

Remuneration report

Remuneration Committee

The Remuneration Committee of the Board ("RemCo") is primarily responsible for determining the remuneration policy and conditions of service for executive Directors and the Chairman of the Company. It also reviews and monitors the level and structure of remuneration for senior management immediately below the level of the Board. The terms of reference of the RemCo can be found on the Company's website.

The RemCo consists entirely of independent non-executive Directors and has been chaired by Robert Walvis since November 2003. Its other members are Stephen Howard, Steven Marshall, Christoph von Rohr and Gordon Sage. Sir David John attends meetings by invitation. Chalmers Carr was also a member of the RemCo until his retirement on 31 August 2006. No member of the RemCo has any personal financial interest, other than as a shareholder, in the matters to be decided by the RemCo, nor potential conflicts of interest arising from cross-directorships, and no member of the RemCo has any day-to-day involvement in the executive management of the Group.

During 2006 the Chief Executive, Ian Tyler, was invited to join meetings of the RemCo when appropriate. Paul Raby, the human resources director, has acted as secretary of the RemCo during the year. No Director has any involvement in discussions relating to his own remuneration.

The RemCo is responsible for appointing external independent consultants to advise on executive remuneration matters. This advice and assistance has been provided to the RemCo throughout the year by New Bridge Street Consultants LLP ("NBSC") and PricewaterhouseCoopers LLP ("PwC"). The human resources director has also provided advice to the RemCo. The terms of reference of the independent consultants are available on the Company's website. During the year PwC also provided other tax and consultancy services to the Company. The RemCo is satisfied that no conflict of interest arises from the provision of this advice.

Executive Directors' remuneration

General policy

It is the policy of the RemCo to provide an overall remuneration package that is competitive and which facilitates the recruitment and retention of high calibre management. The annual and long-term incentive plans make up an important part of each executive Director's remuneration and are structured so as to motivate senior managers to deliver high standards of performance, without encouraging excessive risk taking. It is intended that the share-based elements of the package will not only drive performance over the long term but will also assist in aligning the interests of senior management with those of shareholders.

A major review of remuneration was undertaken in 2005. As a result of this review, a new Performance Share Plan (the "Plan") was designed and was approved by shareholders at the AGM in May 2006. No further changes have been made to the structure of remuneration during 2006 and no significant changes to the existing remuneration policy are currently envisaged for 2007. Under the current arrangements, if target performance is achieved, basic salary will represent around one-half of total earnings. If maximum performance is achieved, which would involve a superior level of performance substantially in excess of business plan, basic salary will represent around one-third of total earnings.

Executive Directors can join the Balfour Beatty Pension Fund. The policy regarding pension provision was reviewed in the light of the changes to the taxation of pensions, and the policy in place from April 2006 is described below.

Basic salaries

It is the policy of the RemCo to set basic salaries at levels which it believes are competitive given the size and complexity of the Company, as well as the broad business sectors in which it operates. To assist in this, NBSC and PwC provide data and independent advice on remuneration levels in companies considered to be comparable in terms of annual sales, market capitalisation and industry sector. The RemCo looks to set basic salaries at around the median of the market, but also takes into account its own judgement of the performance of the Group's businesses and the performance of individual Directors. The RemCo intends to continue to use this approach in the foreseeable future.

The basic salaries of executive Directors are reviewed annually at 1 July and the basic salaries following the review at 1 July 2006 are shown in the table below. The average increase was 7.3%.

Name of Director	Salary at 1 July 2006
J L Cohen	£330,000
A L P Rabin	£355,000
I P Tyler	£517,000
P J L Zinkin	£355,000

Annual incentive plan

Each executive Director participates in an annual incentive plan, under which predetermined financial targets must be achieved before any payment is earned. The maximum potential bonus which could have been earned by executive Directors for 2006 was 80% of basic salary and the performance indicator chosen was profit before tax and exceptional items ("profit"). A bonus of 40% of basic salary would have been earned for the achievement of performance in line with target. Two-thirds of these bonuses are payable in cash, while the remaining one-third is deferred in the form of ordinary shares of the Company under the Deferred Bonus Plan (the "DBP"). These shares, along with shares awarded in lieu of dividends paid during the deferral period, will be released to the Directors after three years, providing they are still employed by the Company at that time. Bonuses are non-pensionable. The actual profit for the year ended 31 December 2006 resulted in a bonus of 65.94% of basic salary for each executive Director. Details are shown in the table on page 57.

