

COMPANY REGISTRATION NUMBER 01300965

MANSELL BUILD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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MANSELL BUILD LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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MANSELL BUILD LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

D J Greenspan BA ACA
B P Perrin BSc ACA AMCT
S J Waite FRICS MCIOB
R V Walker BSc FRICS
P A Communs LL B

(Appointed 2 October 2010)
(Resigned 2 October 2010)

Secretary

S Hughes

Registered Office

Alexander House
4 Station Road
Cheadle Hulme
Cheshire
SK8 5AE

Auditors

Deloitte LLP
Chartered Accountants
London

Bankers

Barclays
1 Churchill Place
London
E14 5HP

MANSELL BUILD LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal Activities and Business Review

Mansell Build Limited ("the Company") is engaged in the design and construction of schemes including offices, schools, hospitals, retail and leisure facilities

On 24 July 2006, Birse Group plc (the ultimate parent company of the Company at that time), was acquired by Balfour Beatty plc ("the Ultimate Parent Company"). From that date, management responsibility for the operations of the Company was transferred to Mansell Construction Services Limited ("MCSL"), one of the Balfour Beatty Group's ("the Group") principal operating subsidiaries. In order to strengthen the acquired balance sheet and to support future trading opportunities, the issued share capital of the Company was subsequently increased by £90.0m on 30 April 2007, through the allotment for cash of an extra 90,000,000 ordinary shares of £1 each. The management and support systems of the business are now fully integrated with those of MCSL, and the financial position of the Company has improved significantly.

In the year to 31 December 2010, the Company generated turnover of £31.0m (2009: £33.5m) and an operating profit of £1.3m (2009: £1.3m) from total operations.

The Ultimate Parent Company manages its operations on a divisional basis. For this basis the Directors believe that the disclosure of further key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business.

The Company's first and overriding priority is the safety of its employees, the public and other stakeholders. The Company has invested significant time and resources to ensure safety is at the heart of its operations. Preventing injury and ill-health, and maintaining a first class safety and health culture, are key objectives of the business. In addition, the Company aims to comply with the highest levels of governance and ethical standards across all its operations.

Continuing business

The operation, which is administered from offices in Cheadle Hulme, focuses on both private and public sector customers, and its strategy remains the targeting of long-term work flows through partnering. Some 82% of the Company's workload is secured on the basis of long-term frameworks, and the Company has a balanced portfolio of work between the public and private sectors. A key area of focus for the business is customer service with a customer satisfaction rating of 95% being retained for 2010 (2009: 96%).

Turnover from continuing operations for the year to 31 December 2010 was £31.0m (2009: £33.5m). An operating profit of £1.2m from continuing operations was generated in the year (2009: £0.4m), in line with expectations.

Discontinued operations

Management of discontinued activities is administered completely independently from ongoing activities. Further good progress was made during the year in the closing out of defects and negotiation of final account settlements with both customers and subcontractors. In total, the discontinued operations generated an operating profit of £0.1m (2009: £0.9m), mainly relating to provision releases on a number of commercial settlements, although these were partly offset by the assessed cost of new claims notified during the period. Further work addressing defects on a number of contracts is ongoing, completion of which will generate the release of residual outstanding retention monies.

Balance Sheet

Net assets increased by £2.4m during the year, with cash balances remaining high at £25.1m.

Outlook

2011 is already proving to be a challenging year, with market conditions showing no sign of improving. Public sector expenditure continues to come under pressure as the budgeted spending cuts are implemented and further spending plans are delayed. The commercial sector remains extremely competitive and is not replacing lost public sector revenues as had previously been hoped.

The Company is taking full advantage of the opportunities that arise as a result of being part of a leading global infrastructure business, and is working with other Group companies on contracts which need the specialist and technical knowledge only a large organisation can provide. In addition, the Company is taking advantage of the Group's combined purchasing power, the benefits of which can then be passed on to customers, suppliers and shareholders.

The Company's strong balance sheet and significant cash balances, coupled with its approach of building long-term relationships with its business partners, means that the Company is in a strong position to ride out the difficult trading conditions and to continue to invest for the future.

MANSELL BUILD LIMITED

DIRECTORS' REPORT (continued)

Safety, Health, Environment and Quality (SHEQ)

The Company's commitment to the safety of its employees, the public and other stakeholders is delivered through the implementation of the Zero Harm strategy. This is supported by the Zero Harm Journey Plan, which has the ultimate objective of eliminating the risk of serious harm to all stakeholders by 2012.

A key element of the Zero Harm Journey has been to involve everyone in the Company in the quest to "Make Safety Personal". During 2010, the Company reached out to its supply chain via its Zero Harm Accreditation Process and equipped them to deliver Make Safety Personal workshops in their own organisations. This built on the success of the programme within the Company.

The Company's performance in all areas of SHEQ is continually monitored to ensure it remains at the highest levels of effectiveness.

