acquired intangible assets and £4m on other non-underlying items).

6.3 On 2 March 2011 it was resolved to dispose of the Group's effective 25.5% interest in Barking Power Ltd ("Barking"), which became a discontinued operation with all items from this date classified as non-underlying items. Subsequent to 2 March 2011, dividends of £5m were received by the Group. On 21 December 2011 the Group disposed of its interest in Barking which resulted in a loss on disposal of £1m after transaction costs. Refer to Note 8.

7 Taxation

	Underlying items[1] 2012 first half unaudited £m	**Non-underlying items (Note 6) 2012 first half unaudited £m**	**Total 2012 first half unaudited £m**	2011 first half unaudited £m	2011 year audited £m
Total UK tax	**5**	**(10)**	**(5)**	9	25
Total non-UK tax	**21**	**(6)**	**15**	18	39
Total tax charge/(credit)	**26**	**(16)**	**10**	27	64
Comprising					
UK current tax	**–**	**–**	**–**	–	–
Non-UK current tax	**21**	**(8)**	**13**	10	16
Total current tax	**21**	**(8)**	**13**	10	16
UK deferred tax	**5**	**(10)**	**(5)**	9	25
Non-UK deferred tax	**–**	**2**	**2**	8	23
Total deferred tax*	**5**	**(8)**	**(3)**	17	48
Total tax charge/(credit)	**26**	**(16)**	**10**	27	64

[1] Before non-underlying items (Note 6).

*The Group charged £1m to the income statement and £1m to equity in the first half of 2012 in relation to the reduction in the UK corporation tax rate from 25% to 24%.

In addition to the Group tax charge above is £14m of tax charged directly to equity (2011: first half £20m, full-year £12m), comprising a deferred tax charge of £14m (2011: first half £25m, full-year £12m); current tax of £nil (2011: first half £nil, full-year £1m charge); and a tax credit in respect of joint ventures and associates of £nil (2011: first half £5m, full-year £1m).

8 Discontinued operation

On 2 March 2011 the Directors resolved to dispose of the Group's effective 25.5% interest in Barking Power Ltd ("Barking") and accordingly, from 2 March 2011, the Group's interest in Barking was classified as a discontinued operation held for sale.

Barking was previously accounted for as an associate using the equity method. Subsequent to classification as a discontinued operation, equity accounting was no longer applied and all income and expenses relating to Barking were classified as non-underlying items.

On 21 December 2011 the Group disposed of its effective 25.5% interest in Barking to the Balfour Beatty Pension Fund ("BBPF") for its carrying value of £55m. Transaction costs of £1m were incurred in respect of the disposal resulting in a £1m loss on disposal.

The £55m proceeds from the disposal of Barking to the BBPF and the £55m one-off BBPF deficit contribution were net settled.

Barking was part of the Infrastructure Investments segment.

9 Earnings per ordinary share

	2012 first half unaudited		2011 first half unaudited		2011 year audited	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m	Basic £m	Diluted £m
Continuing operations						
Earnings after tax	**83**	**83**	64	64	182	182
Amortisation of acquired intangible assets net of tax	**16**	**16**	20	20	39	39
Other non-underlying items net of tax	**29**	**29**	16	16	22	22
Underlying earnings	**128**	**128**	100	100	243	243
Discontinued operation						
Earnings after tax	**–**	**–**	5	5	4	4
Other non-underlying items net of tax	**–**	**–**	(5)	(5)	(4)	(4)
Underlying earnings	**–**	**–**	–	–	–	–
Total operations						
Earnings after tax	**83**	**83**	69	69	186	186
Amortisation of acquired intangible assets net of tax	**16**	**16**	20	20	39	39
Other non-underlying items net of tax	**29**	**29**	11	11	18	18
Underlying earnings	**128**	**128**	100	100	243	243

	Basic m	**Diluted m**	Basic m	Diluted m	Basic m	Diluted m
Weighted average number of ordinary shares	**684**	**685**	683	684	683	684