Shares awarded under the DBP in respect of the annual incentive plan are shown in the table on page 58.

The annual incentive plan for 2007 will operate in the same way as for 2006 and the RemCo will continue to review the competitiveness and structure of the annual incentive plan in future years.

Long-term incentive scheme

The RemCo believes that performance related long-term incentives which align executives with both business strategy and shareholders interests are an important component of overall executive remuneration arrangements.

As stated above, in 2006, shareholders approved the Company's proposals for a new Performance Share Plan (the "Plan") to replace the incentive plan previously approved in 2001. Under the Plan, conditional awards of ordinary shares of the Company are made to executive Directors and other selected operational and functional senior managers. The maximum market value of any award, at the award date, will be 150% of basic salary, other than in exceptional circumstances, where the limit is 200% of basic salary. It is currently the intention of the RemCo that an award of 150% of salary will only be made to the Chief Executive, with the other executive Directors receiving conditional awards over shares with a market value of 125% of basic salary.

The awards will vest, subject to the achievement of performance conditions, three years after the date of grant. It is the intention of the RemCo to make awards under the Plan in 2007 and that the performance conditions will follow a similar format to those which apply to the award made in 2006. For this award there are two performance conditions each applying to separate parts of the award.

50% of an award is linked to an adjusted earnings per share ("EPS") growth target, and will vest as shown in the table below:

EPS growth over three years	Proportion of award vesting
Less than RPI + 15%	Zero
RPI + 15%	25%
RPI + 45%	100%
Between RPI + 15% and RPI + 45%	Between 25% and 100% pro-rata

Growth in EPS will be determined following independent verification of the calculations made internally.

The performance condition attached to the other 50% of an award is based on total shareholder return ("TSR") performance, measured against a group of UK listed companies operating in comparable markets to the Company. The companies used for the 2006 award are as follows: Aggreko, AMEC, WS Atkins, Babcock International, Capita, Carillion, Costain, Enterprise, Hanson, Interserve, Keller, Kier, John Laing, Alfred McAlpine, Morgan Sindall, Serco, Travis Perkins and Wolseley.

The TSR performance of all companies will be measured over the three year performance period, with the TSR of Balfour Beatty compared to the TSR of the other companies. This part of an award will vest (in part) if Balfour Beatty's TSR is equivalent to the company whose TSR performance is at the median, with full vesting if Balfour Beatty's TSR is equivalent to, or above, that of the company whose TSR performance is at the upper quartile. The precise scale of vesting is shown in the table below:

Total shareholder return	Proportion of award vesting
Below median	Zero
Median	25%
Upper quartile	100%
Between median and upper quartile	Between 25% and 100% pro rata

TSR will be independently calculated and verified by the RemCo.

There is no provision for the re-testing of these performance conditions.

The RemCo considers that the EPS and TSR performance conditions provide a good blend of performance metrics, with EPS growth rewarding strong financial performance and TSR rewarding stock market performance, providing a strong and direct alignment with investors.

Pensions

The Company's pension policy was reviewed in the light of the changes to the taxation of pensions which were introduced in April 2006. The Company is not compensating any member of the Balfour Beatty Pension Fund (the "Fund") (or any other pension scheme operated by the Company) for any additional tax which is payable as a result of the new legislation. In the event of a member choosing to opt out of the Fund as a result of their benefits reaching or exceeding the Lifetime Allowance, a cash supplement will be payable to them. A Fund specific earnings cap will be maintained in the Fund for those members who were subject to the HMRC earnings cap and, in line with previous policy, a discretionary cash supplement will be paid in lieu of pension provision above the Fund specific earnings cap. Members who were benefiting from contributions to a Funded Unapproved Retirement Benefit Scheme ("FURBS") were given the choice to instead receive a cash supplement of equivalent value and, as a result, the Company ceased contributing to any FURBS from April 2006.

