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C R O'N PEARSON

Secretary

Balfour Beatty plc

Dated 15 May 2008

(1) BALFOUR BEATTY PLC

and

(2) BENTWORTH LIMITED

and

(3) JPMORGAN CAZENOVE LIMITED

and

(4) HOARE GOVETT LIMITED

SUBSCRIPTION AND TRANSFER AGREEMENT

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THIS AGREEMENT is made on 15 May 2008 BETWEEN

- (1) **BALFOUR BEATTY PLC**, a company registered in England and Wales with the number 00395826 whose registered office is at 130 Wilton Road, London, SW1V 1LQ ("**Balfour Beatty**"),
- (2) **BENTWORTH LIMITED**, a company incorporated in Jersey with registered number 100764, whose registered office is at 22 Grenville Street, St Helier, Jersey JE4 8PX ("**JerseyCo**");
- (3) **JPMORGAN CAZENOVE LIMITED**, a company registered in England and Wales with the number 04153386 and whose registered office is at 20 Moorgate, London, EC2R 6DA ("**JPMorgan Cazenove**"); and
- (4) **HOARE GOVETT LIMITED**, a company incorporated in England and Wales with registered number 02026375, whose registered office is at 250 Bishopsgate, London, EC2M 4AA ("**Hoare Govett**").

WHEREAS

- (A) As at the date of this Agreement, JerseyCo has an authorised share capital divided into 100 ordinary shares of no par value (all of which have been issued and which are held as to 89 by Balfour Beatty and as to 11 by JPMorgan Cazenove) and an unlimited number of fixed rate redeemable preference shares of no par value (none of which have been issued)
- (B) JPMorgan Cazenove, JPMSL, Hoare Govett and Balfour Beatty propose to enter into an agreement on the date hereof (the "**Placing Agreement**"), pursuant to which, and subject to the conditions stated therein, the Managers have agreed, severally, and not jointly or jointly and severally, to use reasonable endeavours to procure persons to take up the Placing Shares, failing which the Underwriters will subscribe for the Placing Shares in accordance with Clause 3.5 of the Placing Agreement.
- (C) JPMorgan Cazenove has agreed, on the terms and subject to the conditions of this Agreement, to subscribe for the JPMorgan Cazenove Preference Shares and to transfer to Balfour Beatty the JPMorgan Cazenove Preference Shares and the JPMorgan Cazenove Ordinary Shares.
- (D) Hoare Govett has agreed, on the terms and subject to the conditions of this Agreement, to subscribe for the Hoare Govett Preference Shares and to transfer to Balfour Beatty the Hoare Govett Preference Shares

IT IS AGREED as follows:

1 Interpretation

1.1 In this Agreement (including the Recitals) the following expressions shall have the following meanings:

"**Admission**" has the meaning set out in the Placing Agreement;

"**Affiliate**" has the meaning set out in the Placing Agreement;

"**Articles**" means the Articles of Association of JerseyCo in effect from time to time,

"**Balfour Beatty Warranties**" means the warranties set out in Part 1 of Schedule 1,

"**Business Day**" has the meaning set out in the Placing Agreement;

"Companies Acts" has the meaning given in section 2 of the Companies Act 2006,

"Connected Persons" means in respect of each Manager, each of its Affiliates from time to time and each of the directors, officers, agents and employees from time to time of the relevant Manager and any of such Manager's Affiliates;

"Cut Off Time" means 7.00 a.m. on 16 May 2006,

"Encumbrance" means any mortgage, charge (whether legal or equitable and whether fixed or floating), security, lien, pledge, option, right to acquire, right of pre-emption, interest, equity, assignment, hypothecation, title retention, claim, restriction or power of sale or any agreement to create any of the foregoing,

"Hoare Govett Indemnified Person" has the meaning given in the Placing Agreement,

"Hoare Govett Payment Undertaking" has the meaning set out in Clause 2.5,

"Hoare Govett Placing Costs" means

- (i) the fees and commission payable by Balfour Beatty to Hoare Govett under the Placing Agreement; and
- (ii) those other costs, expenses, taxes or amounts payable or reimbursable by Balfour Beatty to Hoare Govett under the Placing Agreement or this Agreement, and in each case which are notified by Hoare Govett to Balfour Beatty prior to Admission;

"Hoare Govett Preference Shares" has the meaning given to it in Clause 2.5;

"Hoare Govett Subscription Amount" means an amount equal to £1 multiplied by a number equal to the number of Preference Shares to be subscribed by Hoare Govett pursuant to provisions of this Agreement and the Preference Share Term Sheet,

"Indemnified Persons" means each of the JPMorgan Cazenove Indemnified Persons and each of the Hoare Govett Indemnified Persons;

"JerseyCo Shares" means the Ordinary Shares or the Preference Shares as the case may require;

"JerseyCo Subscriber Shares" has the meaning set out in the Placing Agreement;

"JerseyCo Warranties" means the warranties set out in Part 2 of Schedule 1;

"JPMorgan Cazenove Indemnified Person" has the meaning given in the Placing Agreement,

"JPMorgan Cazenove Ordinary Shares" means the 11 Ordinary Shares held as at the date of this Agreement by JPMorgan Cazenove,

"JPMorgan Cazenove Payment Undertaking" has the meaning set out in Clause 2.4,

"JPMorgan Cazenove Placing Costs" means

- (i) the fees and commission payable by Balfour Beatty to JPMorgan Cazenove under the Placing Agreement; and
 - (ii) those other costs, expenses, taxes or amounts payable or reimbursable by Balfour Beatty to JPMorgan Cazenove under the Placing Agreement, the Option Agreement or this Agreement, and in each case which are notified by JPMorgan Cazenove to Balfour Beatty prior to Admission;
-

"JPMorgan Cazenove Preference Shares" has the meaning given to it in Clause 2 4,

"JPMorgan Cazenove Subscription Amount" means an amount equal to £1 multiplied by a number equal to the number of Preference Shares to be subscribed by JPMorgan Cazenove pursuant to the provisions of this Agreement and the Preference Share Term Sheet.