The Company has an ongoing commitment to improve its performance in SHEQ, as reported within the Corporate Responsibility Report of Balfour Beatty plc.

Employment

The Company acts as a regional business unit, managed by its own dedicated senior management team, whilst payroll and pension responsibility for all employees is managed at a Group level. Although decision-making is devolved to regional level, standard employment policies and practices are applied in order to promote fairness and consistency across the business, whilst ensuring the commercial and legal interests of the Company are preserved. These policies include:

- providing an open, challenging, rewarding and participative environment,
- enabling all employees to utilise their talents and skills to the full, through appropriate encouragement, training and development,
- communicating a full understanding of the objectives and performance of the Company and the opportunities and challenges facing it,
- providing pay and other benefits which reflect prevailing market rates and to reward both individual and collective performance,
- ensuring all applicants and employees receive equal treatment regardless of age, race, religion, national or ethnic origin, colour, gender, disability unrelated to the task in hand, sexual orientation, gender reassignment, marital status, union membership or political affiliation.

The Company uses a variety of methods to communicate and consult with employees on key business goals and issues. Regular publications and communications inform employees of major business achievements.

Risk Management

The effective management of risks within the Company and the Group is essential to sustaining shareholder value and maintaining a good reputation.

The Group's approach to risk management is to identify, at an early stage, key risks and then develop actions to eliminate or mitigate the impact and likelihood of these. Reporting structures ensure risks are continually monitored and mitigation plans are subject to review.

External risks

Economic environment

The continued effect of the economic downturn may cause the Company's customers to cancel, postpone or reduce existing or future projects. In particular, the Company is dependent on government policies and spending for a significant part of its revenues. To mitigate this risk, the Company has a broad exposure to a number of markets. In addition, the Company maintains a high level of engagement with its customers to understand and respond effectively to their evolving requirements.

Commercial counterparty solvency

The Company is exposed to counterparty credit risk of its customers, sub-contractors and suppliers. This risk is increased further by the current economic climate. In particular, failure of a customer could result in non-collection of amounts owed. Failure of a sub-contractor or supplier would result in the Company having to find a replacement or undertaking the task itself which could result in time delays and additional costs. To mitigate this risk, the financial solvency and strength of counterparties is considered prior to the signing of contracts. During the life of the contract such assessments are updated and reviewed whenever possible. The Company seeks to ensure it is not over-reliant on any one counterparty. In addition, during the life of a project, retentions, bonds and/or letters of credit will be obtained, where appropriate, from sub-contractors to mitigate the impact of any potential insolvency.

Legal and regulatory

The Company is subject to a number of complex, demanding and evolving legal, tax and regulatory requirements. A breach of these laws and regulations could lead to legal proceedings, investigations or disputes resulting in a disruption of business. To mitigate this risk, the Company monitors and responds to legal and regulatory developments.

MANSELL BUILD LIMITED
DIRECTORS' REPORT (continued)

Risk Management (continued)

Organisation and Management risk

People

The success of the Company depends on its ability to recruit and retain the best management and employees. Failure to recruit and retain appropriately skilled people could adversely impact the Company's ability to deliver specific contracts and its future growth. To mitigate this risk, organisation and people reviews are undertaken to review the role, competencies, performance and potential of personnel. These plans are reviewed and discussed on a regular basis. Appropriate remuneration and incentive packages are in place to assist in the attraction and retention of key employees.

Business conduct

The Company operates with partners and supply chains which may have inherent risks relating to business conduct. Failure by employees to observe the highest standards of integrity and conduct in dealing with customers, suppliers and other stakeholders could result in civil and/or criminal penalties, debarment, as well as reputational damage. To mitigate this risk, the Group has clearly set out in its Code of Conduct its expectations of employees and operating companies in dealing with its stakeholders. This was distributed to all employees and during 2010 e-learning continued to be used to raise awareness of the Code within the organisation.

Information Technology

The efficient operation of the Company is increasingly dependent on the proper operation, performance and development of its IT systems. Failure to manage, integrate or successfully implement changes in IT systems could result in a loss of control over critical business information and/or systems. To mitigate this risk, Group IT works with the Company to set IT strategy and to ensure that business critical systems are being properly managed.

Information security

The Company is exposed to potential information security threats to its own information and also that which it holds on behalf of customers. A breach of information security or an improper disclosure of such information could expose the Company to adverse publicity, investigation and legal claims. To mitigate this risk, the Group has implemented minimum information security standards which the Company is expected to meet.

Financial and Treasury risks

Contract bonds

In the normal course of business the Company is sometimes required to provide performance bonds to its customers. If the Company were unable to issue sufficient bonds in the future then its ability to grow the business may be constrained. To mitigate this risk, the Group maintains relationships with a number of financial institutions which provide performance bonds. The Group also reviews the level of headroom available with individual institutions and, where appropriate and necessary, will seek to negotiate increases in capacity.

