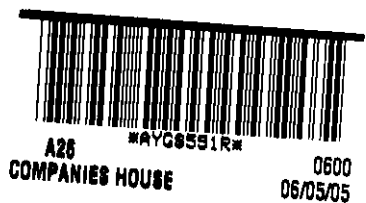


Bruton Investments Limited

Annual Report and Financial Statements
for the year ended 31 December 2004

Company number: 1790555



BRUTON INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended
31 DECEMBER 2004

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BRUTON INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2004.

Principal Activities and Business Review

The Company's principal activity is that of an investment holding company. The Directors foresee the activities of the Company to continue on a similar basis.

Results and Dividends

The financial statements for the year ended 31 December 2004 are set out on pages 5 to 11. A retained loss for the year of £8,000,000 (2003: £ nil) was transferred from reserves. The Directors do not recommend a dividend in respect of the year ended 31 December 2004 (2003: £ nil).

Directors

The following were Directors of the Company throughout the year:

P W Goldsmith
F D F T McCormack
C R O'N Pearson
C M Pryce

Directors' Interests

The interests of Directors in the share and loan capital of Balfour Beatty plc, the ultimate parent company, were:

Director	As at 1 January 2004		As at 31 December 2004	
	Holdings	Options	Holdings	Options
P W Goldsmith	5,672	103,291	7,519	89,840
F D F T McCormack	756	13,607	2,091	12,918
C R O'N Pearson	500	18,408	4,000	9,204

During the year, there were the following movements in the Directors' rights to subscribe for ordinary shares in Balfour Beatty plc:

Director	Options Granted	Options Exercised	Options Lapsed
P W Goldsmith	13,403	26,854	-
F D F T McCormack	646	1,335	-
C R O'N Pearson	-	-	9,204

Conditional awards have been made to F D F T McCormack and C R O'N Pearson under the 2001, 2002, 2003, and 2004 cycles of the Performance Share Plan 2001 established by Balfour Beatty plc. For each award under this Plan, the Director may receive ordinary shares in Balfour Beatty plc up to a maximum number equivalent in market value to his basic salary at the date of award. The shares for each award will vest and be transferred to the Director if, and only to the extent that, an earnings per share growth target is met over the three year performance period. The performance period for the 2001 cycle was completed on 31 December 2003 and, as a result, Mr McCormack and Mr Pearson exercised their rights in respect of awards of 58,971 and 48,913 ordinary shares in Balfour Beatty plc respectively. The performance period for the 2002 cycle was completed on 31 December 2004 and, as a result, Mr McCormack and Mr Pearson will become entitled to awards of 34,425 and 29,011 ordinary shares in Balfour Beatty plc respectively. Further details of the Plan are disclosed in the annual report and accounts of Balfour Beatty plc.

All interests at the dates shown are beneficial and are in respect of numbers of ordinary shares of Balfour Beatty plc.

Other than as stated above, no Director had any interest in the share or loan capital of the Company or of any other subsidiary undertaking of Balfour Beatty plc at the relevant dates.

BRUTON INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year 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; 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 and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

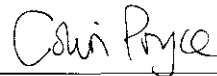
Auditors

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Registered Office

Fourth Floor
130 Wilton Road
London
SW1V 1LQ

By Order of the Board



C M PRYCE, Director

Dated 29 April 2005

INDEPENDENT AUDITORS' REPORT

to the members of

BRUTON INVESTMENTS LIMITED

We have audited the financial statements of Bruton Investments Limited for the year ended 31 December 2004, which comprise the Profit and Loss Account, the Balance Sheet, the related Notes numbered 1 to 10 and the List of Subsidiary and Associated Undertakings. 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 to you 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.

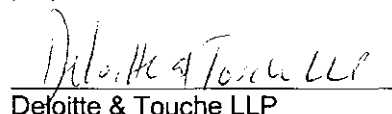
Basis of audit opinion

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 affairs of the Company at 31 December 2004 and of the Company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP

Chartered Accountants & Registered Auditors
London

Dated 29 April 2005

BRUTON INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

	Notes	<u>2004</u> £000	<u>2003</u> £000
Amounts written off investments	4	(<u>8,000</u>)	<u>-</u>
OPERATING (LOSS) / PROFIT and (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION and (LOSS) / PROFIT FOR THE FINANCIAL YEAR	8	(8,000)	-

The Company has no recognised gains or losses in either year other than those included in the results above and consequently no statement of total recognised gains and losses has been presented.