"JPMSL" means J P. Morgan Securities Ltd ,

"Legal Proceedings" has the meaning given in Clause 13;

"Managers" means JPMorgan Cazenove and Hoare Govett;

"Option Agreement" means the letter agreement entered into between JPMorgan Cazenove, Balfour Beatty and JerseyCo on the date of this Agreement regarding, *inter alia*, the subscription by JPMorgan Cazenove for Ordinary Shares,

"Ordinary Shares" means the ordinary shares of no par value in the capital of JerseyCo;

"Placees" has the meaning set out in the Placing Agreement,

"Placing" has the meaning set out in the Placing Agreement;

"Placing Agreement" has the meaning set out in Recital (B);

"Placing Announcement" has the meaning set out in the Placing Agreement,

"Placing Shares" has the meaning set out in the Placing Agreement;

"Preference Share Term Sheet" means the Preference Share terms substantially in the form of Schedule 2 to be executed pursuant to Clause 2 3,

"Preference Shares" means the fixed rate redeemable preference shares of no par value in the capital of JerseyCo having the rights and subject to the restrictions set out in the Articles;

"Subscribers" means, severally, JPMorgan Cazenove and Hoare Govett in their capacity as subscribers for the Preference Shares and **"Subscriber"** means any of them;

"tax" or **"taxes"** has the meaning given to the term **"Tax"** in the Placing Agreement;

"Underwriters" means JPMSL and Hoare Govett,

"VAT" means value added tax and any similar sales or turnover tax or levy imposed in any jurisdiction; and

"Warranties" means the Balfour Beatty Warranties and the JerseyCo Warranties.

1.2 The words **"company"**, **"subsidiary"**, **"subsidiary undertaking"** and **"holding company"** have the same meanings in this Agreement as defined in the Companies Acts

1.3 In this Agreement, unless the context otherwise requires

1.3.1 references to **"persons"** shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

1.3.2 the headings are inserted for convenience only and shall not affect the construction of this Agreement;

- 1.3.3 any reference to an enactment or statutory provision is a reference to it as it may have been, or may from time to time be, amended, modified, consolidated or re-enacted;
- 1.3.4 references to Clauses, sub-Clauses and the Schedules are to clauses and sub-clauses of, and the schedules to, this Agreement;
- 1.3.5 references to "pounds" and "£" are references to the currency of the United Kingdom; and
- 1.3.6 the Schedules shall take effect as if set out in this Agreement and references to this Agreement shall be deemed to include the Schedules

2 Subscription for Preference Shares

- 2.1 Upon the terms and subject to the conditions of this Agreement and subject to the provisions of the Preference Share Term Sheet, when executed by the parties to this Agreement, and in reliance on the Warranties, JPMorgan Cazenove agrees to subscribe for, and JerseyCo agrees to allot and issue to JPMorgan Cazenove, such number of Preference Shares as can be subscribed at £1 each for an amount equal to the JPMorgan Cazenove Payment Undertaking and to be set out in the Preference Share Term Sheet (the "**JPMorgan Cazenove Preference Shares**").
 - 2.2 Upon the terms and subject to the conditions of this Agreement and subject to the provisions of the Preference Share Term Sheet, when executed by the parties to this Agreement, and in reliance on the Warranties, Hoare Govett agrees to subscribe for, and JerseyCo agrees to allot and issue to Hoare Govett, such number of Preference Shares as can be subscribed at £1 each for an amount equal to the Hoare Govett Payment Undertaking and to be set out in the Preference Share Term Sheet (the "**Hoare Govett Preference Shares**").
 - 2.3 Subject to Clause 2.6, each of Balfour Beatty, JerseyCo, JPMorgan Cazenove and Hoare Govett undertakes to the other parties by no later than the Cut Off Time, unless this Agreement or the Placing Agreement have been terminated in accordance with their respective terms, duly to execute the Preference Share Term Sheet specifying, unless otherwise agreed by the parties, the JPMorgan Cazenove Subscription Amount and Hoare Govett Subscription Amount (as the case may be).
 - 2.4 In consideration of the agreement to allot the JPMorgan Cazenove Preference Shares, and subject to Clause 2.6, JPMorgan Cazenove hereby undertakes to pay or procure the payment of the JPMorgan Cazenove Subscription Amount (less the JPMorgan Cazenove Placing Costs) to JerseyCo (or as JerseyCo directs) by no later than 3.00 p.m. on the date of Admission (the "**JPMorgan Cazenove Payment Undertaking**"). The JPMorgan Cazenove Preference Shares so allotted shall be credited as fully paid against the JPMorgan Cazenove Payment Undertaking
 - 2.5 In consideration of the agreement to allot the Hoare Govett Preference Shares, and subject to Clause 2.6, Hoare Govett hereby undertakes to pay or procure the payment of the Hoare Govett Subscription Amount (less the Hoare Govett Placing Costs) to JerseyCo (or as JerseyCo directs) by no later than 3.00 p.m. on the date of Admission (the "**Hoare Govett Payment Undertaking**"). The Hoare Govett Preference Shares so allotted shall be credited as fully paid against the Hoare Govett Payment Undertaking.
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- 2.6** The obligations under this Agreement of JPMorgan Cazenove and Hoare Govett to subscribe and pay for, and JerseyCo to allot to JPMorgan Cazenove and Hoare Govett the JPMorgan Cazenove Preference Shares and the Hoare Govett Preference Shares respectively are conditional upon Admission, immediately following which:
- 2.6.1** the JPMorgan Cazenove Payment Undertaking and the Hoare Govett Payment Undertaking shall become effective;
 - 2.6.2** the allotment of the JPMorgan Cazenove Preference Shares to JPMorgan Cazenove and the allotment of the Hoare Govett Preference Shares to Hoare Govett shall occur, and
 - 2.6.3** JPMorgan Cazenove shall fulfil its undertaking to pay £11 to JerseyCo with respect to the JPMorgan Cazenove Ordinary Shares at the same time that the JPMorgan Cazenove Subscription Amount (less the JPMorgan Cazenove Placing Costs) is paid to JerseyCo pursuant to Clause 2.4.
- 2.7** For the avoidance of doubt, JPMorgan Cazenove and Hoare Govett will be under no obligation to pay the JPMorgan Cazenove Subscription Amount (less the JPMorgan Cazenove Placing Costs) and the Hoare Govett Subscription Amount (less the Hoare Govett Placing Costs) respectively until Admission has taken place.
- 2.8** Following allotment by JerseyCo to each of JPMorgan Cazenove and Hoare Govett of their respective proportions of the Preference Shares pursuant to Clause 2.6, JerseyCo shall procure that, within the jurisdiction of Jersey, the names of JPMorgan Cazenove and Hoare Govett shall be entered in the register of members of JerseyCo (itself held in Jersey) in respect of the JPMorgan Cazenove Preference Shares so allotted to JPMorgan Cazenove and the Hoare Govett Preference Shares so allotted to Hoare Govett and that
- 2.8.1** a copy of a duly executed share certificate evidencing the number of JPMorgan Cazenove Preference Shares and the number of Hoare Govett Preference Shares allotted and issued to each of JPMorgan Cazenove and Hoare Govett respectively is delivered to JPMorgan Cazenove and Hoare Govett (as appropriate) (or as each of JPMorgan Cazenove and Hoare Govett (as appropriate) directs); and
 - 2.8.2** a copy of the minutes of the JerseyCo board meeting approving such allotments and the updated register of members, certified as a true copy by the secretary or a director of JerseyCo, shall be delivered to JPMorgan Cazenove and Hoare Govett (or as each of JPMorgan Cazenove and Hoare Govett directs).