Pensions

The Company is exposed to funding risks arising from changes in longevity, inflation and investment assumptions in relation to the Group's defined benefit pension schemes. At present there is an actuarial deficit in these schemes. Measures to mitigate liabilities are under continuous review. The performance of the pension schemes is regularly monitored and advice is taken, as appropriate, from external consultants.

Delivery and Operational risks

Bidding

The Company seeks to win work through a large number of tenders each year. Failure to estimate risks, costs, the impact of inflation and the contractual terms being entered into and how best to manage them could have an adverse impact on the profitability of such contracts. To mitigate this risk, all tenders are subject to rigorous estimating and tendering processes within a defined framework. In addition, defined delegated authority levels exist for the approval of all tenders and infrastructure investments, with all major and significant contracts being subject to Group review.

Health and Safety

The Company is involved in significant, complex and potentially hazardous projects which require the continuous monitoring and management of health and safety risks. Failure to manage these risks could expose employees or the public to injury/harm and the Company to significant potential liabilities and reputational damage. Detailed health and safety policies and procedures exist to minimise such risks and are subject to review and monitoring. The Company employs experienced health and safety advisers who provide advice and support and also undertake regular reviews.

MANSELL BUILD LIMITED
DIRECTORS' REPORT (continued)

Risk Management (continued)

Sustainability

The Company, through its activities, has the ability to impact either positively or adversely on the world in which it operates and the communities in which it works. In addition, for a number of its customers, the impact of projects in both the short-term and the long-term is a key consideration when evaluating tenders. To mitigate this risk, the Group has developed and implemented a sustainability strategy, which the Company has fully adopted, covering its operations until 2020 in terms of profitable markets, healthy communities and environmental limits.

Supply chain

The failure of a sub-contractor to perform to an appropriate standard and quality could result in delays to a project and adversely impact the ability of the Company to meet its contractual commitments and its reputation. To mitigate this risk, the Company seeks to develop long-term relationships with a number of its key sub-contractors whilst at the same time not becoming over-reliant on any one. As part of its selection criteria the Company seeks to partner with sub-contractors/suppliers which share its values.

Financial Statements and Dividends

The financial statements and notes to the financial statements of the Company appear on pages 8 to 23. The Directors do not recommend the payment of a dividend (2009 £nil).

Supplier Payment Policy

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms for each transaction or series of transactions, to seek to ensure that suppliers are aware of the terms of payment, and to abide by these terms of payment as and when satisfied that the supplier has provided the goods or services in accordance with the agreed terms. The Company's average creditor payment period for the continuing operations at 31 December 2010 was 34 days (2009 34 days).

Corporate Responsibility

The Group publishes a report on Corporate Responsibility annually, which includes a description of the Group's broader corporate responsibilities. The Company's systems for governance and management of risk, safety, environmental and social issues are described in that report, together with the Group's performance in these areas and the targets set to drive improvements. The report is available at www.balfourbeatty.com.

The Company has, for many years, been publicly and explicitly committed to ensuring it pays close attention to these issues. Corporate responsibility is a fundamental part of modern business management. The Company has made significant progress in these matters and is committed to making further progress.

Charitable and Political Donations

During the year the Company made charitable donations of £2,000 (2009 £nil). No political donations were made by the Company during the year (2009 £nil).

Taxation status

As far as the Directors are aware, the Company is not a close company for taxation purposes.

Directors

The Directors of the Company who served throughout the year were

D J Greenspan BA ACA	(Appointed 2 October 2010)
B P Perrin BSc ACA AMCT	(Resigned 2 October 2010)
S J Waite FRICS MCIOB	
R V Walker BSc FRICS	
P A Commins LL B	

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

MANSELL BUILD LIMITED
DIRECTORS' REPORT (continued)

Going concern

In reviewing the future prospects of the Company, the Directors have considered the fact that the Company has a strong order book and balance sheet, and holds significant cash balances. As a result, and having made appropriate enquiries and reviewed medium-term cash forecasts, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the accounts.

Disclosure of information to auditors

Each of the Directors at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as auditors.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to

- show and explain the Company's transactions,
- disclose with reasonable accuracy at any time the financial position of the Company, and
- enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



D J Greenspan
Director
6 July 2011

Registered Office
Alexander House
4 Station Road
Cheadle Hulme
Cheshire
SK8 5AE

Registered in England
Number 01300965

MANSELL BUILD LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MANSELL BUILD LIMITED**

We have audited the financial statements of Mansell Build Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