All activities are from continuing operations in the United Kingdom.


BRUTON INVESTMENTS LIMITED

BALANCE SHEET

as at 31 December 2004

	Notes	<u>2004</u> £000	<u>2003</u> £000
FIXED ASSETS			
Investments	4	345,000	353,000
CURRENT ASSETS			
Debtors - amounts falling due within one year	5	<u>587</u>	<u>587</u>
CURRENT ASSETS		<u>587</u>	<u>587</u>
TOTAL ASSETS		<u>345,587</u>	<u>353,587</u>
CAPITAL AND RESERVES			
Called-up share capital	6	237,000	742,000
Profit and loss account	7	<u>108,587</u>	<u>(388,413)</u>
EQUITY SHAREHOLDERS' FUNDS	8	<u>345,587</u>	<u>353,587</u>

These financial statements were approved by the Board of Directors on 29 April 2005 and signed on its behalf by


P W GOLDSMITH, Director

Dated: 29 April 2005

BRUTON INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

A summary of the principal accounting policies of the Company, all of which have been applied consistently throughout the year and the preceding year, is set out below:

a) Basis of Accounting

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

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Balfour Beatty plc, which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

b) Investments

Investments comprise holdings in subsidiary, joint venture and associated undertakings. The Company's investments are stated at cost plus loans due from such companies, less provisions for impairment.

c) Income from shares

Dividends on shares in subsidiary undertakings are recognised in the financial statements of the Company once they have been declared.

d) 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 substantially 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.

2. Employees, Director and Auditor Costs

There were no employees of the Company during the year (2003: nil).

No Director received any emoluments for their services to the Company during the year (2003: £ nil).

The auditors' remuneration was borne by Balfour Beatty plc in both years.

BRUTON INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

3. Taxation

	<u>2004</u> £'000	<u>2003</u> £'000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior years	-	-
Tax on profit on ordinary activities	-	-

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

	<u>2004</u> £'000	<u>2003</u> £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(8,000)	-
Current tax at 30%	(2,400)	-
<i>Effects of</i>		
Expenses not deductible for tax purposes	2,400	-
Total current tax charge / (credit)	-	-

The Company earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

4. Investments

	<u>2004</u> £000	<u>2003</u> £000
Cost:		
At 1 January	742,000	400,000
Additional investment	-	342,000
At 31 December	742,000	742,000
Provisions against investments:		
At 1 January	(389,000)	(389,000)
Charged to profit and loss account	(8,000)	-
At 31 December	(397,000)	(389,000)
Net book value:		
At 31 December	345,000	353,000

The addition to investments in the year ended 31 December 2003 relates to additional investment in Mayfair Place Investments Ltd.

On 18 May 2004 the Company agreed to sell its indirect interests in Andover Controls Corporation and Andover Controls SA and an intermediate parent of the Company agreed to sell its interest in Andover Controls Sp. z. o.o for a total consideration of US\$403m.

On 1 January 2004 a subsidiary of the Company acquired the business and assets of the railway division of ABB Gegabaudetechnik AG based in Germany for a consideration of €3.3m.

On 8 October 2004 a subsidiary of the Company acquired the business and assets of HLM Design, a US design and engineering business, for a consideration of US\$5.5m.

The Company's principal investments as at 31 December 2004 are listed on pages 11.

5. Debtors

	<u>2004</u> £000	<u>2003</u> £000
Amounts falling due within one year:		
Loan to Balfour Beatty plc	587	587

The loan to Balfour Beatty plc is repayable on 24 November 2005 and is interest bearing at 0% per annum.

BRUTON INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

6.	<u>Called-Up Share Capital</u>	<u>2004</u>	<u>2003</u>
		£000	£000
	Authorised:		
	300,000 'A' shares of £ 1 each	300	300
	394,700,000 'B' shares of £ 1 each (2003: 899,700,000)	<u>394,700</u>	<u>899,700</u>
		<u>395,000</u>	<u>900,000</u>
	Allotted, called-up and fully paid:		
	277,267 'A' shares of £ 1 each	277	277
	236,722,733 'B' shares of £ 1 each (2003: 741,723,000)	<u>236,723</u>	<u>741,723</u>
		<u>237,000</u>	<u>742,000</u>

By a written resolution dated 23 October 2003, the authorised share capital of the Company was increased to £900,000,000 by the creation of 400,000,000 'B' shares of £1 each. On 23 October 2003, 337,000,000 'B' shares of £1 each were issued at par value to Balfour Beatty Investment Holdings Limited, the immediate parent company.