3 Transfer of Preference Shares and JPMorgan Cazenove Ordinary Shares

- 3.1** Subject to, and conditional on, (1) Admission having occurred and (2) the JPMorgan Cazenove Preference Shares and the Hoare Govett Preference Shares having been allotted to JPMorgan Cazenove and Hoare Govett respectively in accordance with Clause 2.6:
- 3.1.1** JPMorgan Cazenove shall, on the date of Admission and following payment of the JPMorgan Cazenove Subscription Amount (less the JPMorgan Cazenove Placing Costs) to JerseyCo (or as JerseyCo directs), transfer to Balfour Beatty:
 - (i) the JPMorgan Cazenove Preference Shares allotted and issued to it pursuant to Clause 2.1 (fully paid up in aggregate as to the JPMorgan Cazenove Subscription Amount (less the JPMorgan Cazenove Placing

Costs) at which they were issued, in satisfaction of the JPMorgan Cazenove Payment Undertaking); and

- (ii) the JPMorgan Cazenove Ordinary Shares (fully paid up at the price at which they were issued); and

3.1.2 Hoare Govett shall, on the date of Admission and following payment of the Hoare Govett Subscription Amount (less the Hoare Govett Placing Costs) to JerseyCo (or as JerseyCo directs), transfer to Balfour Beatty the Hoare Govett Preference Shares allotted and issued to it pursuant to Clause 2.2 (fully paid up in aggregate as to the Hoare Govett Subscription Amount (less the Hoare Govett Placing Costs) at which they were issued, in satisfaction of the Hoare Govett Payment Undertaking),

in each case in consideration for the allotment and issue by Balfour Beatty of the Placing Shares as set out in the Placing Agreement. All such Preference Shares and Ordinary Shares shall be transferred to Balfour Beatty free from all Encumbrances and together with all rights attaching thereto (including without limitation the right to all dividends and distributions (if any) declared, made or paid on or after the date of Admission).

For this purpose, the consideration for the transfers of the shares in this Clause 3 shall be allocated as follows: £11 for the transfer of the JPMorgan Cazenove Ordinary Shares and the remainder for the transfer of the JPMorgan Cazenove Preference Shares and the Hoare Govett Preference Shares.

3.2 Notwithstanding anything in Clause 12, JPMorgan Cazenove shall procure the execution and delivery in Jersey to JerseyCo on behalf of Balfour Beatty, or as Balfour Beatty may direct, of stock transfer forms together with the share certificates (if issued to JPMorgan Cazenove) in respect of the JPMorgan Cazenove Ordinary Shares and the JPMorgan Cazenove Preference Shares and shall deliver copies thereof to Balfour Beatty or as it may direct (with, in each case, the original stock transfer forms being kept in Jersey at all times between execution by or on behalf of JPMorgan Cazenove and delivery to, or to the order of, Balfour Beatty).

3.3 Notwithstanding anything in Clause 12, Hoare Govett shall procure the execution and delivery in Jersey to JerseyCo on behalf of Balfour Beatty, or as Balfour Beatty may direct, of stock transfer forms together with the share certificates (if issued to Hoare Govett) in respect of the Hoare Govett Preference Shares and shall deliver copies thereof to Balfour Beatty or as it may direct (with, in each case, the original stock transfer forms being kept in Jersey at all times between execution by or on behalf of Hoare Govett and delivery to, or to the order of, Balfour Beatty).

3.4 Unless already executed prior to the date of this Agreement, each of JPMorgan Cazenove and Hoare Govett agrees to execute prior to the date of Admission a power of attorney in the form agreed between them and JerseyCo in order to grant authority to appropriate persons within Mourant du Feu & Jeune, to do and perform (in Jersey) all acts or things and to execute, complete and deliver all such documents (including execution of stock transfer forms) as are necessary to transfer all or any of the JPMorgan Cazenove Ordinary Shares and JPMorgan Cazenove Preference Shares or, as the case may be, the Hoare Govett Preference Shares to Balfour Beatty in each case in accordance with the terms of this Agreement.