6 July 2011

MANSELL BUILD LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 Continuing £'000	2010 Discontinued £'000	2010 Total £'000	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000
Turnover	2	31,031	-	31,031	33,470	-	33,470
Cost of sales							
- ordinary trading		(27,983)	(104)	(28,087)	(31,001)	(1,446)	(32,447)
- exceptional items	4	-	104	104	-	2,020	2,020
Total cost of sales		<u>(27,983)</u>	<u>-</u>	<u>(27,983)</u>	<u>(31,001)</u>	<u>574</u>	<u>(30,427)</u>
Gross profit		3,048	-	3,048	2,469	574	3,043
Administrative expenses							
- ordinary trading		(1,868)	(285)	(2,153)	(2,024)	-	(2,024)
- exceptional item	4	-	211	211	-	-	-
Movement in net deficit position of subsidiary	4	-	186	186	-	301	301
Total administrative expenses		<u>(1,868)</u>	<u>112</u>	<u>(1,756)</u>	<u>(2,024)</u>	<u>301</u>	<u>(1,723)</u>
Operating Profit	3	1,180	112	1,292	445	875	1,320
Net interest receivable	6			100			148
Other financial expenses	19			(117)			(82)
Profit on ordinary activities before taxation				<u>1,275</u>			<u>1,386</u>
Tax on profit on ordinary activities	7			11			(2,948)
Retained profit / (loss) for the year	15			<u>1,286</u>			<u>(1,562)</u>

MANSELL BUILD LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Profit/(Loss) on ordinary activities after taxation		1,286	(1,562)
Actuarial gains/(losses) on retirement benefit obligations	19	1,579	(1,466)
Tax (charge)/credit on items in equity	15	(442)	410
Total recognised losses and gains relating to the year		<u>2,423</u>	<u>(2,618)</u>

MANSELL BUILD LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	8	-	-
Tangible assets	9	25	23
		<u>25</u>	<u>23</u>
Current assets			
Debtors due after more than one year	10	169	-
Debtors due within one year	10	22,423	22,464
Cash at bank and in hand		25,133	26,045
		<u>47,725</u>	<u>48,509</u>
Creditors amounts falling due within one year	11	(16,416)	(18,684)
Net current assets		<u>31,309</u>	<u>29,825</u>
Total assets less current liabilities		<u>31,334</u>	<u>29,848</u>
Creditors amounts falling due after more than one year	11	(58)	-
Provisions for liabilities	12	(10,425)	(10,182)
Net assets excluding pension deficit		<u>20,851</u>	<u>19,666</u>
Pension deficit	19	(936)	(2,174)
Net assets including pension deficit		<u>19,915</u>	<u>17,492</u>
Capital and reserves			
Called up share capital	14	108,000	108,000
Profit and loss account	15	(88,085)	(90,508)
Equity shareholders' funds		<u>19,915</u>	<u>17,492</u>

The financial statements of Mansell Build Limited (registered number 01300965) were approved by the Board of Directors on 6 July 2011 and signed on its behalf by



D J Greenspan
Director

MANSELL BUILD LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

The principal accounting policies are given below. They have been applied consistently throughout the year and the preceding year except as stated below.

(a) Basis of accounting

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

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is an indirect wholly owned subsidiary of Balfour Beatty plc (the "Group") which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirements of FRS1 (Revised) to present a cash flow statement.

(b) Going concern

In reviewing the future prospects of the Company, the Directors have considered the fact that the Company has a strong order book and balance sheet, and holds significant cash balances. As a result, and having made appropriate enquiries and reviewed medium-term cash forecasts, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the accounts.

(c) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation less any provision for impairment.

Depreciation is provided on a straight line basis over the estimated useful lives of the assets concerned. The annual rates of depreciation are as follows:

Fixtures and fittings 20% - 33%

(e) Profit recognition

Profit on individual contracts is taken only when the outcome can be foreseen with reasonable certainty, based on the lower of the percentage margin earned to date and that prudently forecast at completion, taking account of agreed claims. Full provision is made for all known or expected losses on individual contracts, taking a prudent view of future claims income, immediately such losses are foreseen. Profit for the period includes the benefit of claims settled on contracts completed in prior years.

In assessing contract performance and in establishing provisions for contractual liabilities, the amounts recorded are dependent upon negotiations with customers, which in some cases are complex and unlikely to be resolved in the short-term. Accordingly, management have made their best estimate of the likely future outcomes based upon the information currently available to them.

Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract. Amounts recovered in respect of costs that have been written off are deferred and amortised over the life of the contract.

(f) Long-term contracts

Amounts recoverable on long-term contracts which are included in debtors are stated at the net sales value of the work carried out less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

(g) Operating lease contracts

Rentals under operating leases are charged to the profit and loss account as they arise on an accruals basis.

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Principal accounting policies (continued)

(h) Pension costs

For defined benefit pension schemes, the cost of providing benefits recognised in the profit and loss account and the defined benefit obligation is determined at the balance sheet date using the projected credit method by independent actuaries. The liability recognised in the balance sheet comprises the present value of the defined benefit obligation, determined by discounting the estimated future cash flows using the rate of interest on a high quality corporate bond, less the fair value of the plan assets. Actuarial gains and losses are recognised in full outside the profit and loss account in the period in which they occur in the statement of total recognised gains and losses. Contributions to defined contribution pension schemes are charged to the profit and loss account as they fall due.