Share ownership guidelines

To further align the interests of senior management with those of shareholders, executive Directors and other key senior managers are subject to share ownership guidelines. Executive Directors are required to build up a holding in ordinary shares of the Company to the value of 100% of their basic salary at a reference date. In order to achieve this, they will be expected to retain at least half of the shares (after payment of any taxes due) which vest from awards made under the Plan and the DBP.

Executive share options

Since 2001, when a performance share plan was introduced, it has been the RemCo's policy only to make grants of executive share options to executive Directors and other participants in the Plan (or its predecessor, the 2001 Performance Share Plan) in exceptional circumstances, for example to recruit a high calibre individual. No grants of options have been made under the Executive Share Option Scheme 2001 since 31 December 2004. It remains the intention of the RemCo that no further grants of executive share options will be made to any level of management, other than in exceptional circumstances.

Savings-related share option scheme

Executive Directors are eligible to participate in a HMRC approved savings-related share option scheme ("SAYE") under which employees based in the UK are granted an option to purchase shares in the Company in either three or five years time, dependent on their entering into a contract to make monthly contributions to a savings account over the relevant period. The exercise price for the SAYE options granted in 2006 was at a 20% discount to the market value at the date of invitation.

Service contracts

Since 1999, it has been the Company's policy and practice to include in executive Directors' contracts a 12 month rolling notice period from the Company and six months' notice on the part of the Director. This policy will continue in the future.

Details of the service contracts of the executive Directors are shown in the table below.

Name of Director	Date of contract	Notice period from Company (months)
J L Cohen	11 February 2000	12
A L P Rabin	28 August 2002	12
I P Tyler	22 December 2004	12
P J L Zinkin	10 December 1991	12

Service contracts of executive Directors do not include provision for specific payment in the event of early termination, nor do they provide for extended notice periods or compensation in the event of a change of control. It is not the RemCo's intention to introduce such provisions. If any existing contract of employment is breached by the Company in the event of termination, the Company would be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period. The RemCo will seek to ensure that the Director fulfils his obligation to mitigate his losses and will also give consideration to phased payments where appropriate.

Remuneration report (continued)

External appointments

The RemCo recognises that benefits can arise from allowing executive Directors to take a non-executive role elsewhere. With approval of the Board in each case, executive Directors may therefore accept one external appointment and retain any related fees. Jim Cohen was appointed as a non-executive Director of office2office plc on 29 June 2004 and fees of £34,171 were paid to him for his services during the year ended 31 December 2006.

Non-executive Directors

Non-executive Directors are appointed by the full Board following recommendations from the Nomination Committee. The Chairman's remuneration falls within the remit of the RemCo and the Board determines the terms on which the services of other non-executive Directors are provided. All non-executive Directors are elected for a term of three years and must retire and if eligible seek re-election at the AGM in the third calendar year following the year in which they were elected (or last re-elected). They are not eligible to join any pension scheme operated by the Company and cannot participate in any of the Company's share option, annual incentive or long-term incentive schemes. None of the appointment letters for non-executive Directors contain provision for specific payment in the event of termination for whatever cause.

The dates of the letters of appointment or last election (or last re-election) of the non-executive Directors are shown in the table below.

Name of Director	Date of appointment or last election	Unexpired period at 31 December 2006 (months)
C Carr*	13 May 2004	n/a
M Donovan	1 July 2006	30
S Howard	1 July 2006	30
Sir David John	13 May 2004	5
S Marshall	11 May 2006	29
G H Sage	13 May 2004	5
Dr H C von Rohr	13 May 2004	5
R J W Walvis	13 May 2004	5

*Retired on 31 August 2006

The fees of the non-executive Directors are reviewed from time to time, the last review taking place in 2006, when the Board agreed an increase in the annual fee for the non-executive Directors (excluding the Chairman) from £33,000 to £42,000 with effect from 1 July 2006. This increase reflects the requirement of each non-executive Director to spend an additional four days per annum within the Group operating companies. The RemCo approved an increase from £173,000 to £190,000 per annum in the fees for the Chairman with effect from 1 July 2006.