4 Condition Precedent

Save for Clause 2.3, any obligations of Balfour Beatty, JPMorgan Cazenove and Hoare Govett under this Agreement required to be performed after the date of this Agreement shall be conditional in all respects upon the execution of the Preference Share Term Sheet by Balfour Beatty, JerseyCo, JPMorgan Cazenove and Hoare Govett

5 Representations, Warranties and Undertakings

- 5.1** Balfour Beatty represents and warrants to JPMorgan Cazenove and Hoare Govett as at the date hereof in the terms of the Warranties and further represents and warrants that the Warranties shall be true, correct and accurate and not misleading at Admission as if they had been made or given at Admission by reference to the facts and circumstances then existing (and on the basis that references in the Warranties to any fact, matter or thing existing, occurring or having occurred at or before the date of this Agreement shall be construed as references to it existing, occurring or having occurred at or before Admission)
- 5.2** JerseyCo represents and warrants to JPMorgan Cazenove and Hoare Govett as at the date hereof in the terms of the JerseyCo Warranties and further represents and warrants that the JerseyCo Warranties shall be true, correct and accurate and not misleading at Admission as if they had been made or given at Admission by reference to the facts and circumstances then existing (and on the basis that references in the Warranties to any fact, matter or thing existing, occurring or having occurred at or before the date of this Agreement shall be construed as references to it existing, occurring or having occurred at or before Admission)
- 5.3** Until the date upon which each of JPMorgan Cazenove and Hoare Govett no longer hold any interest in JerseyCo's share capital, JerseyCo undertakes to JPMorgan Cazenove and Hoare Govett that it will not and Balfour Beatty undertakes to JPMorgan Cazenove and Hoare Govett that it will procure that JerseyCo will not undertake any activities other than those contemplated under this Agreement or the Option Agreement
- 5.4** Each of JPMorgan Cazenove and Hoare Govett undertakes that, other than pursuant to its obligations under this Agreement, the Placing Agreement and, in respect of JPMorgan Cazenove, the Option Agreement, it will not assign, charge, encumber, transfer, sell or otherwise dispose or deal with or agree to assign, charge, encumber, transfer, sell or otherwise dispose or deal with the Preference Shares subscribed by it and, in the case of JPMorgan Cazenove, the JPMorgan Cazenove Ordinary Shares held by it or all or any part of any of its right, title or interest in and to such shares
- 5.5** If at any time up to Admission any event occurs or circumstances exist as a result of which Balfour Beatty or JerseyCo become aware that any of Warranties which is material in the context of the Placing would be untrue or incorrect if such warranty had been given or made at such time by reference to the facts and circumstances then existing, Balfour Beatty and/or JerseyCo (as the case may be) shall immediately notify each of the Managers, and Balfour Beatty and/or JerseyCo will take such steps as the Managers reasonably request to remedy the matter and, if so requested by the Managers (acting reasonably and in good faith), Balfour Beatty will make a public announcement in respect of such matter. For the avoidance of doubt, a request by the Managers to remedy a matter will only be "reasonably" requested under this Clause 5.5 where that matter is capable of being remedied.
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6 Indemnity

6.1 Balfour Beatty hereby agrees to indemnify and hold harmless each Indemnified Person, from and against:

6.1.1 any losses, damages, costs, charges, expenses (including legal fees where properly incurred) or liabilities arising from, out of or in connection with any claims, demands, enquiries, investigations, proceedings or judgements threatened, brought or established against any Indemnified Person (or alleged to be threatened, brought or established), in each case by any person, governmental agency or regulatory body whatsoever ("Claims"), and

6.1.2 all losses, liabilities, costs, charges and expenses (including legal fees where properly incurred) which any Indemnified Person may suffer or incur (including, but not limited to, all such losses, liabilities, costs, charges or expenses suffered or incurred in disputing, defending, investigating or providing evidence in connection with any Claim and/or in establishing its right to be indemnified pursuant to this Clause and/or in seeking advice in relation to any Claim, whether or not such Claim is defended or disputed successfully and whether or not any Indemnified Person is a party to such Claim) ("Losses"),

and which in the case of either or both of Clauses 6.1.1 and 6.1.2 above arise directly or indirectly in connection with the services rendered or duties performed by any Indemnified Person under this Agreement, including but not limited to

6.1.3 breach, or alleged breach, by Balfour Beatty or JerseyCo of any of its obligations under this Agreement; and/or

6.1.4 breach or alleged breach of the warranties, representations or undertakings given or made by Balfour Beatty or JerseyCo in this Agreement; and/or

6.1.5 any failure, or alleged failure, by Balfour Beatty, JerseyCo or their respective directors to comply with any legal or regulatory requirements in connection with this Agreement.

6.2 Save in respect of Clauses 6.1.3, 6.1.4 and 6.1.5, Clause 6.1 shall not apply:

6.2.1 with respect to a JPMorgan Cazenove Indemnified Person, to the extent that the obligation on Balfour Beatty to indemnify or hold harmless under Clause 6.1 arises from the finally judicially determined negligence, wilful default or bad faith of any JPMorgan Cazenove Indemnified Person; and

6.2.2 with respect to a Hoare Govett Indemnified Person, to the extent that the obligation on Balfour Beatty to indemnify or hold harmless under Clause 6.1 arises from the finally judicially determined negligence, wilful default or bad faith of any Hoare Govett Indemnified Person

6.3 The following shall not constitute a Claim or Loss for the purposes of this Clause

6.3.1 any UK corporation tax, UK income tax or any similar tax in any other jurisdiction incurred by an Indemnified Person on its actual net income, profits or gains,

6.3.2 any amounts for or in respect of stamp duty or stamp duty reserve tax arising pursuant to sections 67, 70, 93 and 96 of the Finance Act 1986 as a direct result of the way in which either Manager receives Placing Shares as a Placee (as defined in the Placing Agreement) pursuant to Clause 6.1 of the Placing Agreement, or

solely as a result of the issue of the Placing Shares to the accounts specified in Clause 6.2(a) of the Placing Agreement in the case of a JPMC Indemnified Person, or Clause 6.2(b) of the Placing Agreement in the case of a Hoare Govett Indemnified Person,