(i) Taxation

Current tax, including United Kingdom corporation tax, is provided at the amounts expected to be paid or recovered using the tax rates and laws that apply at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is recorded using tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is measured on a non-discounted basis.

(j) Share-based payments

The costs relating to employee services received in exchange for the grant by Balfour Beatty plc of share options are borne by Mansell Construction Services Ltd.

(k) Provisions

Provision is made for the Directors' best estimate of known legal claims, investigations and legal actions in progress.

2 Turnover

Turnover represents amounts invoiced to customers, net of trade discounts, value added tax and similar sales-based taxes, except in respect of contracting activities where turnover represents the value of work carried out during the period including an estimate in respect of amounts not invoiced. All turnover is generated in the United Kingdom.

3 Operating profit

	2010 £'000	2009 £'000
Operating profit is after charging/(crediting)		
Depreciation of owned tangible assets	9	9
Charges under operating leases		
- land and buildings	112	128
- other	1	(2)
Auditor's remuneration		
- fees for audit of the Company	20	24
- fees paid to the Company's auditors for the audit of subsidiary	1	1

There were no fees payable to the Company's auditors for other services provided to the Company in the current or prior year.

MANSELL BUILD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Exceptional items

	2010 £'000	2009 £'000
The following exceptional items were credited to operating profit		
Release of provision against contract balances	104	2,020
Release of provision against administrative costs	211	-
Movement in provision against net deficit of subsidiary (Note 12)	186	301
	501	2,321

The exceptional item in the current year of £104k relates to releases of provisions following commercial settlements on contracts. The tax effect is that of a credit of £29k (2009: £566k).

The exceptional item in the current year of £211k relates to releases of provisions for management costs no longer required. The tax effect is that of a credit of £59k (2009: £nil).

The exceptional item of £186k relates to the reduction in provision against the net deficit position in the Company's subsidiary which has been guaranteed by Mansell Build Limited. This is not a tax allowable credit and therefore the tax effect is £nil (2009: £nil).

5 Information regarding Directors and employees

Only the remuneration of one (2009: one) Director is paid directly by the Company. The remuneration of the remaining Directors for the current year and prior year, for services to the Company, is recorded in the financial statements of Mansell Construction Services Limited.

	2010 £'000	2009 £'000
Director's emoluments		
Remuneration	159	112
Pension contributions	16	17
	175	129

	2010 Number	2009 Number
Average number of persons employed		
Production	51	50
Administration	13	14
	64	64

	2010 £'000	2009 £'000
Staff costs during the period (including Directors)		
Wages and salaries	3,039	2,839
Social security costs	262	260
Pension costs	302	178
	3,603	3,277

Savings-related share options

Certain employees of the Company are participants in an equity-settled share-based payment arrangement, namely a savings-related share option scheme, operated by the Company's ultimate parent, Balfour Beatty plc. Expenses relating to the arrangement have been borne by Mansell Construction Services Limited in both the current and prior year.

MANSELL BUILD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6	Interest receivable	2010	2009
		£'000	£'000
	Bank interest receivable	-	48
	Interest receivable on group loans	100	100
		<u>100</u>	<u>148</u>
7	Tax on profit on ordinary activities	2010	2009
		£'000	£'000
	Current tax		
	United Kingdom corporation tax on profits of the year at 28% (2009 28%)	-	-
	Adjustments in respect of previous periods	121	2,062
	Total current tax	<u>121</u>	<u>2,062</u>
	Deferred tax		
	Deferred tax charge on retirement obligations	57	(57)
	Rate change adjustment	29	-
	Adjustments in respect of previous periods	(218)	614
	Other short-term timing differences	-	329
	Total deferred tax	<u>(132)</u>	<u>886</u>
	Total tax (credit) / charge	<u>(11)</u>	<u>2,948</u>
		2010	2009
		£'000	£'000
	Tax reconciliation		
	Profit on ordinary activities before taxation	<u>1,275</u>	<u>1,386</u>
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	357	388
	Effects of		
	Expenses not deductible for tax purposes	6	4
	Short-term timing differences	-	(316)
	Capital allowances in excess of depreciation	(13)	(13)
	Tax loss utilised	(306)	(120)
	Movement on FRS17 pension deficit	(44)	57
	Adjustments in respect of prior year	121	2,062
	Current tax charge for the year	<u>121</u>	<u>2,062</u>

MANSELL BUILD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Investments

	2010 £'000	2009 £'000
Shares in subsidiary undertaking	1	1
Provision against diminution in Birse Stadia Limited	(1)	(1)
	<u>-</u>	<u>-</u>

The Company owns the whole of the issued share capital of Birse Stadia Limited (registered in England and Wales)
The activities of Birse Stadia Limited were discontinued in 2003

Group accounts have not been prepared as the Company is a wholly owned indirect subsidiary of Balfour Beatty plc
which prepares group accounts under UK legislation

