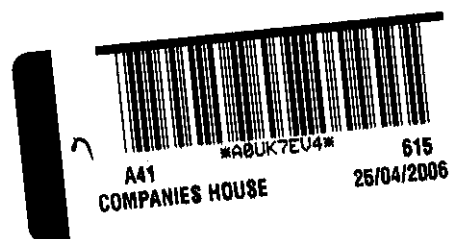


Avatar Limited

Annual report and accounts
For the year ended 31 December 2005

Registered number: 2035853



Directors' report

For the year ended 31 December 2005

The Directors present their annual report and the balance sheet for the year ended 31 December 2005.

The Company has not traded during the year nor in the previous year.

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:

	<u>1 January 2005</u>		<u>31 December 2005</u>	
	<u>Holdings</u>	<u>Options</u>	<u>Holdings</u>	<u>Options</u>
P W Goldsmith	7,519	89,840	10,805	87,452
F D F T McCormack	2,091	12,918	2,091	1,313
C R O'N Pearson	4,000	9,204	11,750	-

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

	<u>Options granted</u>	<u>Options exercised</u>	<u>Options lapsed</u>
P W Goldsmith	898	3,286	-
F D F T McCormack	667	-	12,272
C R O'N Pearson	-	-	9,204

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

Conditional awards have been made to F D F T McCormack and C R O'N Pearson under the 2002, 2003, 2004 and 2005 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 2002 cycle was completed on 31 December 2004 and, as a result, Mr McCormack and Mr Pearson exercised their rights in respect of awards of 34,425 and 29,011 ordinary shares in Balfour Beatty plc respectively. The performance period for the 2003 cycle was completed on 31 December 2005 and, as a result, Mr McCormack and Mr Pearson will become entitled to awards of 38,935 and 33,251 ordinary shares in Balfour Beatty plc respectively. Further details of the Plan are disclosed in the annual report and accounts 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.

Registered office:

Fourth Floor
130 Wilton Road
London
SW1V 1LQ

By order of the Board,


Director

24 APRIL 2006

Balance sheet

31 December 2005

	Notes	2005 £'000	2004 £'000
Creditors: Amounts falling due within one year	3	(13,936)	(13,936)
Net liabilities		<u>(13,936)</u>	<u>(13,936)</u>
Capital and reserves			
Called-up share capital	4	50	50
Profit and loss account		(13,986)	(13,986)
Equity shareholders' deficit		<u>(13,936)</u>	<u>(13,936)</u>

Notes (which form an integral part of the balance sheet)

1. The balance sheet has been prepared under the historical cost convention.
2. The Company's ultimate holding company is Balfour Beatty plc, registered in England and Wales.
3. Amount owed to parent company which is repayable on demand and interest free.
4. Share capital:

	2005 £'000	2004 £'000
<i>Authorised</i>		
600,000 ordinary shares of 10p each	<u>60</u>	<u>60</u>
<i>Allotted, called-up and fully-paid</i>		
500,000 ordinary shares of 10p each	<u>50</u>	<u>50</u>

For the year ended 31 December 2005 the Company was entitled to exemption under Section 249AA(1) of the Companies Act 1985.

Members have not required the Company to obtain an audit, in accordance with Section 249B(2) of the Companies Act 1985.

The Directors acknowledge their responsibility for:

- ensuring the Company keeps accounting records which comply with Section 221 of the Companies Act 1985; and
- preparing accounts 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 its profit or loss for the financial year, in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the Company.

ON BEHALF OF THE BOARD



Director

Dated: 24 April 2006

AVATAR LIMITED