Company No: 265178

MANSELL

MANSELL PLC

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002

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Dundee
Edinburgh
Elgin
Isle of Wight
Leeds

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Granitehill Road
Northfield
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F 01224 685044

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Erith
Hounslow
Warwick
Watford
Wolverhampton

Working in partnership with our customers to achieve their goals.

Collaboration with both customers and supply partners is a fundamental principle upon which the success of MANSELL is founded. Partnering is embedded in our culture, and it is helping us achieve our vision: to be the most admired construction and property services provider in the UK.

Working in collaboration helps us create sustainable relationships that deliver best value to our customers and benefits all our stakeholders. As part of an inclusive team we create solutions that bring cost savings, greater efficiency and faster delivery.

By adopting this open approach we can ensure the process of construction is more predictable, smooth running and enjoyable - and furthermore it makes sound business sense. From almost a standing start in 2000, MANSELL now has over 60 framework and partnering agreements that form the bedrock of our organisation and our future.

Effective collaboration requires hard work and commitment - our relationships are designed to last many years so they are based on openness, integrity and honesty. We focus our energies on understanding our customers' needs and, through teamwork, helping them to achieve their goals.

In short, collaboration is part of our business culture and the result is that more and more customers are choosing to develop long-term relationships with us. This approach brings with it high levels of repeat business from customers who prefer to work alongside us as part of a successful team.

Driving up standards of quality in product and service.

MANSELL is a company that seeks excellence in all that it does. This includes how we serve our customers and the quality of the product we produce, but it goes further, into how we run our business and how we manage the knowledge we gain.

To measure and enhance our success in achieving excellence we set ourselves highly demanding targets. In line with our key policy of continuous improvement, we take our customers' feedback very seriously, and measure our performance by the scores they give us against a wide-ranging set of key performance indicators. We continue to improve our results year-on-year and we are consistently ahead of industry standards.

As part of our drive to seek out innovation we have adopted a policy to increase the use of prefabricated components for our projects. Building elements off-site allows us to better control quality standards, enabling us to replicate factory conditions for manufacture. By reducing the time spent on site, where we often work in difficult and safety-critical environments, or in places still used by the public or workforce, we are not only able to improve quality but also to reduce disruption or inconvenience to our customers.

Recognising a need to assimilate and share the substantial and sometimes complex information gleaned from across our business, we have this year appointed a team of knowledge managers to ensure that lessons learnt from projects and innovations developed by MANSELL are shared between regional teams and throughout the company.

MANSELL succeeds through the effective management of risk. Our systems for corporate governance are ahead of many organisations of a similar size, and we continually review how our business is run, to safeguard our shareholders' investments and the interests of all our stakeholders.

For the second year in succession we have been selected as a finalist for Building magazine's Major Contractor of the Year. This is an endorsement of our policy of demanding excellence in all aspects of our business.

Striving towards creating a safer working environment.

Safety is our number one priority. Once again we have significantly improved our health and safety record and we continue to out-perform the industry.

Our performance not only meets our high targets for corporate social responsibility, but helps us improve our profitability, maximises our efficiency and helps widen our customer base. Many of our customers, such as Network Rail and British Airports Authority (BAA), insist that we reach the highest possible standards of safety in order to work with them in safety-critical environments - projects that we would not otherwise have access to.

Key to our success is that we continually raise awareness of health and safety issues, not only within MANSELL, but also with customers and supply teams. We all share responsibility for health and safety, and all work towards creating safer working environments. For example, working with BAA we are part of their "One in a Million" safety initiative that sets extremely tough targets for safety on their sites. We are pleased to report that we are succeeding in meeting these targets.

We continue to provide comprehensive training in health and safety across the company, and it is our policy to ensure that all our site staff are qualified under the Construction Skills Certification Scheme.

This year each of our divisions received RoSPA President's Awards for outstanding occupational health and safety records - proof of our success and dedication to providing a safe working environment for our staff, customers and the public.

Our environmental policies continue to be strengthened through our updated policy on sustainability. We are active members of "Be - Collaborating for the Built Environment", recognising that our business must focus on sustainability in the economic, social and environmental senses. We sustain our incident-free track record in terms of environmental accidents, but our policy also addresses the social and economic relationship with the communities we serve. This is particularly important in the area of social housing, where we are industry leaders in creating sustainable solutions.

Harnessing good communication to help us become a better performing business.

As a company that employs approximately 2,500 people in 31 locations throughout the UK, good communication routes are vital to ensure that all our people understand our culture and work in The MANSELL Way. We have established a Communications Strategy Team that looks into all aspects of communication within MANSELL. 2002 saw major initiatives to enhance communication within the company, with our customers and throughout the supply chain.

Centurion is the new MANSELL communication programme in electronic and paper format reaching all our staff. It is a knowledge centre containing our philosophies, working practices and support services. Launched in January 2003, its take-up has been excellent, with our staff embracing the opportunity to communicate better and share knowledge more effectively.

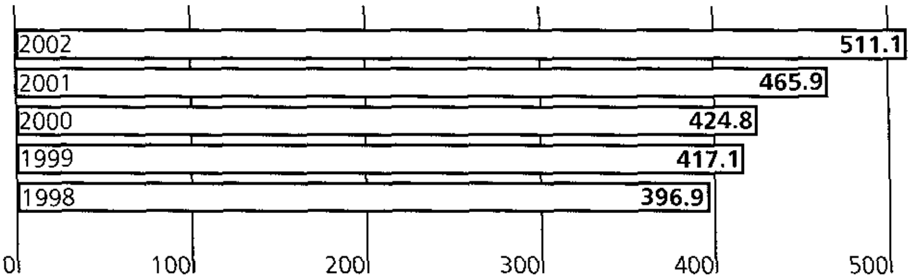
Less visible, but just as important to group operations, has been the introduction of MENSA - our IT network-based knowledge centre for project information. This is helping us drive up standards of quality in product and service, whilst driving out unnecessary costs from our processes.

Centurion and MENSA are internal communication routes, but at MANSELL we are equally committed to improving our external communication with all stakeholders, especially our customers with whom we can share our knowledge through the use of extranet technology. We are members of the Knowledge Management Construction Community, a group of 25 construction and property services companies who are gaining competitive advantage through sharing knowledge.

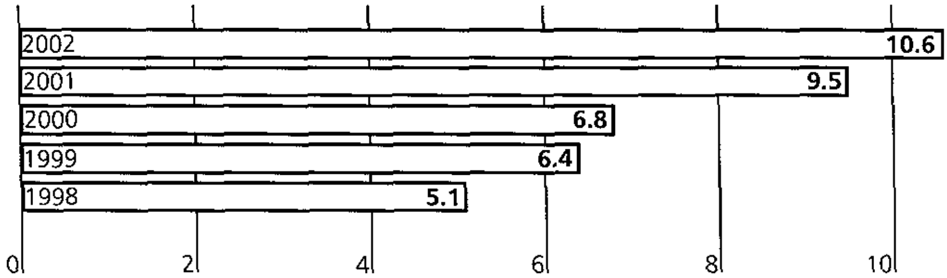
Starting where all careers begin, MANSELL has strong communication links with schools. We employ a school careers advisor, and we take groups of students on tours around manufacturing facilities, sites and on visits to the offices of architects, quantity surveyors and engineers. We then give those who have shown interest in the industry the opportunity of gaining sponsorship or employment with MANSELL or one of our supply chain partners.

Financial Highlights - Continuing Operations

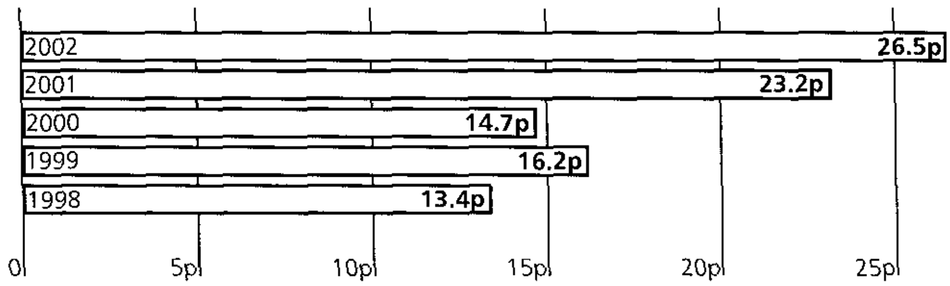
Turnover (£million)



Profit on ordinary activities before taxation (£million)



*Earnings per share



*The figures for the years 1998 to 2000 have been re-stated to reflect the impact of FRS 19 (Deferred Taxation) adopted in 2001 and the closure of the Maintenance division in 2002. For the purpose of calculating the earnings per share of continuing operations, an effective rate of corporation tax of 33% has been imputed as applying to discontinued operations, after adjustment for goodwill written off in 2002 amounting to £2,704,000 which is not deductible for corporation tax.