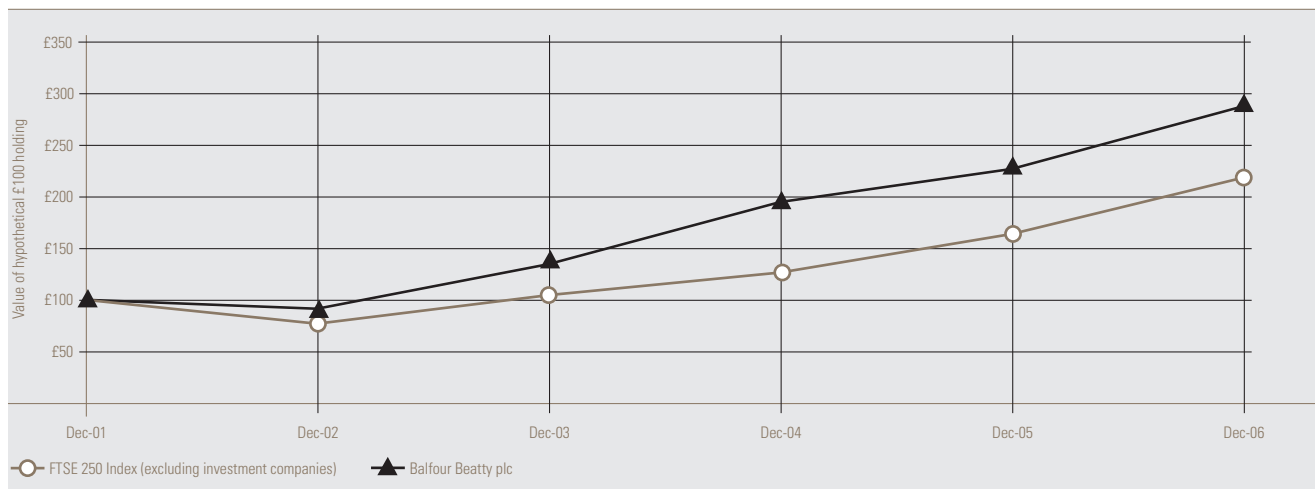
Additional fees are payable to Robert Walvis and Steven Marshall for their chairmanship of the RemCo and Audit Committees respectively. These fees were increased from £6,000 to £7,000 per annum with effect from 1 July 2006. A fee of €30,000 per annum is payable to Christoph von Rohr for his chairmanship of the supervisory board of Balfour Beatty Rail GmbH.

Performance graph

The graph below shows Balfour Beatty's Total Shareholder Return ("TSR") performance compared to the FTSE 250 Index (excluding investment companies) TSR over the five financial years ended 31 December 2006.

The values indicated in the graph show the share price growth plus reinvested dividends from a £100 hypothetical holding of ordinary shares in Balfour Beatty plc and in the index at the start of the period and have been calculated using 30 trading day average values.

As in previous reports, the RemCo has elected to compare the TSR on the Company's ordinary shares against the FTSE 250 Index (excluding investment companies) principally because this is a broad index of which the Company is a constituent member.



The detailed information about the Directors' remuneration, set out on pages 57 to 60, has been reported on by the Company's independent auditors, Deloitte & Touche LLP.