9 Tangible assets

	Fixtures and fittings £'000
Cost	
At 1 January 2010	191
Additions	11
Disposals	(154)
At 31 December 2010	<u>48</u>
Depreciation	
At 1 January 2010	168
Charge for the period	9
Eliminated on disposals	(154)
At 31 December 2010	<u>23</u>
Net book value	
At 31 December 2010	<u>25</u>
At 31 December 2009	<u>23</u>

MANSELL BUILD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Debtors

	2010 £'000	2009 £'000
Due within one year		
Trade debtors and retentions	1,789	708
Amounts recoverable on contracts	666	1,555
Amounts owed by parent company and fellow subsidiary undertakings	19,511	19,921
Prepayments and accrued income	7	19
Deferred taxation (note 13)	450	261
	<u>22,423</u>	<u>22,464</u>
Due after more than one year		
Retentions	169	-
Total debtors	<u>22,592</u>	<u>22,464</u>

11 Creditors

	2010 £'000	2009 £'000
Due within one year		
Trade creditors and retentions	1,930	2,104
Advance payments	175	4
Amounts owed to parent company and fellow subsidiary undertakings	1,838	1,065
Accruals and deferred income	12,022	12,146
Corporation taxation	-	2,696
Other taxation and social security	363	557
Other creditors	88	112
	<u>16,416</u>	<u>18,684</u>
Due after more than one year		
Subcontractor retentions	58	-
Total Creditors	<u>16,474</u>	<u>18,684</u>

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Provisions for liabilities

	Provision against net deficit of Birse Stadia Ltd £'000	Contract provisions £'000	Total £'000
At 1 January 2010	10,095	87	10,182
(Released)/provided in the year	(186)	429	243
At 31 December 2010	<u>9,909</u>	<u>516</u>	<u>10,425</u>

The provision of £9,909k has been made as a result of the net deficit position in the Company's subsidiary, Birse Stadia Limited, which has been guaranteed by the Company. Although the activities of Birse Stadia Limited were discontinued in 2003, there are no current plans to change the status of this subsidiary and therefore the provision against its net deficit is not expected to be utilised in the foreseeable future.

Contract provisions include fault and warranty provisions in respect of completed contracts. The provisions are expected to be utilised between 2011 and 2014.

13 Deferred taxation

	Provided		Unprovided	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Capital allowances in excess of depreciation	54	54	-	-
Other timing differences	396	207	-	-
Tax losses	-	-	8,066	8,695
Deferred tax excluding that relating to the pension asset	<u>450</u>	<u>261</u>	<u>8,066</u>	<u>8,695</u>
Pension assets (note 19)	347	846	-	-
Total deferred tax asset	<u>797</u>	<u>1,107</u>	<u>8,066</u>	<u>8,695</u>

The deferred tax assets recognised (note 10) are based upon an estimate of timing differences that are expected to reverse in the foreseeable future. The unprovided deferred tax asset of £8,066k (2009 £8,695k) relates to losses brought forward from prior periods which are potentially available to reduce the tax liability arising on future trading profits. As such profits are uncertain the asset has not been recognised in the balance sheet.

	2010 £'000	2009 £'000
At 1 January	1,107	1,583
Profit and loss account credit/(charge)	132	(886)
Deferred tax (charge)/credit to STRGL	(442)	410
At 31 December	<u>797</u>	<u>1,107</u>

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No2) Act 2010 included legislation to reduce the main stream rate of corporation tax from 28% to 27% from 1 April 2011. As a result of the change the deferred tax balances have been remeasured. The impact was to increase the deferred tax charge by £29k.

Additional changes were announced in the March 2011 Budget Statement to further reduce the main stream rate of corporation tax to 26% from 1 April 2011 and thereafter by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Called up share capital

	2010	2009
	£'000	£'000
Authorised		
108,000,000 Ordinary shares of £1 each	<u>108,000</u>	<u>108,000</u>
Called up, allotted and fully paid		
108,000,000 Ordinary shares of £1 each	<u>108,000</u>	<u>108,000</u>

15 Movements on reserves

	2010	2009
	£'000	£'000
Profit and loss account		
At 1 January	(90,508)	(87,360)
Existing obligations under BBPF	-	(530)
Actuarial gain/(loss) on retirement benefit obligations	1,579	(1,466)
Tax on items in equity	(442)	410
Profit/(Loss) for the period	1,286	(1,562)
At 31 December	<u>(88,085)</u>	<u>(90,508)</u>

16 Shareholders' funds

	2010	2009
	£'000	£'000
Profit/(Loss) on ordinary activities after taxation	1,286	(1,562)
Actuarial gain/(loss) on retirement benefit obligations	1,579	(1,466)
Tax on items in equity	(442)	410
Net change in shareholders' funds	<u>2,423</u>	<u>(2,618)</u>
Existing obligations under BBPF	-	(530)
Opening shareholders' funds	17,492	20,640
Closing shareholders' funds	<u>19,915</u>	<u>17,492</u>

17 Contingent liabilities, guarantees and security

Contingent liabilities are not expected to give rise to any material loss. The Company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the contracts undertaken by the Company.