By a written resolution dated 6 January 2004, confirmed by the Court on 4 February 2004, the authorised share capital of the Company was reduced by cancelling and extinguishing 505,000,000 issued 'B' shares of £1 each.

Equity shareholders' funds relate to class 'A' and class 'B' shares. Class 'A' shares have the following rights and restrictions:

- by ordinary resolution, the Company may declare that no dividend shall be payable to the holders of 'A' shares even though a dividend may concurrently be payable to holders of 'B' shares; and
- at any time, upon written notification by a majority of class 'A' shareholders, the Directors are required to appoint to the Board a minimum of one and a maximum of two persons nominated by the class 'A' shareholders.

In all other respects the 'A' and 'B' shares rank pari passu and the same rights are attached to each.

7.	<u>Profit and Loss Account</u>	<u>2004</u>	<u>2003</u>
		£000	£000
	At 1 January	(388,413)	(388,413)
	Reduction in share capital	505,000	-
	(Loss) / profit for the financial year	<u>(8,000)</u>	<u>-</u>
	At 1 January	<u>108,587</u>	<u>(388,413)</u>
8.	<u>Reconciliation of Movement in Shareholders' Funds</u>	<u>2004</u>	<u>2003</u>
		£000	£000
	Issue of 337,000,000 'B' shares of £1 each	-	337,000
	(Loss) / profit for the financial year	<u>(8,000)</u>	<u>-</u>
	Net addition to shareholders' funds	<u>(8,000)</u>	<u>337,000</u>
	Opening shareholders' funds	<u>353,587</u>	<u>16,587</u>
	Closing shareholders' funds	<u>345,587</u>	<u>353,587</u>

9. Related Party Transactions

As a subsidiary of Balfour Beatty plc, the Company has taken advantage of the exemption in FRS 8 "Related Party Transactions" not to disclose transactions with other members of the group headed by Balfour Beatty plc.

BRUTON INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

10. **Ultimate Parent Company and Controlling Party**

The Company is a wholly owned subsidiary undertaking of Balfour Beatty Investment Holdings Limited, registered in England and Wales, which does not prepare consolidated financial statements.

The Company's ultimate parent company and controlling party is Balfour Beatty plc, which is registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by Balfour Beatty plc. The consolidated financial statements of Balfour Beatty plc are available to the public and may be obtained from 130 Wilton Road, London SW1V 1LQ.

Bruton Investments Limited
List of Principal Subsidiary and Associated Undertakings at 31 December 2004

	Country of Incorporation	Class of Capital	Proportion held by company %	Proportion held by Subsidiaries and/or their Nominees %	Holder
Building, civil and rail engineering					
Balfour Beatty Construction Inc.	U.S.A.	Common	-	100	Balfour Beatty Inc.
Balfour Beatty GmbH	Germany	Ordinary	-	100	BICC Holdings GmbH
Balfour Beatty Rail GmbH	Germany	Ordinary	-	100	BICC Holdings GmbH
Balfour Beatty Rail Inc	U.S.A.	Common	-	100	Balfour Beatty Inc
Balfour Beatty Rail Systems Inc	U.S.A.	Common	-	100	Balfour Beatty Rail Inc
Heery International Inc.	U.S.A.	Common	-	100	Balfour Beatty Inc.
Marta Track Constructors Inc	U.S.A.	Common	-	100	Balfour Beatty Rail Inc
Metroplex Corp	U.S.A.	Common	-	100	Balfour Beatty Rail Inc
National Engineering & Contracting Co	U.S.A.	Common	-	100	Balfour Beatty Inc
Finance and investment holding					
Balfour Beatty Inc.	U.S.A.	Common	-	100	BICC Overseas Investments Ltd
BICC Holdings GmbH	Germany	Ordinary	-	100	BICC Overseas Investments Ltd
BICC Overseas Investments Ltd	England	Ordinary	-	100	Fielden & Ashworth Ltd
Fielden & Ashworth Ltd	England	Ordinary	-	100	Mayfair Place Investments Ltd
Mayfair Place Investments Ltd	England	Ordinary	100	-	-
Others					
BICC Cables Corp	U.S.A.	Common	-	100	Balfour Beatty Inc.
BICC Canada Inc.	Canada	Common	-	100	BICC Overseas Investments Ltd
BICC Canada Inc.	Canada	Redeemable Pref	-	100	BICC Overseas Investments Ltd