Directors' remuneration earned in 2006

Name of Director	Basic salary £	Fees £	Pension supplement £	Benefits in kind £	Annual cash bonus £	Total remuneration 2006 £	Total remuneration 2005 £
C Carr	–	23,500	–	–	–	23,500	33,000
J L Cohen	322,500	–	28,519	18,402	217,602	587,023	422,867
M Donovan	–	22,500	–	–	–	22,500	–
S Howard	–	21,000	–	–	–	21,000	–
Sir David John	–	181,500	–	–	–	181,500	173,000
S Marshall	–	44,000	–	–	–	44,000	5,500
A L P Rabin	340,000	–	45,152	20,718	156,058	561,928	434,055
G H Sage	–	37,500	–	–	–	37,500	33,000
I P Tyler	493,500	–	44,706	27,808	227,273	793,287	626,317
Dr H C von Rohr	–	58,048	–	–	–	58,048	53,548
R J W Walvis	–	44,000	–	–	–	44,000	39,000
P J L Zinkin	346,500	–	–	18,743	156,058	521,301	452,939
Former Directors	–	–	–	–	–	–	547,882
Total	1,502,500	432,048	118,377	85,671	756,991	2,895,587	2,821,108

Notes:

- Basic salary and fees were those paid in respect of the period of the year during which individuals were Directors.
- Jim Cohen, Anthony Rabin and Ian Tyler received taxable cash supplements in lieu of pension provision on their salary above the Balfour Beatty Pension Fund specific earnings cap, from April 2006. Prior to this date the Company contributed to a Funded Unapproved Retirement Benefit Scheme ("FURBS") for each of them. Details of contributions made to FURBS during the year can be found under the second table on page 60.
- The performance target for annual bonus was profit before tax and exceptional items ("profit"). The profit for the year ended 31 December 2006 resulted in a bonus of 65.94% of basic salary for each executive Director. For Anthony Rabin, Ian Tyler and Peter Zinkin two-thirds of this bonus is payable in cash and these are the amounts shown in the table above. The remaining one-third will be deferred in the form of ordinary shares of the Company which will be released to the Director on 31 March 2010, providing he is still employed by the Company at that time. The number of shares comprising the deferred element will be determined based on the share price at the award date of 30 March 2007. As Jim Cohen retired on 18 February 2007, the entire bonus is payable in cash in March 2007 and this amount is shown in the table above.
- Christoph von Rohr receives a fee of €30,000 per annum for his chairmanship of the supervisory board of Balfour Beatty Rail GmbH.
- Benefits in kind are calculated in terms of UK taxable values. For the executive Directors they comprise: a fully expensed car, a fuel card, private medical insurance for the Director and his immediate family and independent financial advice.
- No Director receives any expense allowance.

Directors' interests

The interests of the Directors and their immediate families in the share capital of Balfour Beatty plc and its subsidiary undertakings during the year are set out below.

Name of Director	Number of ordinary shares	
	At 1 January 2006	At 31 December 2006
J L Cohen	120,922	166,194
Sir David John	5,000	5,000
S Marshall	–	5,000
A L P Rabin	56,331	101,153
G H Sage	5,000	5,000
I P Tyler	85,515	113,005
R J W Walvis	10,000	10,000
P J L Zinkin	75,343	102,110

Notes:

- In common with other employees of the Balfour Beatty Group, the executive Directors have an interest, as potential beneficiaries, in the entire shareholding of the Balfour Beatty Employee Share Ownership Trust, which at 31 December 2006 amounted to 1.595m ordinary shares of Balfour Beatty plc.
- All interests at the dates shown are beneficial and are in respect of 50p ordinary shares of Balfour Beatty plc. There were no changes between 31 December 2006 and 6 March 2007.
- Peter Zinkin was also interested at 1 January 2006 and 31 December 2006 in 325 cumulative convertible redeemable preference shares of 1p each of Balfour Beatty plc.