	Basic pence	**Diluted pence**	Basic pence	Diluted pence	Basic pence	Diluted pence
Continuing operations						
Earnings per ordinary share	**12.2**	**12.2**	9.5	9.4	26.7	26.7
Amortisation of acquired intangible assets	**2.3**	**2.3**	2.8	2.8	5.7	5.7
Other non-underlying items	**4.3**	**4.3**	2.4	2.4	3.1	3.1
Underlying earnings per ordinary share	**18.8**	**18.8**	14.7	14.6	35.5	35.5
Discontinued operation						
Earnings per ordinary share	**–**	**–**	0.7	0.7	0.6	0.6
Other non-underlying items	**–**	**–**	(0.7)	(0.7)	(0.6)	(0.6)
Underlying earnings per ordinary share	**–**	**–**	–	–	–	–
Total operations						
Earnings per ordinary share	**12.2**	**12.2**	10.2	10.1	27.3	27.3
Amortisation of acquired intangible assets	**2.3**	**2.3**	2.8	2.8	5.7	5.7
Other non-underlying items	**4.3**	**4.3**	1.7	1.7	2.5	2.5
Underlying earnings per ordinary share	**18.8**	**18.8**	14.7	14.6	35.5	35.5

10 Dividends on ordinary shares

	2012 first half unaudited		2011 first half unaudited		2011 year audited	
	Per share pence	**Amount £m**	Per share pence	Amount £m	Per share pence	Amount £m
Proposed dividends for the period						
Interim 2011	**–**	**–**	5.3	36	5.3	36
Final 2011	**–**	**–**	–	–	8.5	58
Interim 2012	**5.6**	**38**	–	–	–	–
	5.6	**38**	5.3	36	13.8	94
Recognised dividends for the period						
Final 2010		**–**		52		52
Interim 2011		**–**		–		36
Final 2011		**58**		–		–
		58		52		88

The interim 2012 dividend will be paid on 7 December 2012 to holders on the register on 12 October 2012 by direct credit or, where no mandate has been given, by cheque posted on 6 December 2012 payable on 7 December 2012. The ordinary shares will be quoted ex-dividend on 10 October 2012.

11 Intangible assets - goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 1 January 2011 audited	1,242	(46)	1,196
Currency translation differences	(8)	1	(7)
Businesses acquired	81	–	81
Businesses sold	(7)	–	(7)
At 1 July 2011 unaudited	1,308	(45)	1,263
Currency translation differences	9	(1)	8
Businesses acquired	8	–	8
At 31 December 2011 audited	1,325	(46)	1,279
Currency translation differences	**(14)**	**–**	**(14)**
Businesses acquired – prior year (Note 16.2.1)	**(1)**	**–**	**(1)**
At 29 June 2012 unaudited	**1,310**	**(46)**	**1,264**

12 Trade and other receivables - current

	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited[7] £m
Trade receivables[7]	**1,000**	971	970
Less: Provision for impairment of trade receivables	**(39)**	(48)	(46)
	961	923	924
Other receivables[7]	**187**	103	124
Due from joint ventures and associates	**20**	20	24
Due from jointly controlled operations	**4**	2	2
Contract retentions	**226**	200	244
Accrued income	**36**	34	34
Prepayments	**80**	82	58
	1,514	1,364	1,410

[7] Re-presented to separately identify trade receivables and other receivables which were previously disclosed as trade receivables (Note 1.5).

13 Trade and other payables - current

	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
Trade and other payables	**987**	1,130	1,183
Accruals	**1,119**	1,089	1,052
Deferred income	**19**	30	32
Advance payments on contracts*	**20**	14	18
VAT, payroll taxes and social security	**108**	92	114
Due to joint ventures and associates	**8**	17	8
Dividends on preference shares	**5**	–	5
Dividends on ordinary shares	**58**	52	–
Due on acquisitions	**4**	17	14
	2,328	2,441	2,426

* Includes £14m (2011: first half £12m; full-year £12m) advances on construction contracts.

14 Retirement benefit liabilities

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

		2012 first half unaudited %	2011 first half unaudited %	2011 year audited %
Inflation rate	– RPI	**2.80**	3.50	2.95
	– CPI	**1.90**	2.60	2.05
Discount rate on obligations		**4.80**	5.55	4.85
Future increases in pensionable salary	– certain members of the Balfour Beatty Pension Fund	**–**	–	–
	– other members of the Balfour Beatty Pension Fund	**4.30**	5.00	4.45
	– Railways Pension Scheme	**3.80**	5.00	3.95
Expected return on plan assets	– Balfour Beatty Pension Fund	**5.20**	6.10	5.20
	– Railways Pension Scheme	**5.85**	7.10	5.85
	– Parsons Brinckerhoff Pension Scheme	**5.30**	6.45	5.30

Amounts recognised in the statement of financial position

	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
Present value of obligations	**(2,905)**	(2,772)	(2,915)
Fair value of plan assets	**2,682**	2,444	2,640
Liability in the statement of financial position	**(223)**	(328)	(275)

The present value of obligations comprises £90m (2011: first half £93m, full-year £87m) arising from wholly-unfunded plans and £2,815m (2011: first half £2,679m, full-year £2,828m) arising from plans that are wholly or partly funded.