- 6.3.3 amounts in respect of recoverable VAT; and
 - 6.3.4 any Claim or Loss arising to an indemnified Person in its capacity as a holder of any share or other security in, or providing an exposure to, Balfour Beatty other than pursuant to this Agreement, the Placing Agreement or the Option Agreement
- 6.4 To the fullest extent permissible by law, no Indemnified Person shall have any liability to Balfour Beatty or JerseyCo in respect of any damage or loss Balfour Beatty or JerseyCo may suffer in relation to this Agreement except to the extent such damage or loss arises from the finally judicially determined negligence, wilful default or bad faith of such Indemnified Person
- 6.5 Neither of the Subscribers nor any Indemnified Person shall be entitled to recover any amount in respect of a claim under the Warranties, under this Clause 6 or under any other provision of this Agreement or under any provision of the Placing Agreement or the Option Agreement more than once in respect of the same loss.
- 6.6 The provisions of Clauses 9.3, 9.6 and 9.9 of the Placing Agreement shall apply, *mutatis mutandis*, to this Agreement.

7 Tax

- 7.1 Balfour Beatty undertakes to pay all capital duty, stamp duty and stamp duty reserve tax (if any) and any other stamp, issuance, transfer, registration, execution, documentary or similar duties and taxes (including any interest, fines or penalties relating thereto, save to the extent such interest, fines or penalties are attributable to the unreasonable delay by either of the Managers or their respective agents) ("**transfer taxes**") in connection with the execution, performance or enforcement of this Agreement, including the grant of any rights under this Agreement, and the issue, allotment sale and transfer of the JerseyCo Shares pursuant to any right exercisable under this Agreement. Provided that Balfour Beatty shall not be liable for any stamp duty or stamp duty reserve tax or equivalent duties or taxes under this Clause 7.1
- 7.1.1 to the extent that they arise as a result of any transfers of the JerseyCo Shares by the Managers other than pursuant to Clause 3 of this Agreement, or
 - 7.1.2 to the extent it is stamp duty or stamp duty reserve tax arising in relation to the Placing Shares and payable under sections 67, 70, 93 or 96 of the Finance Act 1986.
- 7.2 Balfour Beatty shall as soon as reasonably practicable after receiving a written request evidencing either or both of the Managers' payment of the same pay or reimburse the relevant Manager or the Managers (as the case may be) the amount of any such duties and taxes which are to be borne by Balfour Beatty and which either or both of the Managers has paid
- 7.3 If the performance by any of the Managers of any of their obligations under this Agreement shall represent for VAT purposes the making by any of the Managers of any supply of goods or services to Balfour Beatty, and on which supply VAT is chargeable, Balfour Beatty
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shall pay to the relevant Manager, in addition to the amounts otherwise payable by Balfour Beatty to the Managers pursuant to this Agreement, an amount equal to the VAT which is properly payable on that supply, that payment to be made within seven days of the request of the relevant Manager against production to Balfour Beatty of an appropriate tax invoice in respect of the supply to which the payment relates.

- 7.4** Where a sum is paid or reimbursed to any Indemnified Person by Balfour Beatty in respect of any cost or expense and that cost or expense includes an amount in respect of VAT (the "VAT Element") Balfour Beatty shall pay an amount to the relevant Indemnified Person by reference to the VAT Element, which shall be determined as follows:

7.4.1 to the extent that any payment or reimbursement is in respect of a cost or expense paid or incurred by the Indemnified Person otherwise than as agent for Balfour Beatty, including where the relevant Indemnified Person acts as agent for Balfour Beatty and is treated as receiving and making a supply under Sections 47(2A) or 47(3) VATA, and, accordingly, constitutes the (or part of the) consideration for any supply of goods or services to Balfour Beatty, a sum equal to the proportion of the VAT Element that the relevant Indemnified Person certifies as representing irrecoverable input tax in the hands of the relevant Indemnified Person, such certificate to be conclusive except in the case of manifest error; and

7.4.2 to the extent that any such payment or reimbursement is in respect of a cost or expense incurred by the relevant Indemnified Person as agent for Balfour Beatty, excluding where the relevant Indemnified Person acts as agent and is treated as receiving and making a supply under Sections 47(2A) and 47(3) VATA, such amount as equals the whole of that VAT Element,

and where a sum equal to the VAT Element has been reimbursed to any Indemnified Person pursuant to Clause 7.4.2 above, the relevant Indemnified Person shall use all reasonable endeavours to procure that Balfour Beatty is provided with an appropriate VAT invoice in respect of the supply to which the payment or reimbursement relates, that is to say a VAT invoice naming Balfour Beatty as the recipient of the supply and issued by the person making the supply.

8 Termination

If (i) the Placing Agreement terminates or is terminated in accordance with its terms or (ii) the Placing Agreement does not become unconditional in accordance with its terms by 20 May 2008 (or such later date as Balfour Beatty and the Managers may agree), this Agreement shall terminate and have no further force or effect and, except as contemplated under the terms of the Placing Agreement, no party shall have any claim against any other under this Agreement (except under Clauses 6 and 11 and in respect of its accrued rights arising from any prior breach of this Agreement)

9 Rights and Obligations of the Subscribers

- 9.1** The obligations of each of the Subscribers pursuant to this Agreement shall be several, and not joint or joint and several. Neither Subscriber shall be responsible for the obligations of the other and none of the provisions of this Agreement shall impose any liability on either of the Subscribers or any of its Indemnified Persons for, nor shall the rights and remedies of either of the Subscribers be adversely affected by, any act or

omission by the other Subscriber or any of their Indemnified Persons or for any breach by the other of the provisions of this Agreement.

