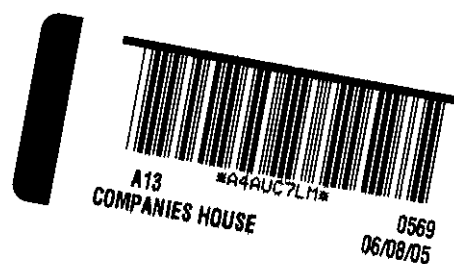


Balfour Beatty Utilities Limited

Financial statements for the year
ended 31 December 2004
Registered number 1062438



BALFOUR BEATTY UTILITIES LIMITED

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BALFOUR BEATTY UTILITIES LIMITED

Company information

Directors	P C Brookes M R Duncan C Kelly (Appointed 22 January 2004) B Osbourne (Appointed 19 October 2004)
Secretary	T J James
Registered Office and Business address	Park Square Newton Chambers Road Thorncliffe Park Chapelton Sheffield S35 2PH
Auditors	Deloitte & Touche LLP Chartered Accountants & Registered Auditors Leeds
Principal bankers	National Westminster Bank Plc 15 Bishopsgate London EC2P 2AP

BALFOUR BEATTY UTILITIES LIMITED

Directors' report (continued)

The directors present their report, together with the financial statements and auditors' report for the year ended 31 December 2004.

Principal activities

On 31 December 2003 the assets and liabilities of the company were sold to Balfour Beatty Group Limited. Since this date the company operated as an agency company and thus presents no trading in these financial statements.

Future prospects

The company is not expected to recommence trading in the foreseeable future.

Directors and directors' interests

The directors who held office during the year were as follows:

P C Brookes
M R Duncan
C Kelly (Appointed 22 January 2004)
B Osbourne (Appointed 19 October 2004)

The following directors held rights, via share options, to subscribe for shares in Balfour Beatty plc under the Executive Share Option Scheme.

	Class Of Share	Interest at end of year	Number of options granted during the year	Interest at start of year or date of appointment
M R Duncan	Executive Share Options	52,000	12,000	40,000
M R Duncan	Executive Share Savings related Options	2,580	646	1,934
P C Brookes	Executive Share Options	15,000	15,000	-
C Kelly	Executive Share Options	12,000	12,000	-

The executive share options were granted on 17 April 2002. Each option entitles the holder to a single ordinary share at an exercise price of £2.38 per share. The options may be exercised between April 2005 and April 2012 subject to a number of performance conditions. The options granted on the 16 April 2003 entitle the holder to a single ordinary share at an exercise price of £1.73 per share. The options may be exercised between April 2006 and April 2013 subject to a number of performance conditions. 2004 options were granted on the 19 April 2004 and entitle the holder to a single ordinary share at an exercise price of £2.61 per share. The options may be exercised between April 2007 and April 2014 subject to a number of performance conditions

The savings related options were issued in May 2002, 2003 and 2004. 2002 options entitle the holder to a single ordinary share at an exercise price of £1.84 per share, the 2003 options at £1.33 per share and the 2004 options at £2.10 per share. The 2002 options may be exercised between July 2005 and 31 December 2005, the 2003 options between July 2006 and 31st December 2006 and the 2004 options between July 2007 and 31st December 2007

According to the register of directors' interests, no other rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year. Apart from as noted above, no director held any beneficial interest in the issued share capital of the company or any group company at any time in the year.