MANSELL

Chairman's Statement

We enter 2003 with MANSELL well positioned as one of the United Kingdom's leading providers of construction and property services.

I am pleased to report that the underlying annual profit before taxation of our continuing business is £10.6 million - this represents an increase over last year of over £1.1 million, or 11.4%, and confirms that our margins are approaching some of the best levels in the industry.

My interim report in September 2002 referred to the board's decision to exit the maintenance market. I can confirm that this has now been successfully implemented in line with expectations. Not only has it improved our ongoing profitability, but it has enabled management to focus on growing the core business.

I am delighted to report that, because of this underlying improvement in earnings and our strong cash position, the board is able to recommend an unchanged final dividend of 6 pence per share. This final dividend, to be paid on 31 May 2003, brings the total for the year to 9 pence per share and compares favourably with the yields for similar companies which are listed on The London Stock Exchange.

The year has again seen some difficult macro-economic conditions, but a combination of high consumer spending and low interest rates, together with a strong housing market, has meant that the construction sector attained one of its strongest points in the cycle. The re-positioning of the business under Philip Cleaver's leadership has allowed us to start the new year with a record level of work committed and long-term framework contracts from major customers which cover our annual turnover more than twice.

A major concern, as with many companies throughout the UK, is that our pension funds at the end of December showed significant deficits of assets to match long-term liabilities. I am pleased to confirm that both pension funds are solvent in the near-term. However, the delivery of the promised pension benefits over time is substantially dependent either upon recovery in the equity markets or on the company suffering significant contribution levels, which could become competitively dangerous. The board is taking positive action to mitigate the risk going forward.

I am pleased to report that we have also been able, during 2002, not only to offer a new Savings Related Share Option Scheme to all employees, but also to issue a series of share options to middle and senior management. These initiatives are designed to broaden further our shareholder base and to help retain the many excellent employees that we have within the group. We have also decided to introduce a contributory medium-term incentive plan for executive management, returns from which will be strictly linked to growth in profitability of the company. I believe that these initiatives will further align the remuneration of our senior management with the interests of our shareholders.

We have set challenging targets for 2003 despite the increasing cost pressures from higher insurance premiums, pensions and Government taxes, but the early signs are that we should be able to achieve our goals.

My thanks go to all my colleagues who contributed so much to the 2002 results.

Eric Anstee
Chairman

Board of Directors

Eric Anstee FCA (52) ▼ ■
Eric was appointed non-executive Chairman in April 2002. He was previously Chief Executive of the financial services and asset management division of Old Mutual plc. Eric joined Old Mutual as Finance Director from The Energy Group where he was also Finance Director and played a central role in the group's demerger from Hanson in 1997. Eric is a Member of the Senate of the Institute of Chartered Accountants and also a director
of Severn Trent plc, SSL International plc, Haslemere Preparatory School Trust and The Garland Appeal.

Philip Cleaver BSc CEng MICE (54) ●
Prior to his appointment as Chief Executive in January 2001 Philip held the position of Chief Operating Officer, having been a member of the board since 1997. He was previously Group Managing Director of Hall & Tawse and a main board director of Raine plc.

Pat Scannell BSc FCA (51) ●
Appointed as Group Finance Director in September 2001, Pat previously held the position of Finance Director for Bryant plc and played a major part in the sale of Bryant to Taylor Woodrow. Prior to this Pat was Finance Director for Havelock Europa plc and has held a number of senior appointments within Redland plc. Pat is a non-executive director of Hinckley and Rugby Building Society.

Steve Waite FRICS MCIOB (50) ●
Having joined MANSELL in 1970 as an indentured student, Steve became a Chief Surveyor in 1981, a director in 1987 and was appointed to the main board in 1997. Steve has executive responsibilities for the Southern Division, Plant Hire Division, group safety, quality and environmental issues and the MANSELL Management System.

David Hurcomb BSc ACA (39) ●
David joined MANSELL following the acquisition in 1997 of Hall & Tawse, where he held the position of Group Finance Director. David was appointed to the board in July 1999. A graduate engineer and a Chartered Accountant, he is responsible for the Northern Division and IT.

Peter Howell FCIOB (69) ▼ ■
Joined MANSELL as a non-executive director in February 1996. Peter is presently Chairman of Millwood Designer Homes Limited and a non-executive director with Landscape Group Limited. He was previously Group Chief Executive of Try Group plc and from 1971 to 1986 was with Trafalgar House plc, where he was a main board director.

The Rt Hon. the Lord Naseby
PC MA (66) ▼ ■
Joined MANSELL as a non-executive director in May 1998. Prior to his elevation to the House of Lords, he was Member of Parliament for Northampton South for twenty three years, becoming Deputy Speaker and Chairman of Ways and Means during the years 1992-1997. He was a founder member of the All Party Housing and Construction Group and Shadow Housing Spokesman 1974-1979. He is currently Chairman of the Tunbridge Wells Equitable Friendly Society and the Invesco Recovery Trust 2005.

● Member of the Group Operating Board
▼ Non-executive director
■ Member of the Audit and Remuneration Committees

"We enter 2003 with MANSELL well positioned as one of the United Kingdom's leading providers of construction and property services."

Chief Executive's Review

2002 was a year of considerable change, of greater challenges, new opportunities and difficult decisions. I am pleased to report that we have embraced change and risen to the challenges. We have grasped new opportunities and made the difficult decisions. We have done all this with the support, determination and enthusiasm of over 2,500 people working effectively in their teams around the country and I would like to thank them for their considerable efforts.

Our strategy of focusing upon discrete sectors of the industry and of concentrating on developing long-term relationships is now well developed and succeeding beyond expectations. Partnering and collaboration, bringing enterprise and responsiveness into our customer relationships, are at the heart of our efforts. In 2002, over 50% of turnover from continuing operations was derived from partnering and framework contracts, and we still have almost £1.1 billion of such potential work ahead of us. Our secured workload is at record levels despite a slow down in the commercial sectors. Our policy of seeking only sustainable sources of work and carefully adjusting our exposure to the public and private sectors will provide shelter from the worst of any future slow down.

Clearly our decision to close MANSELL Maintenance and to exit its deteriorating market was the most difficult of the issues we faced last year, in major part because of the impact upon the employees in that business. The board considered a range of options and concluded that a complete exit represented the best solution. Closure commenced at the half year and was completed according to plan at the end of the year. In line with the forecasts set out in the interim report, our action is returning substantial cash to the business. Throughout this period, conversations with our advisors in the City have confirmed that the decision has been well received and places MANSELL in a much stronger position as we seek to create and return shareholder value. Although a stock market listing remains our primary goal, it is clear that an improvement will be needed in the financial markets before such a move is possible.

The performance of our continuing businesses has been excellent, producing £10.6 million profit before taxation on turnover up £45 million to £511 million. This represents a doubling of profit over the last five years on turnover up by 28%. On a continuing basis, turnover per member of staff has increased by 6% and profit by 7%, underlining the excellent work of our people.

The performance and continued improvement of our core business is all the more impressive when one takes into account the considerable increases in our cost base caused by the substantial rise in the price of insurance, coupled with the continuing increase in the level of pension contributions, both of which are likely to persist for some time. The company, like many in the UK today, is examining the options for pensions in the future.

Safety remains top of our agenda. Our vigilance, coupled with the positive environment created by greater collaboration with customers and the supply chain, has resulted in a 25% improvement in our safety performance in 2002. This is particularly impressive when one considers that MANSELL was already performing well ahead of industry averages. The key to sustaining and improving this performance is a qualified workforce. We continue with our programme of registering with the Construction Skills Certification Scheme and I am pleased to report that 100% of our site management is now registered. We continue to increase our investment in training, and 2002 saw a 21% rise in the number of staff training days. I am particularly pleased that we have designed our own bespoke M&E course for site managers which has now achieved Edexcel registration. This is a fine achievement and great credit goes to all involved.

Chief Executive's Review

Our new strategy required realignment and the process has been under way for nearly two years. As I mentioned last year, product groups were established, with staff drawn from all parts of the group to develop new systems and processes to improve our product delivery. In today's market, it is simply not enough just to be able to "price and build". Process groups are developing new skills in cost modelling, value management and cost in use studies. Knowledge management has entered our vocabulary and also requires new skills. Knowledge management has been slow to develop in construction, but at MANSELL we are in the forefront with our membership of the newly formed Knowledge Management Construction Community, a group of 25 leading customers, consultants and contractors whose vision is that the delivery of real value comes from shared knowledge. A network of knowledge managers throughout the group has been established to ensure that we capture and share the innovations we are bringing to projects in all sectors.