- 9.2** The obligations of Balfour Beatty and JerseyCo to the Subscribers and by each of the Subscribers to the other Subscriber and Balfour Beatty and JerseyCo are owed to them as separate and independent obligations, and each of the Subscribers, Balfour Beatty and JerseyCo shall have the right to protect and enforce its rights hereunder without joining any other party in any proceedings

10 Time of the Essence

Time shall be of the essence of this Agreement but any time, date or period mentioned in this Agreement may be extended by agreement in writing between the parties hereto or otherwise as provided herein

11 Costs and expenses

- 11.1** Balfour Beatty undertakes to pay all costs, fees and expenses of JerseyCo in connection with its incorporation, administration and the Placing or any of its obligations hereunder
- 11.2** Whether or not the JPMorgan Cazenove Preference Shares and/or the Hoare Govett Preference Shares are issued and allotted to JPMorgan Cazenove and Hoare Govett, and save as provided otherwise in this Agreement, Balfour Beatty shall bear its own and JerseyCo's costs and expenses and (to the extent not reimbursed under any other provision of this Agreement, the Placing Agreement or the Option Agreement) JPMorgan Cazenove's and Hoare Govett's properly incurred costs and expenses in connection with the preparation, negotiation, entry into and implementation of this Agreement. This shall include, but is not limited to, JPMorgan Cazenove's and Hoare Govett's properly incurred legal expenses and other properly incurred out of pocket expenses (including, where applicable, any amounts in respect of VAT chargeable on such costs and expenses which are not recoverable)
- 11.3** Balfour Beatty shall promptly on request by JPMorgan Cazenove and/or Hoare Govett, pay or reimburse JPMorgan Cazenove and/or Hoare Govett (as appropriate) the amount of any properly incurred costs or expenses (including, where applicable, any amounts in respect of VAT chargeable on such costs and expenses which are not recoverable) which are to be borne by Balfour Beatty or JerseyCo in accordance with this Agreement and which JPMorgan Cazenove and/or Hoare Govett have paid, save to the extent that:
- 11.3.1** such costs or expenses have been taken into account in determining the JPMorgan Cazenove Payment Undertaking or the Hoare Govett Payment Undertaking, or
- 11.3.2** such costs or expenses have been paid by Balfour Beatty or JerseyCo or otherwise reimbursed to JPMorgan Cazenove and/or Hoare Govett (as the case may be) pursuant to any other provisions of this Agreement, the Placing Agreement or the Option Agreement.
- 11.4** Notwithstanding anything to the contrary in this Agreement, the Managers shall not be entitled to recover from Balfour Beatty or JerseyCo under this Agreement, the Placing Agreement or the Option Agreement more than once in respect of the same costs which may be reimbursed under those agreements (including, without limitation, costs taken into
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account in determining the amount of the JPMorgan Cazenove Payment Undertaking or the Hoare Govett Payment Undertaking).

- 11.5 For the avoidance of doubt, nothing in this Agreement requires or will require Balfour Beatty to pay to any person any transfer taxes or other tax or reimburse to any person an amount in respect of any transfer taxes or other tax which Balfour Beatty is not required to pay pursuant to the exclusions in Clause 7.1
- 11.6 Balfour Beatty undertakes with the Managers and each other Indemnified Person that all sums payable in respect of any representation, warranty or undertaking to reimburse and indemnify under this Agreement shall be paid in full, free and clear of all deductions or withholdings, unless the deduction or withholding is required by law and that if any deductions or withholdings are required by law Balfour Beatty shall be obliged to pay such additional sum as will, after such deductions or withholdings have been made (including from such additional sum), leave the person to whom payment is made with the same amount as that person would have been entitled to receive in the absence of such requirement to make a deduction or withholding, provided that if Balfour Beatty pays any additional sum and the person obtains a Tax relief or credit by reason of Balfour Beatty making such a deduction or withholding, the person shall pay to Balfour Beatty as soon as reasonably practicable an amount equal to such proportion of the relief or credit so obtained as the person shall determine shall leave the relevant Indemnified Person after such payment in no better or worse position (having regard to the time value of money) than it would have been in had no deduction or withholding been required. For the avoidance of doubt, nothing in this Agreement shall confer any right of access on Balfour Beatty to any records or other information of the Managers or any other Indemnified Person, but Balfour Beatty shall be entitled to request that each of the Managers shall, as the case may be, procure that the Indemnified Person gives a duly executed certificate confirming the tax treatment of any payment under either Clause 11.6 or Clause 11.7. Nothing in either this Clause 11.6 or Clause 11.7 shall prevent any Indemnified Person from arranging its tax and commercial affairs in whatever manner it thinks fit and, in particular, an Indemnified Person shall be under no obligation to claim credit as relief from or against its corporate profits or similar liability to Tax in respect of the amount of such deduction or withholding as aforesaid in priority to any other reliefs available to it
- 11.7 If a Tax Authority brings into charge to Tax (or into any computation of income, profit or gains for the purposes of any charge to Tax) any sum payable to any Indemnified Person under this Agreement or any sum withheld in accordance with this Agreement from any payment to any Indemnified Person (other than interest) Balfour Beatty shall pay such additional amount as shall be required to ensure that (after giving credit, taking into account the time value of money, for any tax relief obtained by such Indemnified Person in respect of the losses, costs, expenses or other items giving rise to such payment) the total amount received by the person to whom payment is made, less the Tax chargeable thereon (or that would be so chargeable but for the availability of relief in respect of that charge to Tax), is equal to the amount that would otherwise be so received (additional payments being made on demand of the person to whom payment is made).

12 Notices

- 12.1 Any notice under or in connection with this Agreement (a "Notice")

12.1.1 shall be in writing,

12.1.2 shall be in the English language; and

12.1.3 may be delivered personally or sent by pre-paid registered mail, with a copy by both fax and e-mail to the party due to receive the Notice at the relevant address specified in Clause 12.2 or to another address, person, fax number or e-mail address specified by that party by no fewer than five days' written notice to the other party

12.2 The addresses referred to in Clause 12.1 are:

12.2.1 in the case of Balfour Beatty

Address: 130 Wilton Road,
London SW1V 1LQ

Fax 020 7216 6940

For the attention of Chris Vaughan

e-mail: chris.vaughan@balfourbeatty.com

with a copy to:

Address Linklaters LLP, One Silk Street,
London EC2Y 8HQ

Fax. 020 7456 2222

For the attention of Mark Stamp, Daniel Simons, Mark Cooper

Email. mark.stamp@linklaters.com
daniel.simons@linklaters.com
mark.cooper@linklaters.com

12.2.2 in the case of JerseyCo.