BALFOUR BEATTY UTILITIES LIMITED

Directors' report (continued)

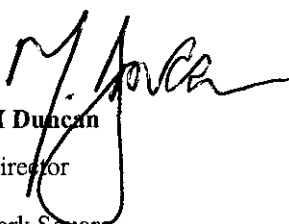
Political and charitable contributions

The company made no political contributions during the year (2003 - £nil). Donations to UK charities amounted to £ Nil (2003 - £13,220).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of Deloitte & Touche LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



M Duncan

Director

Park Square
Newton Chambers Road
Thorncliffe Park
Chapelton
Sheffield
S35 2PH

21st July 2005

BALFOUR BEATTY UTILITIES LIMITED

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALFOUR BEATTY UTILITIES LIMITED

We have audited the financial statements of Balfour Beatty Utilities Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

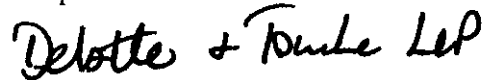
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte and Touche LLP

Chartered Accountants and Registered Auditors

Leeds

21 July 2005

BALFOUR BEATTY UTILITIES LIMITED

Profit and loss account for the year ended 31 December 2004

	<i>Note</i>	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
Turnover		-	104,953,311
Cost of sales		-	(91,848,316)
Gross profit		-	13,104,995
Administrative expenses		-	(6,757,649)
Operating profit		-	6,347,346
Interest receivable and similar income	5	-	31,027
Interest payable and similar charges	6	-	(104,136)
Profit on ordinary activities before taxation	2	-	6,274,237
Tax on profit on ordinary activities	7	-	(677,000)
Retained profit for the year	9	-	5,597,237

There were no recognised gains or losses in either year other than the profit for the year and accordingly a statement of total recognised gains and losses has not been prepared.

All activity has arisen from discontinued operations due to the transfer of all trade to another Group company.

The accompanying notes are an integral part of this profit and loss account.

BALFOUR BEATTY UTILITIES LIMITED

Balance sheet at 31 December 2004

	Note	Dec 2004 £	Dec 2003 £
Current assets			
Debtors – Amounts owed by group undertakings		14,677,868	14,677,868
Net assets		14,677,868	14,677,868
Capital and reserves			
Called up share capital	8	25,017	25,017
Profit and loss account	9	14,652,851	14,652,851
Shareholders' funds	10	14,677,868	14,677,868
Shareholders' funds may be analysed as:			
Equity interests		14,652,868	14,652,868
Non-equity interests		25,000	25,000
		14,677,868	14,677,868

These financial statements on pages 6 to 12 were approved by the board of directors on 26/ July 2005 and were signed on its behalf by:


M DUNCAN
Director

The accompanying notes are an integral part of this balance sheet.

BALFOUR BEATTY UTILITIES LIMITED

Notes to the financial statements (continued)

1 Accounting policies

The following accounting policies have been applied consistently throughout the year and preceding period in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the cash flows of the company in its own published consolidated cash flow statement.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease, even if the payments are not made on such a basis.

Pension costs and post-retirement benefits

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between the amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents the value of work carried out during the period net of value added tax.

The value of work done during the period for which payment has not yet been received is held within trade debtors in the balance sheet.

BALFOUR BEATTY UTILITIES LIMITED

Notes to the financial statements (continued)

1. Profit recognition on contracting activities (continued)

The profit on individual contracts is based upon the value of work carried out during the period less costs incurred to date on the contract. Full provision is made for all known or expected losses on individual contracts.

2 Profit on ordinary activities before taxation

	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	-	16,000
Other services	-	3,750
Depreciation and other amounts written off tangible fixed assets:		
Owned	-	962,454
Under hire purchase agreements	-	541,839
(Profit)/loss on disposal of fixed assets	-	(4,094)
Hire of plant and machinery - rentals payable under operating leases	-	4,690,920
Hire of other assets - operating leases	-	5,204,743

The audit fee for the year was borne by another group company.

3 Remuneration of directors

	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
Directors' emoluments:		
Remuneration	-	955,712
Company contributions to defined benefit pension schemes	-	21,156
Compensation for loss of office	-	75,000
	-	1,051,868

The aggregate of emoluments of the highest paid director was £Nil (Dec 2003 - £253,753)

The remuneration of the directors was borne by another group company.

The number of directors who were members of pension schemes was as follows:

	Dec 2004	Dec 2003
Defined Benefit Scheme	-	-
Total Members	-	1

The company made no contributions to the scheme in the current or prior year.