It remains an imperative that we communicate our ideas, strategy and progress both internally and externally. During the second half of 2002, we embarked upon a communications programme designed to reach all our employees and which forms a basis for improved external communication. A communications strategy group was formed, and their work culminated in the launch of Centurion in the form of a handbook and linked intranet. This is now both an induction tool and the conduit by which all information can be communicated to our employees.

It is important to highlight here the amount of work carried out by many of our people on these initiatives in addition to their everyday roles. Whether it be in product and process groups, communication groups and knowledge management groups, their enthusiasm and willingness to commit to the extra work deserves our many thanks.

Ultimately, the continued success of our core business relies upon the quality of delivery to our customers and the extent to which we exceed their expectations. Three years ago we started to collect customer feedback in a controlled and auditable way. In the first year, we achieved an 82% satisfaction rating measured against industry standard key performance indicators. We have improved each year and in 2002 achieved an overall rating of 86%, with 93% of customers wishing to work with us again. This is excellent progress and I look forward to building upon this in 2003.

Philip Cleaver
Chief Executive

"2002 was a year of considerable change, of greater challenges, new opportunities and difficult decisions. I am pleased to report that we have embraced change and risen to the challenges."

Operations Review

MANSELL is now one of the leading construction and property services providers in the UK.

Businesses today are seeking solutions to their own unique challenges. This is why we at MANSELL pride ourselves on our ability to think far beyond price and build - we are constantly seeking to find innovative and effective solutions to help us deliver best value. This means bringing a range of skills to each project, often unique and targeted on our customers' needs. These skills may include development consultancy, design, project management and communication, in addition to our core expertise in construction techniques.

Our business is geared towards continuous improvement, especially in these key areas:

- Safety and environmental awareness
- Customer service and understanding customer needs and priorities
- Eliminating defects
- Industry best practice
- Collaborative working
- Communication and knowledge management
- Supply team integration
- Specialist expertise in focused market sectors and products.

In 2002 we consolidated our position as a leading business-to-business service provider. We have already secured contracts that allow us to continue our progress towards our vision.

"Our national coverage enables us to provide total property solutions to our customers anywhere in the country."

Operations Review Social Housing

In 2002 we reached some significant milestones in the continued improvement of how we manage and deliver social housing. Through our sector experienced staff and specialist knowledge managers, we have been able to better understand our customers, share knowledge across the group, and deliver a difference. This has helped us to maintain our position as a leading service provider to this sector.

An example of the kind of opportunity this brings us can be found at Marshall Street, Smethwick - a timber-frame project within the 'Reinventing the Home' initiative for our customer partner Mercian Housing Association. The team was determined to meet the needs of tenants over a long period of time. We were able to design-in expansion space in the roof of each unit. Instead of the usual trussed rafter roof structure that fills the roof and makes it unusable, we used attic trusses. The roof spaces were boarded out, roof lights installed and services connections provided. This will make future extension easy and inexpensive. The project was delivered within budget, and we were able to share cost savings with our customer. Lessons learnt from this successful initiative are now being shared throughout the group.

The completion in January 2003 of 57 timber framed flats and houses at Floral Way, Andover is further proof of the continued strategic alliance between Western Challenge Housing Association and MANSELL. The success of the partnership may be measured by the forging of stronger supply chain arrangements, improved quality and defect-free performance, delivery in ten months and real net savings of 2.7% under the contract sum.

MANSELL is putting in place the infrastructures to deliver a value-added social housing offering. An example of this community based approach can be seen in the training, mentoring and employment opportunities that we are developing with Southern Housing Group in East London. Six 15-year-old students from Homerton College were chosen to be given the opportunity to experience our industry from a range of viewpoints: customer, architect, quantity surveyor and contractor. This initiative, which complements their schoolwork, will be an ongoing process over a two-year period until the students leave school. Further education and work placement will then be available.

Operations Review Interior Solutions

MANSELL has identified interior solutions as an area where we can offer particular value and innovation. By adopting a customer focused approach we can better understand our customers' needs and individually tailor our service to their requirements, taking into account the complete property services cycle from project inception, to completion and beyond.

MANSELL has extensive experience of working in occupied buildings and recognises the importance of providing fit-out solutions that have minimum impact on workforce and visitors alike. We understand that there is a need to strike the right balance between the commercial aspirations of our customers and the comforts of those expected to work in their buildings. With our supply team partners, we are able to offer specialist design and space planning skills to sit alongside our installation and refurbishment service.

An example of this is the work carried out by MANSELL on BT's New Generation Contact Centres. In collaboration with the supply team, we were able to develop interior solutions which took into consideration the employees' environment and ergonomics, to arrive at designs targeted at improving employee retention as well as the comfort of the workforce in general.

Our service relies upon a culture of collaboration. National roll-out programmes, such as Jobcentre Plus for the Department of Work and Pensions, demonstrate our ability to create, manage and work with integrated supply teams. With each individual project in this programme ranging in value from £50,000 to £2 million, MANSELL has been able to respond to local requirements and apply specialist skills as required. A core team was also put in place to co-ordinate delivery and ensure that the supply team unlocked innovation and purchasing power - benefits passed directly to our customer.

Operations Review

Airports

Our work in this sector shows some of the most advanced product development in the group. We continue our long association with many of the UK's major airports, and we are developing with them new construction methods and designs that meet evermore demanding needs for security, with minimal disruption to passenger and air traffic.

We have this year developed an innovative solution to a problem being experienced at all international airports. This affects the way passengers travel en route between aircraft and terminal. New regulations for pier segregation now mean that airports are required to separate incoming and outgoing passengers. This means creating separate corridors, and often this presents a real challenge.

MANSELL has jointly developed a system by which new segregated corridors can be assembled off-site, craned into position and connected to the existing structure with minimum disruption. This is just part of a growing suite of products MANSELL manufactures for BAA. Prefabricating passenger link bridges, corridors and toilets significantly reduces downtime and costs, and the principles established are now being applied to other projects across the group.

Defence Property

This major product sector in MANSELL currently has approximately £100 million of work on site or under negotiation. Concerned mainly with the provision of accommodation for British and United States Forces, we have also been working in 2002 on operational premises across the country, for example at Coningsby, in preparation for the arrival of the Typhoon Eurofighter in 2007.

Our framework partnering contract with Defence Estates, for the upgrade of United States Forces married family houses in the UK, is entering its third year, and has so far generated £75 million in revenues for the group. The success of this project has been demonstrated by the value our customer has gained through speed to site, cost reductions and innovative solutions.

An equally important project for us is the Defence Estates Regional Prime Contract for Scotland, where our consortium, led by Amec Turner, has been selected as preferred bidder. We have demonstrated our commitment to MoD projects and as prime partner in the consortium we can bring best practice and innovation to our valued military customer, which will result in cost and time savings.

MANSELL will actively pursue Prime Contracts as they come out, and we are currently engaged in the DHE Prime Contract selection process.

Telecommunications

Partnerships with companies in this sector such as Orange and Three continue to flourish - demonstrated this year with the completion of Orange's 10,000th site. Our acquisition, design and construct service, combined with our national network of offices and detailed knowledge of the sector's processes and procedures, is still a strong asset.

The importance of the MANSELL safety team in this sector is borne out by the new framework agreement we have secured with Ultramast. The programme is aimed at achieving 100% mobile phone coverage on the UK rail system, including a new security network, to facilitate communication between control centres and train crews. This includes being able to communicate in cuttings and tunnels. We have been able to demonstrate that because MANSELL has a strong history of working in safety critical areas, we can install this equipment anywhere on the network.

Operations Review

Education

MANSELL delivers value and quality through collaboration with our customers and supply team partners. We continue to develop new solutions, concentrating on providing the best teaching and accommodation environments. In East Anglia the open relationship with Norfolk County Council Education Department has led to the development of two very successful and innovative construction solutions - one involving a prefabricated timber frame, and the other a steel frame with cladding, removing the need for traditional brickwork.

During 2002 we built upon the successes of our partnering arrangements with universities. We have been appointed for a second term as a partner to the University of Bradford, where we are engaged to provide student accommodation and a range of teaching and office facilities.

These successful partnerships have already led to further opportunities. In Scotland, relationships are being cultivated with public schools and universities that previously have been reluctant to procure work through partnering. They are gradually being persuaded of the benefits of a collaborative approach by our ability to draw on the successes of our education work elsewhere within the group.

Heritage

MANSELL has once again risen to the challenges of working on historic buildings with the continuation of our intensive programme of restoration work in the Houses of Parliament. During the summer of 2002 we completed three Committee Rooms within six weeks - work that achieved customer satisfaction levels of 96% in our project reviews.