Analysis of liabilities	**2012 first half unaudited £m**	2011 first half unaudited £m	2011 year audited £m
Balfour Beatty Pension Fund	**(49)**	(170)	(95)
Railways Pension Scheme	**(30)**	(19)	(33)
Parsons Brinckerhoff Pension Scheme	**(54)**	(46)	(60)
Other schemes*	**(90)**	(93)	(87)
Liability in the statement of financial position	**(223)**	(328)	(275)

* Available-for-sale investments in mutual funds of £52m (2011: first half £52m, full-year £50m) are held by the Group to satisfy the Group's deferred compensation obligations.

Movement in retirement benefit liabilities for the period		**2012 first half unaudited £m**	2011 first half unaudited £m	2011 year audited £m
At beginning of period		**(275)**	(441)	(441)
Currency translation differences		**1**	–	1
Service cost		**(25)**	(27)	(52)
Past service cost credit		**2**	–	2
Interest cost		**(68)**	(73)	(146)
Expected return on plan assets		**68**	72	143
Contributions from employer	– regular funding	**18**	20	39
	– ongoing deficit funding	**31**	30	58
	– one-off deficit funding	**–**	–	55
Benefits paid		**3**	2	6
Actuarial gains and losses	– on obligations from rebasing certain pension obligations to CPI	**–**	35	35
	– on obligations from other movements	**31**	8	(106)
	– on assets	**(9)**	46	131
At end of period		**(223)**	(328)	(275)

14 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 137 and 142 of the Annual report and accounts 2011 respectively.

On 30 November 2010 the UK Government published the Occupational Pensions (Revaluation) Order 2010 which, with effect from 1 January 2011, changed the basis of UK general statutory pension indexation from the retail prices index ("RPI") to the consumer prices index ("CPI"). The benefits of certain members of the Group's schemes are defined by reference to the statutory measure of inflation rather than being specifically linked by the scheme rules to RPI. In the year ended 31 December 2011, the Group reassessed the difference between the RPI and CPI measures of price inflation from 0.50% to 0.90%. The increase was applied following consideration of research published by the Office for National Statistics and independent advice received from the Group's actuaries. These changes in assumptions gave rise to a £35m actuarial reduction in liabilities which was credited to equity in the statement of comprehensive income in the first half of 2011.

On 21 December 2011, the BBPF acquired the Group's effective 25.5% interest in Barking Power Ltd at its carrying value of £55m. Refer to Note 8.

During the year ended 31 December 2011 the Group made a pension increase exchange ("PIE") 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. At 31 December 2011, 509 members had accepted the PIE offer, resulting in a £2m reduction in liabilities and a consequential past service cost credit of £2m in the second half of 2011. The offer closed in February 2012 resulting in an additional £2m reduction to the half-year pension obligation and a consequential net past service cost credit of £2m in the first half of 2012.

15 Share capital

During the half-year ended 29 June 2012, 21,390 ordinary shares were issued following the exercise of savings-related share options and 200,360 ordinary shares were issued following the exercise of executive share options for an aggregate cash consideration of £0.5m.

In the half-year ended 29 June 2012, 968,257 ordinary shares were purchased for £2.8m by the Group's employee discretionary trust to satisfy awards under the Balfour Beatty Performance Share Plan and the Balfour Beatty Deferred Bonus Plan.

16 Acquisitions and disposals

16.1 Current period acquisitions

No acquisitions were made in the first half of 2012.

16.2 Prior period acquisitions

16.2.1 The fair values of the acquired assets and liabilities disclosed as provisional at 31 December 2011 in respect of Fru-Con Construction LLC were finalised during the first half of 2012, giving rise to a decrease in both goodwill and amounts due to customers for construction contract work of £1m, which is disclosed in the current period.

16.2.2 The fair values of all other assets and liabilities previously disclosed as provisional at 31 December 2011 have been finalised with no material changes.

16.2.3 Deferred consideration paid during the 2012 half-year in respect of acquisitions completed in earlier years was £3m.

16.3 Current period disposals

16.3.1 On 1 February 2012, the Group disposed of its 50% interest in the shares and loan notes issued by Transform Schools (North Lanarkshire) Holdings Ltd for a cash consideration of £18m. This disposal resulted in a gain of £8m being recognised within underlying operating profit, comprising a loss of £2m in respect of the disposal of the investment in the joint venture and a gain of £10m in respect of revaluation reserves recycled to the income statement.