Address: 22 Grenville Street, St Helier, Jersey JE4 8PX

Fax: +44 1534 609333

For the attention of MIFA Jersey Corporate 7

with a copy to

Address Linklaters LLP, One Silk Street,
London EC2Y 8HQ

Fax 020 7456 2222

For the attention of Mark Stamp, Daniel Simons, Mark Cooper

Email: mark.stamp@linklaters.com
daniel.simons@linklaters.com
mark.cooper@linklaters.com

12.2.3 in the case of JPMorgan Cazenove

Address: JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Fax: +44 (020) 7155 9112

For the attention of Legal Department

12.2.4 in the case of Hoare Govett

Address: 250 Bishopsgate
London EC2M 4AA

Fax +44 (020) 7678 8218

For the attention of Neil Collingridge

- 12.3** A Notice given under Clause 12.1 shall conclusively be deemed to have been received on the next Business Day in the place to which it is sent, if sent by fax or email (unless notice of non-transmission or failure to deliver is received), at the time of delivery if delivered personally and two Business Days after posting if sent by registered mail

13 General

- 13.1** No party may assign or transfer all or part of its rights or obligations under this Agreement.
- 13.2** Each party acknowledges that it is entering into this Agreement for its own respective benefit and not for the benefit of another person
- 13.3** This Agreement, the Option Agreement and the Placing Agreement, together with any disclosures made pursuant thereto, constitute the whole agreement and understanding between the parties in relation to the Placing. Save as provided herein or therein, this Agreement, the Option Agreement and the Placing Agreement set forth the entire agreement between the parties with respect to the matters addressed herein and therein and supersede all prior agreements and communications, written or oral, to the extent that such agreement or communications relate to the subject matter therein, and may only be amended or modified in writing
- 13.4** Except in the case of fraud, each party hereto acknowledges that it has not been induced to enter into this Agreement by any representation, warranty or undertaking (whether contractual or otherwise) other than those set out in this Agreement. In this paragraph 13.4, the word "Agreement" includes the Placing Agreement and the Option Agreement and all documents entered into pursuant to this Agreement
- 13.5** Nothing in this Agreement shall be read or construed as excluding any liability or remedy in respect of fraud
- 13.6** The provisions contained in each Clause and sub-Clause of this Agreement shall be enforceable independently of the others and the invalidity of any one provision shall not affect the validity of the others. The rights of each of the parties under this Agreement are independent, cumulative and without prejudice to all other rights available to it and the exercise or non-exercise of any such rights shall not prejudice or constitute a waiver of any other rights of such party whether under this Agreement or otherwise.
- 13.7** Subject to Clause 13.8, a person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of terms of this Agreement.
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- 13.8** Each of the non-contracting third parties referred to in Clause 6 shall have the right under the Contracts (Rights of Third Parties) Act 1999 to enforce their respective rights under that Clause as amended from time to time, provided that JPMorgan Cazenove and/or Hoare Govett (as appropriate) shall have sole conduct of any action on behalf of a third party referred to in Clause 6 that is a Connected Person (as defined in the Placing Agreement) and no enforcement shall be permitted by any such third party in Clause 6 without the consent of JPMorgan Cazenove and/or Hoare Govett (as appropriate)
- 13.9** Notwithstanding the provisions of Clause 13.8, any rights arising by virtue of the Contracts (Rights of Third Parties) Act 1999 may be rescinded or varied in any way and at any time by the parties to this Agreement without the consent of any of the non-contracting parties referred to in Clause 6
- 13.10** At any time after the date hereof each party agrees that it shall, promptly upon being required to do so by any other party hereto, do or procure that there shall be done all such acts and things and execute or procure the execution of all such documents and instruments as such party may from time to time reasonably require in order to give full effect to this Agreement (including, without limitation, procuring that the JerseyCo Shares are allotted and issued as freely transferable shares in accordance with this Agreement, but subject to the Articles), subject to the provisions of this Agreement
- 13.11** No variation of this Agreement shall be binding unless it is in writing and signed by or on behalf of each of JPMorgan Cazenove, Hoare Govett, JerseyCo and Balfour Beatty.
- 13.12** This Agreement may be executed in counterparts (including facsimile copies) and by the parties on different counterparts. Each counterpart shall constitute an original of this Agreement but the counterparts shall together constitute one and the same Agreement
- 13.13** This Agreement and the relationship among the parties to it and the documents to be entered into pursuant to this Agreement shall be governed by and interpreted in accordance with the laws of England and Wales.
- 13.14** In relation to any legal action or proceedings arising out of or in connection with this Agreement ("Legal Proceedings"), each party irrevocably submits to the exclusive jurisdiction of the courts of England and waives any objection to Legal Proceedings in such courts on the grounds of venue or on the grounds that the Legal Proceedings have been brought in an inconvenient forum.
- 13.15** JerseyCo hereby irrevocably appoints Balfour Beatty at its registered office from time to time to receive, for it and on its behalf, service of process in England in any proceedings and Balfour Beatty hereby accepts such appointment. Such service shall be deemed completed on delivery to Balfour Beatty (whether or not it is forwarded to or received by JerseyCo).
- 13.16** Any right or remedy of JerseyCo, Balfour Beatty and/or the Managers under this Agreement shall only be waived by an express waiver in writing.
- 13.17** No neglect, failure or delay by JerseyCo, Balfour Beatty and/or the Managers in exercising any right or remedy under this Agreement shall impair such right or remedy or operate or be construed as a waiver of the right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any other or further exercise of such right or remedy or the exercise of any other right or remedy. The rights, powers and remedies provided under this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law or otherwise.
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In witness whereof this Agreement has been entered into on the date stated at the beginning.