Our long association with London museums, and in particular the British Museum, has continued with the restoration of the Grade I-listed Kings Library. It is considered by English Heritage to be one of the finest galleries of the period - the work entailed installing highly sophisticated services in a non-intrusive manner, and painstakingly restoring traditional features such as the gilded balustrading and wood panelling. In Scotland, we are proud to retain our Royal Warrant as Building Contractors to Her Majesty The Queen, carrying out work in various royal residences. This year we completed the conversion of two historic buildings in The Palace of Holyroodhouse to create The Queen's Gallery. High quality bespoke joinery for The Gallery was manufactured by Hall & Tawse, our joinery division from Aberdeen.

This year MANSELL commenced the contract with our partner customer Dundee City Council to reinstate the Category A-listed Morgan Academy. The School was destroyed by fire in 2001, and we are now undertaking an £18 million contract to bring this very distinctive building back to its former glory.

Plant Hire

In 2002 Network Plant invested £1.25 million in new plant and equipment to service our niche market in repair and maintenance trades. This investment further enhanced the standards of reliability and safety of our equipment for our customers, the majority of whom are from outside MANSELL.

Our aim is to maximise utilisation of our plant and to continue to strengthen our position as a strong regional niche player. Our area of focus is Greater London and the West Midlands, where we are continuing to develop strategic partnerships with our customers, enabling us to tailor our business to suit their specific service plans. This means providing them with a rapid response to their needs by understanding fully their business.

Financial Review

The financial review for the year ended 31 December 2002 should be read in conjunction with the Chairman's Statement, the Chief Executive's Review and the Financial Highlights.

Turnover

Turnover from continuing operations increased by 10% to £511 million. Almost 60% of the activity arose in the public sector, and over 50% originated from partnering and framework contracts.

Profit before taxation

At 2.1% of turnover, profit before taxation deriving from continuing operations rose by 11.4% to £10.6 million.

Discontinuation costs

During the year, the Maintenance Division was closed. Costs of £8.0 million relating to the closure have been treated as an exceptional item. Of the exceptional item, £2.7 million relates to goodwill previously written off on the acquisition of Station Maintenance Limited in 1997. This item is written back to reserves and has no effect on shareholders' funds. £2.8 million of the exceptional item gives rise to a cash outflow, however the overall effect of the closure on group cash balances will be positive.

Taxation

The tax charge for the year of £548,000 principally exists because the goodwill write off of £2.7 million is not deductible for tax purposes.

Dividends

The total dividend is maintained at 9.0 pence, is not covered this year and will be paid out of retained reserves.

Shareholders' funds

Shareholders' funds have increased by £1.2 million and note 21 to the Financial Statements contains details of the movement in the year. At £20 million, shareholders' funds have doubled since 1997.

Cash flow and banking facilities

Net funds increased by £8.8 million to £29.2 million at 31 December 2002.

Great emphasis is placed upon cash management, however the group's liquidity is affected by seasonal, monthly and contract specific cycles. Cleared net funds during 2002 were an average of £15.9 million, with a high of £31.9 million and a low of £6.9 million.

To deal with cyclical cash movements, the group maintains short term borrowing and overdraft facilities of £10 million which were not utilised during the year. There is also a medium term facility of £15 million, secured on cash deposits, which was utilised for four months during 2002.

The group has £60 million of performance bond facilities, which were 50% utilised at the year end.

Foreign currency risks arising from operations are minimal.

Accounting policies and standards

No changes have been made to accounting policies during the year. The following comments on new standards are relevant:

UITF 34 (Pre-contract Costs) had no effect upon the result as pre-contract costs were written off previously.

FRS 19 (Deferred Tax) was adopted early in the 2001 accounts.

The Accounting Standards Board has published an amendment to FRS 17 (Retirement Benefits) deferring the mandatory requirement for its full adoption. Note 27 to the Financial Statements reflects the second year transitional provisions of FRS 17. The pension charge has been calculated in accordance with SSAP 24.

Under FRS 17, there is a deficit in the pension schemes, however the current levels of contribution and income receipts are sufficient to fund the benefit payments.

The pension schemes are closed to new members and a defined contribution arrangement is now offered. This is not expected to reduce the costs of pension provision in the medium term but provides more certainty over future pension costs and will eventually lead to less risk for the group.

Pat Scannell
Finance Director

Directors' Report

The directors of MANSELL plc present their report and the audited financial statements for the year ended 31 December 2002.

Review of activities

The group operates within the United Kingdom. Its principal activities are property repair, improvement, public and private housing, new build, design and build, contract decorating, plant hire and property investment. A review of the group's business during the year and its future prospects is given in the Chairman's Statement, the Chief Executive's Review, the Operations Review and the Financial Review.

Results and dividends

The loss attributable to shareholders for the year amounted to £545,000 (2001: Profit £5,297,000). Interim dividends of 3.00 pence per ordinary share and preferred ordinary share were paid on 30 November 2002.

The directors now recommend that a dividend of 6.00 pence per ordinary share be paid on 31 May 2003. If this recommendation is accepted, the preferred ordinary shareholders would, in accordance with the company's articles of association, also receive a dividend of 6.00 pence per share. The rate of dividend payable to the "A" ordinary shareholders is fixed by the articles of association.

The total dividends paid and proposed are set out in the following table:

	Ordinary Pence per share		Preferred ordinary Pence per share		"A" ordinary Pence per share	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
Interim	3.00	3.00	3.00	3.00	2.77	2.52
Proposed/payable	6.00	6.00	6.00	6.00	0.26	0.23
	9.00	9.00	9.00	9.00	3.03	2.75

The loss for the year, after deduction of dividends, amounted to £3,474,000 (2001: Profit £2,431,000) and has been transferred against reserves.

Directors

The names of the directors holding office at the date of the report are set out on page 3.

Retirements and appointments

Eric Anstee was appointed as a non-executive director on 1 January 2002 and appointed as non-executive chairman on 4 April 2002.

On 4 April 2002 Sir John Wickerson resigned as non-executive chairman and on 20 May 2002 David Beardsmore resigned as a non-executive director.

The directors to retire by rotation are Philip Cleaver and David Hurcomb who, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

Directors' interests in the group

The interests of the directors who held office at the end of year in the share capital of the company were as follows:

	At 31 December 2002		At 1 January 2002	
	Ordinary shares of 25p each	**Pref ordinary shares of 25p each**	**Ordinary shares of 25p each**	**Pref ordinary shares of 25p each**
Eric E Anstee	78,125	-	-	-
Philip A Cleaver	10,100	-	10,100	-
Peter R Howell	20,000	-	20,000	-
David S Hurcomb	10,000	-	5,000	-
The Rt Hon. the Lord Naseby	20,000	-	20,000	-
Patrick J Scannell	100	-	-	-
Stephen J Waite	779,925	100	779,925	100

Directors' Report

Options over ordinary shares of 25p each have been granted to directors in accordance with and subject to the rules of the MANSELL Executive Share Option Scheme, the MANSELL Company Share Option Scheme and the MANSELL Savings Related Share Option Scheme as follows:

			Number of options			
Director and scheme	**At 1.1.02**	**Granted during the year**	**Exercised during the year**	**At 31.12.02**	**Exercise price per share**	**Dates normally exercisable**
Philip A Cleaver						
- Executive	17,000	-	-	17,000	128p	26.6.2001 to 26.6.2005
- Company	23,000	-	-	23,000	128p	26.6.2001 to 26.6.2008
- Savings related	-	5,823	-	5,823	130.5p	1.7.2005 to 1.1.2006
	40,000	5,823	-	45,823		
David S Hurcomb						
- Company	15,000	-	(5,000)	10,000	128p	26.6.2001 to 26.6.2008
- Savings related	-	5,823	-	5,823	130.5p	1.7.2005 to 1.1.2006
	15,000	5,823	(5,000)	15,823		
The Lord Naseby						
- Savings related	-	5,823	-	5,823	130.5p	1.7.2005 to 1.1.2006
	-	5,823	-	5,823		
Patrick J Scannell						
- Savings related	-	5,823	-	5,823	130.5p	1.7.2005 to 1.1.2006
	-	5,823	-	5,823		
Stephen J Waite						
- Savings related	-	5,823	-	5,823	130.5p	1.7.2005 to 1.1.2006
	-	5,823	-	5,823		

No director had any interest in the share capital of any subsidiary at any time during the year.

Creditors

It is group policy to settle all debts owing to its creditors on a timely basis rather than following a standard code. Subcontractors are paid upon agreement of the value of the works completed based on their applications for payment and the terms agreed. In general, other suppliers are paid at the end of the month following the month of receipt of the invoice unless other terms have been specifically agreed.

Charitable and political contributions

During the year the company contributed £13,009 (2001: £15,123) for charitable purposes. The company did not make any political contributions during the year (2001: £nil).

Employees

It is group policy to provide equal employment opportunities without regard to race, religion, sex, national origin, disability or age.

We have continued our policy of consulting staff and keeping them informed of significant events and trends through meetings, the circulation of MANSELL NEWS and the introduction of Centurion, the new MANSELL communication programme reaching all staff.