16.3.2 On 11 May 2012 the Group disposed of its 33.3% interest in the shares and loan notes issued by Health Management (UCLH) Holdings Ltd ("HMU") for an agreed cash consideration of £66m. On this date the Group ceased to jointly control HMU by virtue of a put/call structure with a preferred bidder. Due to pre-emption provisions in the shareholders' agreement, prior to completion the other HMU shareholders had first right of refusal over the Group's interest in HMU. This option was exercised which delayed completion and hence receipt of the consideration until July.

As a consequence of the disposal, £2m was donated to the UCLH Charity and treated as a cost of disposal. This donation would not have taken place had the disposal of HMU not taken place. Additional transaction costs of £1m were incurred in respect of the disposal. The disposal resulted in a net gain of £44m being recognised within underlying operating profit, comprising a gain of £6m in respect of the disposal of the investment in the joint venture and a £38m gain in respect of revaluation reserves recycled to the income statement.

16.4 Contingent consideration arrangements

Fair value of contingent consideration	Parsons Brinckerhoff £m	Howard S. Wright £m	SpawMaxwell £m	Total £m
Contingent consideration recoverable/(payable)				
At 31 December 2011 audited	16	(7)	(3)	6
At 29 June 2012 unaudited	16	(7)	(3)	6

The fair value of the contingent consideration arrangements is estimated by applying the provisions of the purchase agreement to the Directors' assessment of possible outcomes and discounting the expected contract costs and insurance claim proceeds to their present value. The maximum amount that the Group could be required to pay or receive under the terms of the contingent consideration arrangements is £11m payable or £16m receivable in respect of Parsons Brinckerhoff, £15m payable in respect of Howard S. Wright and £3m payable in respect of SpawMaxwell.

17 Notes to the statement of cash flows

17.1 Cash (used in)/generated from operations

	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
Profit from continuing operations	**95**	89	243
Profit from discontinued operation	**–**	5	4
Share of results of joint ventures and associates – continuing operations	**(52)**	(30)	(75)
Dividends received – discontinued operation	**–**	(5)	(5)
Depreciation of property, plant and equipment	**32**	36	70
Amortisation of intangible assets	**24**	29	66
Pension deficit payments – ongoing deficit funding	**(31)**	(30)	(58)
Past service cost credit	**(2)**	–	(2)
Movements relating to share-based payments	**4**	4	6
Profit on disposal of investments in PPP joint ventures	**(52)**	(14)	(20)
Profit on disposal of property, plant and equipment	**(3)**	(2)	(4)
Write-down of investment in Exeter Airport	**12**	–	–
Loss on disposal of Barking	**–**	–	1
Loss on disposal of business	**–**	7	7
Other non-cash items	**1**	–	3
Operating cash flows before movements in working capital	**28**	89	236
Increase in operating working capital	**(320)**	(203)	(201)
Cash (used in)/generated from operations	**(292)**	(114)	35

17.2 Cash and cash equivalents

Cash and deposits	**529**	524	574
Term deposits	**35**	23	3
PPP cash balances	**22**	23	18
Bank overdrafts	**(5)**	(37)	(15)
	581	533	580

17.3 Analysis of net cash/(borrowings)

Cash and deposits	**529**	524	574
Term deposits	**35**	23	3
Bank overdrafts	**(5)**	(37)	(15)
Finance leases	**(6)**	(10)	(8)
Other short-term loans	**(519)**	(208)	(214)
	34	292	340
PPP non-recourse project finance			
– sterling floating rate term loan (2008–2027)	**(22)**	(23)	(22)
– sterling floating rate term loan (2011–2030)	**(25)**	(25)	(25)
– sterling floating rate term loan (2012–2031)	**(25)**	(21)	(24)
– sterling floating rate term loan (2010–2034)	**(171)**	(164)	(167)
– sterling floating rate term loan (2016–2035)	**(13)**	(5)	(7)
– sterling floating rate term loan (2016–2035)	**(7)**	(2)	(3)
– sterling floating rate term loan (2016–2036)	**(7)**	–	(3)
– sterling floating rate term loan (2012–2037)	**(68)**	(67)	(76)
– sterling floating rate term loan (2013–2037)	**(36)**	(10)	(23)
	(374)	(317)	(350)
PPP cash and cash equivalents	**22**	23	18
	(352)	(294)	(332)
Net (borrowings)/cash	**(318)**	(2)	8