Provision is made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Company takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

There was no material capital expenditure either contracted for, or authorised but not contracted for, at 31 December 2010 (2009: £nil).

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial commitments

Operating lease commitments

At 31 December the Company was committed to making the following annual payments under non-cancellable operating leases

	Land and Buildings 2010 £'000	Land and Buildings 2009 £'000
Operating leases expiring		
Within one year	115	112
Within two to five years	13	16
	128	128

19 Pension arrangements

Certain employees of the Company are members of the Balfour Beatty Pension Fund ("BBPF") which includes defined benefit and defined contribution sections and is managed by the Ultimate Parent Company. Defined benefit schemes provide benefits based on employees' pensionable service and their pensionable salary. Defined contribution schemes are those where the Company's obligation is limited to the amount that it contributes to the scheme and the scheme members bear the investment and actuarial risks.

The investment strategy of the principal BBPF scheme is to hold assets of appropriate liquidity and marketability to generate income and capital growth to meet, together with any new contributions from the Group, the cost of current and future benefits. The BBPF invests in equities in anticipation that, over the longer term, they will grow in value faster than the liabilities. The majority of the BBPF equities are in the form of pooled funds. The BBPF invests in fixed and index-linked bonds and inflation swaps in order to match the duration and inflation exposure of a portion of the liabilities. The BBPF invests in corporate fixed-interest bonds in anticipation that, over the longer term, they will outperform equivalent government bonds. A portion of the corporate bonds are overlaid with inflation swaps in order to create a better match between the assets and the inflation-linked characteristics of the liabilities. The performance of equities and bonds is measured against market indices. The BBPF invests in three hedge funds in order to further improve diversification. The performance of the fund of hedge fund managers is measured against three month LIBOR.

The defined benefit section is closed to new members with the exception of certain employees transferring under TUPE.

During 2009 the Group implemented measures to limit the increase in pensionable pay of certain groups of in-service defined benefit members, giving rise to a reduction in past service liabilities.

Defined benefit obligations are calculated using the projected unit credit method and discounted to a net present value using the rate of return on high quality corporate bonds. Contributions are determined in accordance with independent actuarial advice and are based on pension costs across the Ultimate Parent Company and its subsidiaries as a whole.

Allocation of the Balfour Beatty Pension Fund

The policy of the Balfour Beatty Group is that the assets, liabilities, income and expenditure relating to the Balfour Beatty Pension Fund should be allocated to each of the participating companies in the scheme in proportion to pensionable payroll for the year. The Balfour Beatty Pension Fund includes a defined contribution section. Employer contributions paid and charged in the profit and loss account have been separately identified and the defined contribution section assets and liabilities have been excluded from the tables below. The disclosures shown below reflect the Company's proportion of the total Balfour Beatty Pension Fund.

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Pension arrangements (continued)

FRS 17 accounting valuation

The principal actuarial assumptions for the FRS17 accounting valuations of the Balfour Beatty Pension Fund is as follows

	2010 %	2009 %
Discount rate on obligations	5.45	5.65
Expected return on plan assets	6.10	5.93
Inflation rate - RPI	3.40	3.50
Inflation rate - CPI	2.90	-
Future increases in pensionable salary	4.90	5.00
Rate of increase in pensions in payment	3.30	3.50

The mortality tables adopted for the 2010 FRS 17 valuation are the SAPS tables with a multiplier of 94% and an improvement rate of 1.5% pa from 2003 to 2010, plus future improvements from 2010 in line with the CMI core projection model applicable to each member's year of birth with a long-term rate of 1.5% pa. The mortality tables adopted for the 2009 FRS 17 valuation are the 1992 series calendar year 2007 tables, with future improvements applicable to each member's year of birth under the medium cohort effect from 2007.

	2010 Average life expectancy at 65 years of age	2009 Average life expectancy at 65 years of age
Members in receipt of pension		
– Male	21.8 years	20.4 years
– Female	24.5 years	23.4 years
Members not yet in receipt of pension (current age 50)		
– Male	23.7 years	21.4 years
– Female	26.4 years	24.3 years

The Balfour Beatty Pension Fund actuary undertakes regular mortality investigations based on the experience exhibited by pensioners of the BBPF and due to the size of the membership of the BBPF (44,362 members at 31 December 2010) is able to make comparisons of this experience with the mortality rates set out in the various published mortality tables. The actuary is also able to monitor changes in the exhibited mortality over time. As a result of these reviews the Parent Company is able to adopt with a measure of confidence consistent mortality assumptions across its various defined benefit schemes.