At 31 December 2002 unexercised share options over ordinary shares had been granted to employees, including main board directors, in accordance with the terms of the following schemes:

	2002	**2001**
MANSELL Savings Related Share Option Scheme	1,217,061	-
MANSELL Executive Share Option Scheme	152,000	17,000
MANSELL Company Share Option Scheme	898,000	403,000
	2,267,061	420,000

Auditors

The auditors, Moore Stephens, are willing to continue in office. In accordance with the Companies Act 1985 a resolution for their reappointment and authorising the directors to fix their remuneration will be put to the annual general meeting.

Directors' responsibilities for the financial statements

The directors' responsibilities for the financial statements are set out within the Policy on Corporate Governance statement on pages 20 and 21.

By order of the board
Richard Cordeschi Company Secretary
3 April 2003

Policy on Corporate Governance

MANSELL seeks to comply with the requirements of the Combined Code of the Committee on Corporate Governance derived from the Principles of Good Governance and Code of Best Practice.

The board

At 31 December 2002, the board of directors consisted of four executive directors, including the Chief Executive, and three non-executive directors, including a non-executive Chairman.

All directors, including non-executive directors, are appointed by the board and are subject to re-election by the shareholders at the first annual general meeting following their appointment. In accordance with the articles of association, every year one or more directors are required to retire by rotation and are eligible for re-election at the annual general meeting. The appointment of directors is considered by the board as a whole.

There are scheduled board meetings generally in each month of the year and other meetings are held as necessary. Members of the board and some senior employees are required to comply with a code of share dealing similar to the Model Code set out in the Financial Services Authority's Listing Rules.

The directors are able, if necessary in the furtherance of their duties, to obtain professional advice at the company's expense. The directors also have access to the advice and services of the Company Secretary.

Directors' remuneration

A Remuneration Committee, made up of the non-executive directors, meets as necessary and at least once a year, to consider contract terms, remuneration, the granting of options and other benefits of the executive directors. In determining remuneration and benefits, the Remuneration Committee considers the benefits packages provided to directors in peer group companies. Information on levels of directors' remuneration is included in note 4 of the Notes to the Financial Statements.

Relations with shareholders

Communications with shareholders are given a high priority. The Chairman's Statement, the Chief Executive's Review, the Operations Review and the Financial Review include a detailed review of the business and future developments. Shareholders also receive the unaudited interim report during the year and are included in the circulation of MANSELL News. The annual general meeting offers the board the opportunity to communicate further with shareholders and their participation is welcomed.

Accountability and audit

Directors' responsibilities: Responsibility rests with the directors to ensure that the group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for taking reasonable steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing the group's financial statements the directors consider they have:

(a) selected suitable accounting policies and applied them consistently;
(b) made judgements and estimates that are reasonable and prudent;
(c) followed applicable accounting standards; and
(d) prepared the financial statements on a going concern basis.

Policy on Corporate Governance

Internal control: The Combined Code introduced the requirements for the directors to review the effectiveness of the system of internal control, including financial, operational, compliance and risk management. The board acknowledges that it is responsible for the group's system of internal control (including financial control) and for reviewing its effectiveness. Such a system can only provide reasonable assurance and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Audit Committee: Financial reporting arrangements and internal control principles and procedures are kept under review by the Audit Committee. The Audit Committee is also responsible for maintaining a relationship with the external auditors and for reporting to the board on material matters or concerns arising from the annual audit or from the ongoing internal audit review programme. The Audit Committee consists of all the non-executive directors.

Risk Management Committee: To assist the board and the Audit Committee in reviewing the effectiveness of all internal controls and procedures, a Risk Management Committee has been established and reports to the board and Audit Committee.

It has responsibility for identifying and responding to new or increased risks, as well as reviewing and assessing the effectiveness and appropriateness of risk controls and procedures.

The Risk Management Committee also reviews the internal audit function which reports to the Audit Committee and which is maintained to review and report on operational and financial controls.

Key controls and procedures: The following controls and procedures have been established by the directors to provide effective internal control:

(a) maintenance of policies and procedures including rules relating to the delegation of authorities, allowing management to monitor controls and safeguard the group's assets;
(b) establishment and continuous monitoring and assessment, through the MANSELL Management System, of quality, occupational health, safety and environmental rules and procedures throughout the group, developed to meet the integrated requirements of ISO 9001:1994, ISO 14001:1996 and OHSAS 18001:1999 as applied to building construction operations;
(c) appointment of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance;
(d) preparation of budgets and long term forecasts allowing management to monitor the key business and financial activities and risks in addition to the progress towards financial objectives set for the year and the longer term;
(e) prompt preparation of detailed monthly management accounts providing relevant, reliable and up to date information;
(f) investigation as appropriate of significant variances from budget;
(g) maintenance of clear policies and authorisation procedures for capital investment;
(h) review by the Audit Committee of reports from the external auditors and the internal audit function in order to provide reasonable assurance that control procedures are in place and are being followed;
(i) establishment of formal procedures for instituting appropriate action to correct control weaknesses identified.

The objective of these processes is to ensure that significant risks are being both effectively identified and managed by the business and that the necessary policies and procedures are in place to comply fully with the reporting and other requirements of the group's system of internal control. The board is of the view that there is an on-going process for identifying, evaluating and managing the group's significant risks, and that it is regularly reviewed by the board.

Going concern
The directors consider that the funds available to the group are sufficient for its operations for the foreseeable future.

Independent Auditor's Report

to the shareholders of MANSELL plc

We have audited the financial statements of MANSELL plc for the year ended 31 December 2002 set out on pages 23 to 42. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 26.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the Statement of Directors' Responsibilities set out on page 20 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only The MANSELL Way, Financial Highlights, Chairman's Statement, Chief Executive's Review, Operations Review, Financial Review, Directors' Report, Policy on Corporate Governance and Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the group's result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Stephens

Moore Stephens Chartered Accountants and Registered Auditors
London
3 April 2003

Consolidated Profit and Loss Account

for the year ended 31 December 2002

	Note	Continuing operations £'000	Discontinued operations (note 2) £'000	2002 £'000	Continuing operations £'000	Discontinued operations (note 2) £'000	2001 £'000
Turnover	1b	511,137	17,852	528,989	465,864	26,092	491,956
Cost of sales		(467,826)	(18,484)	(486,310)	(423,760)	(24,963)	(448,723)
Gross profit / (loss)		43,311	(632)	42,679	42,104	1,129	43,233
Administrative expenses	2	(33,322)	(1,918)	(35,240)	(33,234)	(2,928)	(36,162)
Operating profit / (loss)	3	9,989	(2,550)	7,439	8,870	(1,799)	7,071
Discontinuation costs	2	-	(8,020)	(8,020)	-	-	-
Investment income	5	584	-	584	624	-	624
Profit / (loss) on ordinary activities before taxation		10,573	(10,570)	3	9,494	(1,799)	7,695
Taxation	6			(548)			(2,398)
(Loss) / profit on ordinary activities after taxation				(545)			5,297
Dividends	7			(2,929)			(2,866)
(Loss) / retained profit	20			(3,474)			2,431
Earnings per share	8						
Continuing operations				26.5p			23.2p
Basic				(4.5)p			18.5p
Diluted				(4.4)p			18.3p

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
(Loss) / profit on ordinary activities after taxation		(545)	5,297
Prior year adjustment	1g	-	(301)
Revaluation of freehold properties	10	1,936	-
Total gains and losses recognised since last annual report		1,391	4,996

Balance Sheets

as at 31 December 2002

	Note	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Fixed assets					
Intangible assets	9	146	170	-	-
Tangible assets	10	25,379	27,221	298	434
Investments	11	-	-	31,737	32,419
		25,525	27,391	32,035	32,853
Current assets					
Stocks	12	4,217	3,505	-	-
Debtors due within one year	13	83,324	80,383	24,113	18,905
Debtors due after more than one year	13	3,481	2,992	126	45
Investments	14	235	235	235	235
Cash and cash deposits	15	44,212	35,360	34,007	25,002
		135,469	122,475	58,481	44,187
Creditors: amounts falling due within one year	16	(122,669)	(112,827)	(58,426)	(43,196)
Net current assets		12,800	9,648	55	991
Total assets less current liabilities		38,325	37,039	32,090	33,844
Creditors: amounts falling due after more than one year	17	(17,804)	(17,663)	(15,000)	(15,000)
Provisions for liabilities and charges	18	(475)	(533)	(250)	-
Net assets		20,046	18,843	16,840	18,844
Capital and reserves					
Called up share capital	19	11,566	11,541	11,566	11,541
Share premium account	20	1,493	1,481	1,493	1,481
Revaluation reserve	20	4,207	2,271	-	-
Profit and loss account	20	2,780	3,550	3,781	5,822
Shareholders' funds	21	20,046	18,843	16,840	18,844
Analysis of shareholders' funds					
Equity		15,046	13,843	11,840	13,844
Non-equity		5,000	5,000	5,000	5,000
Shareholders' funds		20,046	18,843	16,840	18,844

The financial statements on pages 23 to 42 were approved by the board of directors on 3 April 2003.