Remuneration report (continued)

Directors' long-term incentives: the Performance Share Plan

Name of Director	Date awarded	At 1 January 2006	Awarded during the year	Maximum number of shares subject to award			At 31 December 2006	Exercisable from
				Lapsed during the year	Vested during the year			
J L Cohen	16 April 2003	156,376	—	79,643	76,733	—		
	19 April 2004	109,439	—	—	—	109,439	April 2007	
	18 April 2005	98,226	—	—	—	98,226	April 2008	
A L P Rabin	16 April 2003	150,584	—	76,693	73,891	—		
	19 April 2004	107,519	—	—	—	107,519	April 2007	
	18 April 2005	99,863	—	—	—	99,863	April 2008	
	13 June 2006	—	131,721	—	—	131,721	June 2009	
I P Tyler	16 April 2003	179,543	—	91,442	88,101	—		
	19 April 2004	126,719	—	—	—	126,719	April 2007	
	18 April 2005	144,065	—	—	—	144,065	April 2008	
	13 June 2006	—	228,586	—	—	228,586	June 2009	
P J L Zinkin	16 April 2003	167,960	—	85,543	82,417	—		
	19 April 2004	119,039	—	—	—	119,039	April 2007	
	18 April 2005	106,411	—	—	—	106,411	April 2008	
	13 June 2006	—	136,989	—	—	136,989	June 2009	

Notes:

- All awards are granted for nil consideration and are in respect of 50p ordinary shares of Balfour Beatty plc.
- For the awards made in April 2004 and April 2005, the performance periods are the three years ending 31 December 2006 and 31 December 2007 respectively. The maximum award of shares shown in the table above will vest only if earnings per share before exceptional items and amortisation of intangible assets ("EPS") grows by at least 70% over the performance period. If EPS growth is 25%, the Directors will be entitled to 30% of the maximum award of shares. If EPS growth is between 25% and 70%, the number of shares vesting will be pro rata to actual growth. No shares will vest if EPS growth is less than 25%, and there is no provision for retesting.
- For the awards made in June 2006, the performance period is the three years ending 31 December 2008. 50% of each award is subject to an EPS growth target. The maximum number of shares subject to this performance condition will only vest if EPS growth exceeds the retail prices index ("RPI") by 45%. If EPS growth exceeds RPI by 15% then 25% of this part of the award will vest. For growth in EPS between these points, vesting will be on a pro rata basis. No shares will vest from this part of the award if EPS growth exceeds RPI by less than 15%. The other 50% of each award is subject to a total shareholder return ("TSR") target under which the TSR of the Company is compared to that of a comparator group of 18 UK listed companies. The maximum number of shares subject to this performance condition will only vest if the Company's TSR is at the upper quartile of the comparator group. If the Company's TSR is equal to that of the median of the comparator group then 25% of this part of the award will vest. No shares from this part of the award will vest if the Company's TSR is below that of the median of the comparator group. For TSR performance between median and upper quartile, vesting will be on a pro rata basis. There is no provision for retesting of either of the performance conditions.
- The performance period for the awards made in April 2004 was completed on 31 December 2006. The growth in EPS for this period was 40.33% and as a result, 53.85% of each participant's conditional award will vest on 19 April 2007.
- The performance period for the awards made in April 2003 was completed on 31 December 2005. The growth in EPS for this period was 49.07% and as a result, 49.07% of each participant's conditional award vested on 18 April 2006. The closing middle market price of ordinary shares on the vesting date was 370.5p.
- The average middle market price of ordinary shares in the Company for the three dealing dates before the award dates which was used for calculating the number of awards granted, was 172.66p for the 2003 award, 260.417p for the 2004 award, 305.417p for the 2005 award and for the 2006 award was 308.417p. The closing middle market price of ordinary shares on the date of the awards was 170.5p, 260p, 290p and 301.25p respectively.

Directors' Deferred Bonus Plan awards

Name of Director	Date of initial award	At 1 January 2006	Awarded during the year	Number of shares subject to award			At 31 December 2006	Vesting date
				Awarded in lieu of dividends 3 July 2006	13 December 2006	Lapsed during the year		
J L Cohen	31 March 2006	—	13,155	174	119	—	13,448	31 March 2009
A L P Rabin	31 March 2006	—	13,573	179	122	—	13,874	31 March 2009
I P Tyler	31 March 2006	—	19,629	260	177	—	20,066	31 March 2009
P J L Zinkin	31 March 2006	—	14,116	187	127	—	14,430	31 March 2009