17 Notes to the statement of cash flows continued

17.4 Analysis of movement in net (borrowings)/cash	PPP 2012 first half unaudited £m	Other 2012 first half unaudited £m	2012 first half unaudited £m	2011 first half unaudited £m	2011 year audited £m
Opening net cash	**(332)**	**340**	**8**	248	248
Currency translation differences	**–**	**(2)**	**(2)**	(3)	(2)
Net increase/(decrease) in cash and cash equivalents	**4**	**(1)**	**3**	(14)	32
Proceeds from new loans	**(40)**	**(305)**	**(345)**	(240)	(282)
Repayment of loans	**16**	**–**	**16**	5	8
Repayment of finance leases	**–**	**2**	**2**	2	4
Closing net (borrowings)/cash	**(352)**	**34**	**(318)**	(2)	8

17.5 Borrowings

During the first half of 2012, the significant movements in borrowings were an increase of £40m (2011: first half £34m, full-year £70m) in non-recourse borrowings funding the development of financial assets in PPP subsidiaries, an increase in other short-term loans of £305m (2011: first half £206m, full-year £212m), a £10m net decrease (2011: first half £3m net increase, full-year £19m net decrease) in bank overdrafts and repayment of £16m (2011: first half £5m, full-year £8m) of non-recourse PPP loans.

18 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 Parsons Brinckerhoff Pension Scheme. Where such agreements are entered into they are considered to be and are accounted for as insurance arrangements. Guarantees are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the guarantee.

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

19 Related party transactions

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £395m (2011: first half £417m, full-year £851m). 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 was £22m (2011: first half £22m, full-year £26m). The amount due to joint ventures and associates from trading activities was £34m (2011: first half £42m, full-year £33m).

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 2012 first half (2011: first half £3m; full-year £6m).

20 Seasonality

The Group's activities are not subject to significant seasonal variation.

21 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 58 to 62, and Note 1.27 on pages 104 to 105 of the Annual report and accounts 2011 respectively. These risks include: external risks arising from the continued effects of the global economic downturn and the evolving legal and regulatory environments in which the Group operates; strategic risks which may arise as the Group expands through acquisitions and moves into new territories; 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. The Directors do not consider that the nature of the principal risks and uncertainties facing the Group has changed since the publication of the Annual report and accounts 2011.

Since 31 December 2011 there is an increased risk of economic events in Europe leading to disruption to certain economies in the Eurozone, leading potentially to sovereign or quasi-governmental default, instability in the banking sector and a consequent effect on economic growth rates. A relatively small part of the Group operates in the countries considered most vulnerable to the Euro crisis. We currently have no activity in Greece and aggregate revenue in the first half of 2012 in Spain, Italy, Portugal and Ireland was less than 1%. The Group's cash deposits are well diversified and the five-year bank facility arranged in 2011 incorporates significant headroom, such that the Group would be able to fund its current operational requirements if two banks within the lending syndicate were unable to meet their lending commitments under this facility.

Furthermore, whilst infrastructure spending has previously tended to be relatively resilient to economic downturns, a sustained prolongation of the current Eurozone crisis may potentially lead to reduced growth rates in the remainder of Europe, the UK, the US and other markets, with adverse implications for the growth rates in our businesses outside the Eurozone.

22 Events after the reporting date
On 3 July 2012, the Finance Act 2012 was substantively enacted, implementing a reduction to the main corporation tax rate from 24% to 23% effective from 1 April 2013. It has also been announced, although not enacted, that there will be a further 1% reduction in the main corporation tax rate to 22% from 1 April 2014.

The effect of the Finance Act 2012 is expected to reduce the Group's net deferred tax asset by £2m, with £1m being charged to the income statement and £1m being charged to reserves during the second half of the year. In addition, should the future corporation tax rate reduction be enacted, based on the latest forecasts, this will give rise to a further reduction in the Group's net deferred tax asset of £2m during the year ended 31 December 2013, with £1m being charged to the income statement and £1m being charged to reserves.

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 the Disclosure and Transparency Rule 4.2.8R, includes a fair review of:

- important events during the half-year ended 29 June 2012 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

Ian Tyler	**Duncan Magrath**
Chief Executive	Chief Financial Officer

14 August 2012

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 29 June 2012 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 statement of financial position, the Condensed Group statement of cash flows and related Notes 1 to 22. 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 Services 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 29 June 2012 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 Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

14 August 2012