E E Anstee Chairman

P J Scannell Finance Director

Consolidated Cash Flow Statement

for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Cash flow from operating activities	22	13,626	11,300
Returns on investments and servicing of finance	23	(16)	(108)
Taxation	23	(1,424)	(2,211)
Capital expenditure	23	(1,053)	(3,721)
Acquisitions	23	-	(55)
Equity dividends		(2,318)	(2,120)
Cash inflow before management of liquid resources and financing		8,815	3,085
Management of liquid resources	23	(14,606)	4,072
Financing	23	37	13
(Decrease) / increase in cash		(5,754)	7,170

Reconciliation of net cash flow to movement in net funds

	Note	2002 £'000	2001 £'000
(Decrease) / increase in cash		(5,754)	7,170
Cash outflow / (inflow) from management of liquid resources	23	14,606	(4,072)
Movement in net funds		8,852	3,098
Net funds at 1 January 2002		20,360	17,262
Net funds at 31 December 2002	24	29,212	20,360

Notes to the Financial Statements

1. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with all applicable accounting standards.

(b) Turnover

Group turnover is the value of work done during the year in respect of contracting together with the invoiced value of sales in respect of other activities, excluding intra-group sales and Value Added Tax.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2002. Subsidiary undertakings acquired are accounted for using the acquisition method and their results are included from the date of acquisition.

(d) Depreciation

The cost of fixtures incorporated in freehold properties is depreciated by equal instalments over their expected lives of 20 years. Otherwise, no depreciation is provided on freehold properties used within the group. It is the group's policy to maintain these properties to a high standard. Accordingly the directors consider that the residual values are such that depreciation on these premises would be insignificant. All group properties are reviewed regularly for impairment and any impairment losses arising would be recognised. The cost of long leasehold properties is amortised by equal instalments over the term of each lease. Freehold properties have been revalued during the year. The cost of other fixed assets is depreciated by equal instalments over their expected lives of between four and twelve years.

(e) Recognition of contract profit

Profit on long term contracts is recognised over the life of each contract in proportion to the value of work carried out, but only to the extent that the total eventual profit on the contract can be foreseen with reasonable certainty. Losses are provided for as soon as foreseen.

(f) Stocks

Stocks and work in progress are stated at the lower of net realisable value or cost including attributable overheads where appropriate. Long term contracts are stated at cost, plus attributable profits, net of amounts transferred to cost of sales, after deducting provisions for foreseeable losses and payments on account. Where turnover differs from invoiced progress payments the balance is included in debtors or creditors as appropriate.

(g) Deferred taxation

No provision is made for tax on capital gains which would arise if group properties were disposed of at the valuations at which they are included in the financial statements. Other timing differences are provided in full to comply with Financial Reporting Standard 19. This standard was adopted in 2001, giving rise to adjustments to prior year figures.

(h) Pensions

Pension costs are charged to the profit and loss account on a systematic basis over the periods benefiting from the employees' services. The transitional arrangements under Financial Reporting Standard 17 (Retirement Benefits) have been complied with as set out in note 27.

(i) Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease. Assets held under finance leases are included in fixed assets and the capital element of the commitment is shown under creditors.

(j) Goodwill

Goodwill arising on acquisitions since 1 January 1998 has been capitalised and is amortised over its useful life in accordance with Financial Reporting Standard 10. Goodwill is amortised on a straight-line basis over a ten year period, being the directors' estimate of its useful economic life.

(k) Valuation of investments

Fixed asset investments are recorded at cost or market value where this is believed to be materially different, less provisions for diminution in value. Current asset investments are recorded at the lower of cost and net realisable value.

Notes to the Financial Statements

2. Exceptional items

Discontinuation costs

Exceptional discontinuation costs, disclosed on the face of the profit and loss account as required by FRS 3, relate to the group's reactive maintenance business which was closed during the year. The closure involved an orderly wind down, giving rise to the following discontinuation costs:

	£'000
Fixed asset value write downs	1,026
Current asset value write downs	1,503
Early lease terminations	480
Staff costs	2,307
Goodwill written off (note 20)	2,704
	8,020

Administrative expenses

In 2001, administrative expenses included exceptional items totalling £1,566,000, comprising insurance costs £652,000, board restructuring costs £459,000, group reorganisation costs £384,000 and pension costs £71,000. Of these costs £300,000 related to activities that were discontinued in 2002.

The taxation impact of the exceptional items is to reduce the tax charge for the year by £1,595,000 and £470,000 for 2002 and 2001 respectively. The tax charges disclosed in note 6 are shown net of these reductions.

3. Operating profit / (loss)

		2002 £'000	2001 £'000
Operating profit / (loss) is stated after charging / (crediting):			
Depreciation of tangible fixed assets (note 10)		3,134	2,846
Amortisation of goodwill (note 9)		24	23
(Profit) on disposal of fixed assets		(104)	(218)
Charges under operating leases	- property	908	886
	- motor vehicles	4,201	4,400
	- plant and machinery	86	100
Parent company auditors' remuneration	- audit	156	149
Parent company auditors' remuneration	- other non-audit fees	82	38

Notes to the Financial Statements

4. Directors and employees

Staff costs		2002 £'000	2001 £'000
Wages and salaries		69,991	69,460
Social security costs		5,916	5,936
Other pension costs	- defined benefits	4,520	3,167
	- defined contribution	130	75
		80,557	78,638

The average number of staff employed by the group during the year was:	Number	Number
Operational	2,196	2,422
Administrative	486	504
	2,682	2,926

Staff costs include the following emoluments in respect of the qualifying services of the directors of the company:	2002 £'000	2001 £'000
For services as directors	120	81
For management services	763	755
Performance related bonuses	349	515
Aggregate emoluments	1,232	1,351
Pension paid to a former director	25	24
Board restructuring costs	58	459
Personal pension contributions	78	83
	1,393	1,917

Staff costs include the following emoluments in respect of the highest paid director:		
Salary and benefits	252	232
Performance related bonus	117	176
	369	408

The highest paid director is a member of a group defined benefit pension scheme. At 31 December 2002 his accrued pension entitlement amounted to £52,998 per annum (2001: £49,815).

Board restructuring costs include £58,000 compensation for loss of office (2001: £226,000). Share options exercised by directors during the year are disclosed in the directors' report. Retirement benefits accrued during the year to three (2001: five) directors under defined benefit schemes.

The following table shows the number of directors whose emoluments, excluding pension contributions and board restructuring costs, were in the ranges:

	2002 Number	2001 Number
£ 10,001 - £ 15,000	1	-
£ 15,001 - £ 20,000	1	-
£ 20,001 - £ 25,000	2	2
£ 30,001 - £ 35,000	-	1
£ 55,001 - £ 60,000	1	1
£ 95,001 - £100,000	-	1
£185,001 - £190,000	-	1
£235,001 - £240,000	2	-
£245,001 - £250,000	-	1
£250,001 - £255,000	1	-
£265,001 - £270,000	-	1
£365,001 - £370,000	1	-
£405,001 - £410,000	-	1

Notes to the Financial Statements

5. Investment income

	2002 £'000	2001 £'000
Interest receivable	854	778
Interest payable on bank loans	(270)	(350)
Dividends receivable (note 11)	-	196
	584	624

6. Taxation

	2002 £'000	2001 £'000
United Kingdom corporation tax based on the profit for the year as adjusted for taxation purposes at a rate of 30% (2001: 30%)	971	2,145
Deferred taxation (credit) / charge for the year	(58)	330
	913	2,475
Corporation tax over provision in prior years	(115)	(77)
Deferred taxation over provision in prior years	(250)	-
	548	2,398

Tax reconciliation:	%	%
Average United Kingdom corporation tax	30	30
Adjustments in respect of prior years	(13)	(1)
Dividend receivable	-	(1)
Expenses not deductible for tax purposes	3	3
Effective current tax rate on profit on ordinary activities before tax	20	31

The tax reconciliation above is given after adjustment is made for goodwill written off through the profit and loss account amounting to £2,704,000 (note 20), which is not deductible for corporation tax.