BALFOUR BEATTY UTILITIES LIMITED

Notes to the financial statements (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Year ended 31 Dec 2004	Year ended 31 Dec 2003
Office and administration	-	97
Construction	-	1,537
	-	1,634

The aggregate payroll costs of these persons were as follows:

	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
Wages, salaries and related costs	-	37,787,587
Social security costs	-	3,407,235
Other pension costs (see note 12)	-	252,065
	-	41,446,887

5 Interest receivable and similar income

	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
Bank and other interest receivable	-	31,027

6 Interest payable and similar charges

	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
On bank loans and overdrafts	-	74,862
Finance charges payable in respect of hire purchase contracts	-	29,274
	-	104,136

BALFOUR BEATTY UTILITIES LIMITED

Notes to the financial statements (continued)

7 Taxation

	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	2,247,000
Adjustments in respect of prior years	-	(724,000)
Total current tax	-	1,523,000
Deferred tax	-	(846,000)
Tax on profit on ordinary activities	-	677,000

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 Dec 2004 £	Year ended 31 Dec 2003 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	-	6,274,237
Current tax at 30%	-	1,882,271
<i>Effects of</i>		
Depreciation in excess of capital allowances	-	288,000
Other short term timing differences	-	29,000
Expenses not deductible for tax purposes	-	47,729
Adjustments to tax charge in respect of previous periods	-	(724,000)
Total current tax charge (see above)	-	1,523,000

8 Share capital

	Dec 2004 £	Dec 2003 £
<i>Authorised</i>		
Equity: 2,500 ordinary shares of \$0.01 each	17	17
Non-equity: 25,000 deferred ordinary shares of £1 each	25,000	25,000
	25,017	25,017
<i>Allotted, called up and fully paid</i>		
Equity: 2,500 ordinary shares of \$0.01 each	17	17
Non-equity: 25,000 deferred ordinary shares of £1 each	25,000	25,000
	25,017	25,017

The \$0.01 ordinary shares carry full voting rights, full rights to dividends and preferential rights in the event of a winding up. The deferred ordinary shares carry no voting rights, no rights to dividends and limited rights in the event of a winding up.

BALFOUR BEATTY UTILITIES LIMITED

Notes to the financial statements (continued)

9 Reserves

	Profit and loss account £
At 1 January and 31 December 2004	14,652,851

10 Reconciliation of movements in shareholders' funds

	Dec 2004 £	Dec 2003 £
Profit for the financial year	-	5,597,237
Opening shareholders' funds	14,677,868	9,080,631
Closing shareholders' funds	14,677,868	14,677,868
Represented by:		
Equity interests	14,652,868	14,652,868
Non-equity interests	25,000	25,000
	14,677,868	14,677,868

11 Contingent liabilities

The company has performance bonds of £Nil at the current year end (2003: £760,540, relating to the three contracts).

12 Pensions

The Group, through trustees, operates a number of pension schemes the majority of which are of the defined benefit type and are funded. Contributions are determined in accordance with independent actuarial advice. Details of the last actuarial valuations and reviews and the assumptions used by the actuaries are disclosed in the accounts of the ultimate parent company Balfour Beatty plc. The Group continues to account for the cost of pensions in accordance with the requirements of SSAP 24 "Accounting for pension costs". The last formal valuation of the Balfour Beatty Pension Fund was carried out by the actuaries at 31 March 2004 using the projected unit method and disclosed an excess of assets over past service liabilities of 1.7%. The assets and liabilities of the defined contribution section are included within reported results of the Balfour Beatty Pension Fund.

13 Ultimate parent company

In the opinion of the directors, the company's immediate parent company is Balfour Beatty Group Limited, a company incorporated in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by Balfour Beatty plc, the ultimate parent company, incorporated in England and Wales.

Copies of the group financial statements are available from Balfour Beatty plc, 130 Wilton Road, London SW1V 1LQ.

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group.