- All awards are granted for nil consideration and are in respect of 50p ordinary shares of Balfour Beatty plc.
- The awards made in 2006 will vest on 31 March 2009, providing the Director is still employed by the Company at that date.
- The shares awarded on 31 March 2006 were purchased at an average price of 374.641p.
- The shares awarded on 3 July 2006 in lieu of dividends payable were purchased at an average price of 347p.
- The shares awarded on 13 December 2006 in lieu of dividends payable were purchased at an average price of 436.25p.
- Jim Cohen retired from the Company on 18 February 2007. Under the rules of the Deferred Bonus Plan, the award made to him in March 2006, along with the subsequent awards in lieu of dividends, vested on 18 February 2007.

Directors' share options

Name of Director	Date granted	Number of options				At 31 December 2006	Exercise price	Exercisable from	Exercisable to
		At 1 January 2006	Granted during the year	Exercised during the year	Lapsed during the year				
J L Cohen									
Savings-Related Options	5 May 2004	646	—	—	—	646	210.0p	July 2007	December 2007
	4 May 2005	803	—	—	—	803	250.0p	July 2008	December 2008
A L P Rabin									
Executive Share Options	17 April 1996	10,227	—	(10,227)	—	—	344.2p	April 1999	April 2006
Savings-Related Options	19 July 2001	1,227	—	(1,227)	—	—	154.0p	October 2006	March 2007
	8 May 2002	575	—	—	—	575	184.0p	July 2007	December 2007
	7 May 2003	444	—	—	—	444	133.0p	July 2008	December 2008
	5 May 2004	903	—	—	—	903	210.0p	July 2009	December 2009
	4 May 2005	1,031	—	—	—	1,031	250.0p	July 2010	December 2010
	3 May 2006	—	971	—	—	971	305.0p	July 2011	December 2011
I P Tyler									
Savings-Related Options	7 May 2003	511	—	(511)	—	—	133.0p	July 2006	December 2006
	4 May 2005	1,046	—	—	—	1,046	250.0p	July 2008	December 2008
P J L Zinkin									
Savings-Related Options	19 July 2001	2,454	—	(2,454)	—	—	154.0p	October 2006	March 2007
	8 May 2002	1,151	—	—	—	1,151	184.0p	July 2007	December 2007
	7 May 2003	839	—	—	—	839	133.0p	July 2008	December 2008
	5 May 2004	716	—	—	—	716	210.0p	July 2009	December 2009
	4 May 2005	687	—	—	—	687	250.0p	July 2010	December 2010
	3 May 2006	—	717	—	—	717	305.0p	July 2011	December 2011

Notes:

- All options are granted for nil consideration on grant and are in respect of 50p ordinary shares of Balfour Beatty plc.
- The closing market price of the Company's ordinary shares on 31 December 2006 was 443p. During the year the highest and lowest closing market prices were 446p and 300p.
- Details of options exercised and the value realisable on exercise are shown in the table below.

Name of Director	Date granted	Date exercised	Number of options exercised	Exercise price	Closing market price on date exercised	Value realisable on exercise*
A L P Rabin						
Executive Share Options	17 April 1996	17 March 2006	10,227	344.2p	388.25p	£4,505
Savings-Related Options	19 July 2001	5 October 2006	1,227	154.0p	406.75p	£3,101
I P Tyler						
Savings-Related Options	7 May 2003	13 July 2006	511	133.0p	333.25p	£1,023
P J L Zinkin						
Savings-Related Options	19 July 2001	2 October 2006	2,454	154.0p	407.00p	£6,209

*The value realisable from shares acquired on exercise is the difference between the closing market price on the date exercised and the exercise price of the options, although the shares may have been retained, in which case they are included in the table on page 57, headed "Directors' interests".