7. Dividends

		2002		2001
	Pence per share	Total £'000	Pence per share	Total £'000
Ordinary:				
Paid	3.00	753	3.00	751
Proposed	6.00	1,499	6.00	1,493
	9.00	2,252	9.00	2,244
Preferred ordinary:				
Paid	3.00	24	3.00	24
Proposed	6.00	48	6.00	48
	9.00	72	9.00	72
Equity dividends		2,324		2,316
"A" ordinary:				
Paid	2.77	554	2.52	504
Payable	0.26	51	0.23	46
Non-equity dividends	3.03	605	2.75	550
Total dividends		2,929		2,866

Notes to the Financial Statements

8. Earnings per share

For the purpose of calculating earnings per share the two classes of equity shares are combined as, in normal circumstances and subject to the preferred element, profits are divisible equally among all equity shares. Earnings per share are calculated using the following financial data:

	2002 £'000	2001 £'000
(Loss) / profit on ordinary activities after taxation	(545)	5,297
Dividends payable on non-equity shares	(605)	(550)
Basic earnings	(1,150)	4,747
Add back: discontinued operations loss, net of taxation	7,974	1,205
Earnings from continuing operations	6,824	5,952

For the purpose of calculating the result from discontinued operations net of taxation, corporation tax is imputed at 33%, after adjustment for goodwill written off in 2002 amounting to £2,704,000 which is not deductible for corporation tax.

	Number	Number
Weighted average number of shares in issue during the year	25,748,697	25,686,468
Potentially dilutive effect of share options outstanding at 31 December	260,299	279,923
Fully diluted weighted average number of shares	26,008,996	25,966,391

The calculation of the potentially dilutive effect of share options outstanding at 31 December makes the assumption that all outstanding options over ordinary shares were converted into shares at the beginning of each period (or at the date of grant of the options if later), including adjustment for the difference between average fair values and exercise prices.

The shares held by the QUEST and the MANSELL Share Trust are excluded from the weighted average number of shares in issue.

9. Intangible fixed assets	**Group**
	Goodwill **£'000**
Cost	
At 1 January 2002 and at 31 December 2002	245
Amortisation	
At 1 January 2002	75
Charge for the year	24
At 31 December 2002	99
Net book value	
At 31 December 2002	146
At 31 December 2001	170

Notes to the Financial Statements

10. Tangible fixed assets — **Group**

	Land and buildings Freehold £'000	Short leasehold £'000	Plant, equipment and vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2002	15,435	255	24,755	40,445
Revaluation surplus	1,766	-	-	1,766
Additions	4	-	2,373	2,377
Disposals	(250)	(83)	(4,610)	(4,943)
Transfer to stocks	(775)	-	-	(775)
At 31 December 2002	16,180	172	22,518	38,870
At cost	-	172	22,518	22,690
At valuation in 2002	16,180	-	-	16,180
	16,180	172	22,518	38,870
Depreciation				
At 1 January 2002	79	154	12,991	13,224
Revaluation surplus	(170)	-	-	(170)
Charge for the year	101	12	3,021	3,134
Eliminated on disposals	(10)	(15)	(2,672)	(2,697)
At 31 December 2002	-	151	13,340	13,491
Net book value				
At 31 December 2002	16,180	21	9,178	25,379
At 31 December 2001	15,356	101	11,764	27,221

Company

	Short leasehold	Plant, equipment and vehicles	Total
Cost or valuation			
At 1 January 2002	22	1,748	1,770
Additions	-	63	63
Disposals	-	(71)	(71)
Transfers to group companies	-	(98)	(98)
At 31 December 2002	22	1,642	1,664
Depreciation			
At 1 January 2002	-	1,336	1,336
Charge for the year	2	145	147
Disposals	-	(37)	(37)
Transfers to group companies	-	(80)	(80)
At 31 December 2002	2	1,364	1,366
Net book value			
At 31 December 2002	20	278	298
At 31 December 2001	22	412	434

Properties would have been shown at net book value as follows if revaluations had not been undertaken:

	2002 £'000	2001 £'000
Freehold	9,672	10,784
Short leasehold	14	94
	9,686	10,878

There was no material capital expenditure either contracted for, or authorised but not contracted for, at 31 December 2002 (2001: £nil). All of the group's freehold properties were valued at £16,180,000 at 31 December 2002 by external valuers, FPDSavills Commercial Limited, Chartered Surveyors, on an existing use basis. The directors have resolved to incorporate these valuations in the financial statements. The resulting revaluation surplus of £1,936,000 has been taken to the revaluation reserve.

Notes to the Financial Statements

11. Fixed asset investments

Investments in subsidiary undertakings	Company 2002 £'000	Company 2001 £'000
At cost at 1 January 2002	31,196	31,196
At directors' valuation in 1982 to 1987	1,331	1,331
Cost or valuation at 1 January 2002	32,527	32,527
Stamp duty refunded	(2)	-
Amounts written off (movement in the year £680,000)	(788)	(108)
At 31 December 2002	31,737	32,419

If fixed asset investments had not been revalued they would have been included at the following amounts:

At cost	31,260	31,262
Amounts written off	(788)	(108)
	30,472	31,154

The group's principal wholly owned subsidiary undertakings are listed below:

	Registered in:	Principal activities:
MANSELL Construction Services Limited	England	Construction and property services
Hall & Tawse Limited	Scotland	Construction and property services
Kirby MacLean Limited	England	Contract decorating
Network Plant Limited	England	Plant hire
MANSELL Property Investments Limited	England	Ownership of property for group use and investment

MANSELL Construction Services Limited holds a 75% interest in a subsidiary company, Burnbank House Limited, acquired at a nominal cost. Burnbank House Limited is registered in England and its principal activity is property development. At 31 December 2002 Burnbank House Limited's net assets were £4 (2001: £4). This subsidiary has been excluded from consolidation as it is not considered material to the group. No dividend was receivable in 2002; in 2001 the group accounted for a dividend receivable from this company of £196,000 (note 5).

12. Stocks

	Group 2002 £'000	Group 2001 £'000
Work in progress	2,823	2,249
Raw materials and consumables	619	692
Properties held for development or resale	775	564
	4,217	3,505

Notes to the Financial Statements

13. Debtors	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Due within one year:				
Trade debtors	47,936	47,704	-	-
Amounts recoverable on contracts	32,082	29,367	-	-
Owed by group companies	-	-	22,897	18,069
Other debtors	1,736	778	58	218
Group relief receivable	-	-	354	163
Prepayments and accrued income	1,570	2,534	804	455
	83,324	80,383	24,113	18,905
Due after more than one year:				
Trade debtors	3,481	2,992	-	-
Deferred taxation (note 18)	-	-	126	45
	3,481	2,992	126	45
Total debtors	86,805	83,375	24,239	18,950

14. Current asset investments	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Own shares in the QUEST	66	66	66	66
Own shares in the MANSELL Share Trust	169	169	169	169
Total own shares	235	235	235	235

Own shares in the QUEST represent ordinary shares of 25p as follows:

	2002 Number	2001 Number
At 1 January 2002	91,453	109,597
Allocated to satisfy employee share options (note 19)	-	(18,144)
At 31 December 2002	91,453	91,453

The QUEST holds shares to satisfy options exercised under the company's Savings Related Share Option Scheme.

Own shares in the MANSELL Share Trust represent ordinary shares of 25p as follows:

	2002 Number	2001 Number
At 1 January and 31 December 2002	382,095	382,095

The shares in the MANSELL Share Trust were previously acquired from shareholders.

Dividends on shares held by the QUEST and the MANSELL Share Trust were waived during the year.

Notes to the Financial Statements

15. Cash and cash deposits	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Cash deposits	32,620	18,014	32,620	18,014
Cash at bank and in hand	11,592	17,346	1,387	6,988
	44,212	35,360	34,007	25,002

The group manages its funds by maintaining a portfolio of cash deposits with major financial institutions. For these purposes the term cash deposits includes commercial paper. £15 million of the cash deposits are secured (note 17). The terms of money market deposits range from overnight to six months so as to achieve appropriate liquidity whilst maximising low risk returns. Net funds available to the group are classified as cash at bank where funds are available the next working day.

16. Creditors: amounts falling due within one year	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank overdraft	-	-	29,690	-
Trade creditors	91,240	86,308	-	-
Payments on account	13,105	10,990	-	-
Owed to group companies	-	-	26,013	40,045
Dividends payable	1,598	1,587	1,598	1,587
Corporation tax	348	916	-	-
Other taxation and social security	5,366	5,075	-	-
Other creditors	3,446	2,531	197	-
Accruals and deferred income	7,566	5,420	928	1,564
	122,669	112,827	58,426	43,196

17. Creditors: amounts falling due after more than one year	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans due within two to five years	15,000	15,000	15,000	15,000
Trade creditors	2,725	2,542	-	-
Other creditors	79	121	-	-
	17,804	17,663	15,000	15,000

Bank loans due within two to five years of £15,000,000 (2001: £15,000,000) are drawn down under a revolving loan facility. Under the terms of the facility, the amount drawn down is secured against cash deposits by the group. At 31 December 2002 interest was charged at the rate of 5% per annum (2001: 5%).