SIGNED by:

for and on behalf of
BALFOUR BEATTY PLC

} *Pet-Li*

SIGNED by:

for and on behalf of
BENTWORTH LIMITED

} *RTG*

SIGNED by

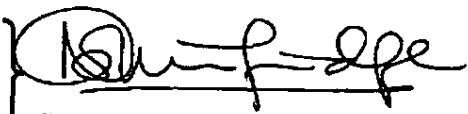
for and on behalf of
JPMORGAN CAZENOVE LIMITED

}

A handwritten signature in black ink, appearing to be 'J. Morgan', written in a cursive style.

SIGNED by

for and on behalf of
HOARE GOVETT LIMITED


NEIL COLLINGRIDGE

Schedule 1 Warranties

Part 1 – Balfour Beatty Warranties

1 Balfour Beatty

- 1.1** Balfour Beatty is a public limited company incorporated under the laws of England and Wales and since incorporation has been in continuous existence
- 1.2** This Agreement has been duly authorised, executed and delivered by, and constitutes a valid and legal binding agreement of Balfour Beatty and is enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity.
- 1.3** The execution and delivery by Balfour Beatty of, and the performance by Balfour Beatty of its obligations under, this Agreement:
- 1.3.1** have been duly authorised by all corporate or other action required under English law;
 - 1.3.2** do not and will not require any consent, approval, concession, authorisation or order of, or filing with, any governmental, corporate or other agency or body or any court; and
 - 1.3.3** do not and will not contravene, conflict with, violate or result in a breach of any of the terms and provisions of, or constitute a default under
 - (i) any statute or law, or any rule or regulation or any order, judgment or decree of any government, governmental agency or body or any court applicable in respect of Balfour Beatty or any of its property;
 - (ii) any agreement or instrument or other obligation to which Balfour Beatty is a party or by which Balfour Beatty or any part of its property, undertakings, assets or revenues is bound; or
 - (iii) any of the constitutional documents of Balfour Beatty.
- 1.4** No amendments will have been made to the Articles between the date of this Agreement and Admission.
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Part 2 – JerseyCo Warranties

2 JerseyCo

2.1 JerseyCo is a private limited company incorporated in Jersey under Jersey law and since incorporation

- 2.1.1** It has been in continuous existence;
- 2.1.2** it has not traded or carried on any business or activity of any nature, save for any activities required in connection with its incorporation or in order to give effect to the terms of this Agreement, the Option Agreement and the transactions contemplated by such agreements, and
- 2.1.3** it has not incurred any liabilities other than those incurred in connection with its incorporation, under this Agreement, the Option Agreement, the administrative and secretarial services agreement between Maurant & Co Limited, Balfour Beatty and JerseyCo, and the transactions contemplated by such agreements and general corporate administration costs.

2.2 This Agreement has been duly authorised, executed and delivered by, and constitutes a valid and legally binding agreement of JerseyCo and is enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity

2.3 The execution and delivery by JerseyCo of, and the performance by JerseyCo of its obligations under, this Agreement (including, without limitation, the creation, issue and allotment of the Preference Shares).

- 2.3.1** have been duly authorised by all corporate or other action required under Jersey law;
 - 2.3.2** do not and will not require any consent (other than the consent of the Jersey Financial Services Commission under the Control of Borrowing (Jersey) Order 1958, as amended, which has already been obtained), approval, concession, authorisation or order of, or filing with, any governmental, corporate or other agency or body or any court, and
 - 2.3.3** do not and will not contravene, conflict with, violate or result in a breach of any of the terms and provisions of, or constitute a default under
 - (i) any statute or law, or any rule or regulation or any order, judgment or decree of any government, governmental agency or body or any court applicable in respect of JerseyCo or any of its property;
 - (ii) any agreement or instrument or other obligation to which JerseyCo is a party or by which JerseyCo or any part of its property, undertakings, assets or revenues is bound, or
 - (iii) any of the constitutional documents of JerseyCo
 - 2.3.4** JerseyCo is and has from and including 8 May 2008 been resident in the United Kingdom and nowhere else for United Kingdom tax purposes
 - 2.3.5** No share register of JerseyCo is or has at any time been located or kept in the United Kingdom by or on behalf of JerseyCo.
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3 The Preference Shares

- 3.1** Save for any Encumbrance created by this Agreement or the Articles, there will be no pre-emption rights or Encumbrances over or in relation to the JPMorgan Cazenove Preference Shares and Hoare Govett Preference Shares as at the date of allotment and issue of such shares.
- 3.2** The JPMorgan Cazenove Preference Shares and Hoare Govett Preference Shares shall, in consideration of the JPMorgan Cazenove Payment Undertaking and the Hoare Govett Payment Undertaking, respectively, be issued fully paid, shall be freely transferable shares with the rights, and subject to the restrictions, set out in the Articles and shall rank *pari passu* among themselves.
- 3.3** At Admission, the directors of JerseyCo shall have due authority to allot the JPMorgan Cazenove Preference Shares and Hoare Govett Preference Shares and such shares, when allotted and issued, will have been duly and validly allotted and issued
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Schedule 2
Preference Share Term Sheet

Further to the subscription and transfer agreement dated 15 May 2008 among Balfour Beatty plc, Bentworth Limited, JPMorgan Cazenove Limited ("JPMC") and Hoare Govett Limited ("Hoare Govett") (the "Subscription and Transfer Agreement"), the following terms are agreed

(1) Name and address of Subscriber	(2) Number of Preference Shares	(3) Subscription Amount
JPMC	[•]	[•]
Hoare Govett	[•]	[•]

Balfour Beatty plc, Bentworth Limited, JPMC and Hoare Govett each acknowledge and agree that this Preference Share Term Sheet forms part of and shall be read in conjunction with the Subscription and Transfer Agreement

Terms defined in the Subscription and Transfer Agreement have the same meanings herein

This Preference Share Term Sheet has been entered into on [•] May 2008.

BALFOUR BEATTY PLC

By:

Title

BENTWORTH LIMITED

By:

Title:

JPMORGAN CAZENOVE LIMITED

By:

Title:

HOARE GOVETT LIMITED

By:

Title