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Directors' pensions

Executive Directors participate in the Balfour Beatty Pension Fund. The scheme provides for a pension at a normal retirement age of 62 (under Balfour Beatty Pension Fund rules) and each Director pays an annual contribution equal to 5% of pensionable salary. The pension for a Director who can complete 20 or more years' pensionable service at normal retirement age is targeted at two-thirds of final pensionable salary, subject to HMRC limits. With effect from 6 April 2006, HMRC limits were changed, and as a result the earnings cap is no longer used when determining the maximum permissible benefits. However, the Balfour Beatty Pension Fund has retained a Fund specific earnings cap. The salaries of Jim Cohen, Anthony Rabin and Ian Tyler were subject to the Fund specific earnings cap for pension purposes and details of the Company's contributions to additional arrangements for them are noted underneath the second table below. Directors have the option to pay additional voluntary contributions, but neither the contributions nor the resulting benefits are included in the tables below.

The table below sets out the accrued deferred pension which would be paid annually from the scheme at normal retirement age based on each executive Director's service to 31 December 2006 as well as the additional pension benefit secured in respect of service during the year.

Name of Director	Age at 31 December 2006 years	Pensionable service at 31 December 2006 years	Accrued deferred pension at 31 December 2005 £ pa	Increase in accrued deferred pension during the year		Accrued deferred pension at 31 December 2006 £ pa	Transfer value corresponding to increase in excess of inflation at 31 December 2006 less Director's contributions (Note i) £
				Inflation £ pa	Increase in excess of inflation £ pa		
J L Cohen	64	13	43,019	1,162	1,359	45,540	20,109
A L P Rabin	51	13	44,069	1,190	3,489	48,748	38,300
I P Tyler	46	10	25,178	680	2,762	28,620	21,259
P J L Zinkin	53	25	152,499	4,117	9,575	166,191	115,813

Notes:

- The transfer value of the increase in accrued deferred pension is the present value of the increase in excess of inflation in the deferred pension and associated benefits during the period, less the Director's contributions, calculated using the transfer basis in force at 31 December 2006 and on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- Anthony Rabin's pensionable service includes nine years of transferred-in service from previous pension arrangements.
- Jim Cohen attained normal retirement age under the Balfour Beatty Pension Fund in February 2004 but has continued in service. As at 31 December 2006 his pension had not commenced payment and it therefore continues to be determined in line with the rules of the Fund for members past normal retirement age.

The table below sets out the transfer value at 31 December 2006 of each executive Director's accrued deferred pension at that date as well as the movement in that transfer value over the period. The transfer values represent the cash equivalent values that would have been payable from the scheme had the Directors left service on the dates shown, and reflect the age of the Director, his period of membership of the scheme and his pensionable salary.

Name of Director	Age at 31 December 2006 years	Pensionable service at 31 December 2006 years	Transfer value at 31 December 2005 (Note i) £	Contributions made by Director during the year £	Increase in transfer value during the year less Director's contributions (Note ii) £	Transfer value at 31 December 2006 (Note i) £
A L P Rabin	51	13	493,090	5,456	100,112	598,658
I P Tyler	46	10	218,038	5,456	49,741	273,235
P J L Zinkin	53	25	1,947,165	18,029	315,450	2,280,644

Notes:

- The transfer value is the present value of the accrued deferred pension and associated benefits at the relevant date, calculated using the transfer basis then in force and on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- The figure is the difference between the transfer value of the accrued benefits at the start and end of the period, less the Director's contributions during the period.

The salaries of Jim Cohen, Anthony Rabin and Ian Tyler were subject to the Fund specific earnings cap for pension purposes, and the Company contributed to a Funded Unapproved Retirement Benefit Scheme ("FURBS") for each of them up to 31 March 2006. In 2006, the Company's contribution to Jim Cohen's plan was £8,708, to Anthony Rabin's £14,036 and to Ian Tyler's £13,205. Benefits under these FURBS are additional to those set out in the tables above. From April 2006, the Company has paid a taxable cash supplement instead of contributions to a FURBS. Details can be found in the table on page 57.

No past Director of the Company has received or become entitled to receive retirement benefits in excess of his entitlements on the date on which those benefits first became payable, or 31 March 1997 if later.

Remuneration report

Signed by order of the Board

R J W Walvis

Director
Chairman of the Remuneration Committee
6 March 2007