The amounts recognised in the balance sheet are as follows

	2010 £'000	2009 £'000
Present value of funded obligations	(11,033)	(16,970)
Fair value of plan assets	9,750	13,950
Scheme deficit	(1,283)	(3,020)
Related deferred tax asset	347	846
Liability in the balance sheet	<u>(936)</u>	<u>(2,174)</u>

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Pension arrangements (continued)

FRS 17 accounting valuation (continued)

The amounts recognised in the profit and loss account are as follows

	2010 £'000	2009 £'000
Current service cost	302	178
Defined contribution charge	76	-
Expected return on plan assets	(820)	(679)
Interest cost	937	761
Total charged to profit and loss account	495	260

Of the total cost for the year, a charge of £378k (2009 £178k) has been included in Administrative expenses and a charge of £117k (2009 £82k) has been included in Other financial expenses

The amounts recognised in the Statement of total recognised gains and losses are as follows

	2010 £'000	2009 £'000
Actuarial gains/(losses) on pension scheme obligations	6,829	(3,985)
Actuarial (losses)/gains on pension scheme assets	(5,250)	2,519
Total actuarial gains/(losses) recognised in the Statement of total recognised gains and losses	1,579	(1,466)
Cumulative gains/(losses) recognised in reserves	6	(1,573)

The actual return on plan assets was a loss of £4,430k (2009 £5,521k)

The movement in the present value of obligations is as follows

	2010 £'000	2009 £'000
At 1 January	(16,970)	(12,127)
Service cost	(302)	(178)
Interest cost	(937)	(761)
Actuarial gains/(losses)	6,829	(3,985)
Contributions from members	(1)	(18)
Benefits paid	348	99
At 31 December	(11,033)	(16,970)

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Pension arrangements (continued)

FRS 17 accounting valuation (continued)

The movement in the fair value of plan assets is as follows

	2010 £'000	2009 £'000
At 1 January	13,950	10,777
Expected return on plan assets	820	679
Actuarial (losses)/gains	(5,250)	2,519
Contributions from employer – regular funding	280	46
Contributions from employer – deficit funding	297	10
Contributions from members	1	18
Benefits paid	(348)	(99)
At 31 December	9,750	13,950

The fair value and expected rates of return on the assets held by the schemes at 31 December are as follows

	Expected rate of return 2010 %	Value 2010 £'000	Expected rate of return 2009 %	Value 2009 £'000
Equities	8.20	3,404	8.30	4,800
Bonds				
- index linked gilts	4.20	1,326	4.50	1,894
- fixed rate gilts	-	-	4.30	80
- corporate and other bonds	5.10	4,104	4.60	6,087
Funds of hedge funds	6.30	397	6.60	571
Cash and other net assets	3.90	519	4.40	518
Rate of return/total	6.10	9,750	5.93	13,950

The expected rates of return on scheme assets were determined as the average of the expected returns on the assets held by the scheme on 31 December. The rates of return for each class were determined as follows:

- equities and funds of hedge funds: the long-term rates of return on equities, funds of hedge funds and property are derived from current risk-free rates of return with the addition of an appropriate future risk premium from an analysis of historic returns, current market conditions and forward looking views from market participants,
- bonds: the rate has been set to reflect the yields available on the gilts and corporate bond holdings held at 31 December,
- cash and other net assets: this class principally comprises inflation rate swaps and cash holdings and the rate adopted reflects current short-term returns on cash deposits.

The estimated amounts of contributions expected to be paid to the principal defined benefit schemes during 2010 are as follows:

	2010 £'000
Regular funding	280
Deficit funding	297
Total	577

MANSELL BUILD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Pension arrangements (continued)

FRS 17 accounting valuation (continued)

The year end historic information for the Company share of the BBPF post-retirement benefit plan is as follows

	2010	2009
	£'000	£'000
Defined benefit obligation at end of year	(11,033)	(16,970)
Fair value of assets at end of year	9,750	13,950
Funded status at end of year	<u>(1,283)</u>	<u>(3,020)</u>
Experience adjustment for liabilities	26,507	(71)
Experience adjustment for assets	<u>(5,250)</u>	<u>2,519</u>

Funding valuations

The last formal funding valuation is as detailed below

	31 March
	2010
	£m
Market value of assets	2,070
Present value of scheme liabilities	<u>(2,445)</u>
Deficit defined benefit scheme deficit	<u>(375)</u>
Funding level	94.6%

20 Related party transactions

As a subsidiary of Balfour Beatty plc, the Company has taken advantage of the exemption in FRS8 "Related Party Transactions" not to disclose transactions with other members of the group headed by Balfour Beatty plc

21 Parent undertakings

The Company's ultimate parent undertaking and controlling party is Balfour Beatty plc which is registered in England and Wales

The only group in which the results of the Company are consolidated is that headed by Balfour Beatty plc. The consolidated financial statements of Balfour Beatty plc are available to the public and may be obtained from the Company Secretary, Balfour Beatty plc, 130 Wilton Road, London SW1V 1LQ and on the Balfour Beatty website at www.balfourbeatty.com