18. Provisions for liabilities and charges	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Deferred taxation:				
At 1 January 2002	533	203	(45)	(60)
Short term timing differences	(308)	330	(81)	15
At 31 December 2002	225	533	(126)	(45)
Pension provision (note 27)	250	-	250	-
	475	533	124	(45)
Deferred taxation not provided for:				
Property revaluations	1,220	640	-	-

The company deferred taxation asset is disclosed as debtors due after more than one year in the balance sheet (note 13).

Notes to the Financial Statements

19. Called up share capital

	2002 Number	2001 Number	2002 £'000	2001 £'000
Authorised:				
Cumulative convertible participating preferred ordinary shares of 25p each	799,322	799,322	200	200
Ordinary shares of 25p each	25,463,537	25,363,337	6,366	6,341
"A" ordinary shares of 25p each	20,000,000	20,000,000	5,000	5,000
Unclassified shares of 25p each	13,737,141	13,837,341	3,434	3,459
	60,000,000	60,000,000	15,000	15,000
Allotted and called up:				
Equity fully paid				
Cumulative convertible participating preferred ordinary shares of 25p each	799,322	799,322	200	200
Ordinary shares of 25p each	25,463,537	25,363,337	6,366	6,341
	26,262,859	26,162,659	6,566	6,541
Non-equity fully paid				
"A" ordinary shares of 25p each	20,000,000	20,000,000	5,000	5,000
	46,262,859	46,162,659	11,566	11,541

Cumulative convertible participating preferred ordinary shares

The cumulative convertible participating preferred ordinary shares of 25p each have a cumulative right to a cash dividend of 3.2p per share per annum, together with a further preferred dividend based on group profit. They also have a right to 26.7p per share together with any arrears of preferred dividend as an initial tranche on any return of capital. Ordinary shareholders have a subsequent entitlement to equivalent sums, after which the two classes rank pari passu.

Ordinary shares

During the year, 100,200 (2001: nil) ordinary shares of 25p each were issued for an aggregate consideration of £37,068 (2001: £nil). Of these shares, 100,000 were issued in connection with the exercise of options granted under MANSELL share option schemes and 200 shares were issued to directors in accordance with the articles of association.

At 31 December 2002 outstanding options granted over ordinary shares of 25p each were:

Share option schemes	Option price	Number	Dates normally exercisable
Executive	128p	17,000	26.6.2001 to 26.6.2005
Executive	145p	135,000	16.5.2005 to 16.5.2009
Company	32p	230,000	28.6.1999 to 28.6.2006
Company	128p	43,000	26.6.2001 to 26.6.2008
Company	145p	625,000	16.5.2005 to 16.5.2012
Savings related	130.5p	1,217,061	1.7.2005 to 1.1.2006
		2,267,061	

MANSELL plc Qualifying Employee Share Ownership Trust ("the QUEST")

In 2002 no ordinary shares of 25p each were allocated by the QUEST (2001: 18,144 allocated in satisfaction of options exercised under the MANSELL Savings Related Share Option Scheme).

"A" ordinary shares

All "A" ordinary shares shall be converted to ordinary shares of 25p each immediately prior to any inclusion of the company on the Official List of the London Stock Exchange or in other limited circumstances. The shares will be converted on terms, depending upon the market capitalisation of the company at that time, ranging from 1 ordinary share for 7.6 "A" ordinary shares to 1 ordinary share for 4.8 "A" ordinary shares.

The "A" ordinary shares carried a right to a preferential dividend of 3.025p per share per annum during 2002, rising to 3.125p per share per annum in 2003 and subsequent years, but have no other rights to participate beyond return of capital.

Notes to the Financial Statements

20. Reserves

	Group		
	Share premium account £'000	**Revaluation reserve £'000**	**Profit and loss account £'000**
At 1 January 2002	1,481	2,271	3,550
Loss for the year	-	-	(3,474)
Premium on issue of ordinary shares	12	-	-
Revaluation surplus (note 10)	-	1,936	-
Goodwill previously written off	-	-	2,704
At 31 December 2002	1,493	4,207	2,780

			Company
At 1 January 2002	1,481	-	5,822
Profit on ordinary activities after taxation	-	-	888
Premium on issue of ordinary shares	12	-	-
Dividends	-	-	(2,929)
At 31 December 2002	1,493	-	3,781

The amount of goodwill written off to reserves at 31 December 2002, which will be charged through the profit and loss on any subsequent relevant disposal, was £6,736,000 (2001: £9,440,000).

As permitted by Section 230 Companies Act 1985 the company has not presented its own profit and loss account. A profit after taxation amounting to £888,000 (2001: £3,813,000) has been dealt with in the financial statements of the parent company.

21. Shareholders' funds

	Group	
	2002 £'000	**2001 £'000**
(Loss) / profit on ordinary activities after taxation	(545)	5,297
Dividends	(2,929)	(2,866)
	(3,474)	2,431
New share capital subscribed	37	-
Revaluation surplus	1,936	-
Goodwill previously written off	2,704	-
	1,203	2,431
Opening shareholders' funds	18,843	16,412
Closing shareholders' funds	20,046	18,843

The profit for the financial year on a historical cost basis would be as stated above.

Notes to the Financial Statements

22. Reconciliation of operating profit to cash flow from operating activities

	Group	
	2002 £'000	2001 £'000
Operating profit	7,439	7,071
Cash outflow related to discontinuation costs	(1,609)	-
Profit on disposal of fixed assets	(104)	(218)
Depreciation and amortisation charges	3,158	2,869
Decrease in stocks	63	939
Increase in debtors	(4,938)	(2,671)
Increase in creditors	9,617	3,310
Cash inflow from operating activities	13,626	11,300

The following amounts relating to discontinuation costs are not included within the increases in debtors and creditors above:

Decrease in debtors	1,508	-
Increase in creditors	1,173	-
	2,681	-

23. Analysis of cash flows netted in the cash flow statement

	Group	
	2002 £'000	2001 £'000
Returns on investments and servicing of finance		
Interest received	854	764
Interest paid	(270)	(327)
Non-equity dividends paid	(600)	(545)
Net cash outflow from returns on investments and servicing of finance	**(16)**	**(108)**
Taxation		
Taxation paid	(1,801)	(2,615)
Return of overpayments	377	404
Net cash outflow from taxation	**(1,424)**	**(2,211)**
Capital expenditure		
Purchase of tangible fixed assets (note 10)	(2,377)	(5,877)
Proceeds of sale of tangible fixed assets	1,324	2,156
Net cash outflow from capital expenditure	**(1,053)**	**(3,721)**
Acquisitions		
Acquisitions in prior years	-	(55)
Net cash outflow from acquisitions	**-**	**(55)**
Management of liquid resources		
Net cash (placed on) / taken off deposit	(14,606)	4,072
Net cash (outflow) / inflow from management of liquid resources	**(14,606)**	**4,072**

Liquid resources comprise cash placed on money markets and sterling commercial paper with original maturities of up to six months (note 15).

Financing		
Issue of ordinary share capital	37	-
Shares allotted by the QUEST	-	13
New loans	15,000	15,000
Loans and finance leases repaid	(15,000)	(15,000)
Net cash inflow from financing	37	13

Notes to the Financial Statements

24. Analysis of changes in net funds

	Cash and cash deposits £'000	Loans £'000	Net funds £'000
			Group
At 1 January 2002	35,360	(15,000)	20,360
Cash flow	8,852	-	8,852
At 31 December 2002	44,212	(15,000)	29,212

25. Commitments under operating leases

At 31 December 2002 the group was committed to making the following payments during the next year in respect of operating leases:

	2002 Property £'000	2002 Other £'000	2001 Property £'000	2001 Other £'000
Operating leases expiring:				
Within one year	84	582	247	641
Within two to five years	336	2,928	182	3,291
After five years	570	-	598	-
	990	3,510	1,027	3,932

26. Contingent liabilities

The group has entered into counter indemnities in respect of performance bonds amounting to £31.4 million (2001: £32.3 million) in the normal course of business.

The parent company has given guarantees in respect of the performance of subsidiaries in the normal course of business.

The company has received three claims from ex-employees who worked for subsidiaries of a group company prior to its acquisition by the group. Certain elements of these claims will be covered by insurance. However, the directors are unable to estimate either the value of the claims, if proven, or the timescale for their resolution.

Notes to the Financial Statements

27. Pension arrangements

The group operates two funded defined benefit schemes in the UK, known as the MANSELL plc Pension Scheme and the Hall & Tawse Retirement Benefit Plan, and two money purchase schemes known as the MANSELL Maintenance Limited Group Personal Pension Plan and the Network Plant (Midlands) Executive Pension Plan. The assets of all the schemes are held separately from those of the group in independently administered funds.

In accordance with the Pensions Act 1995, full independent actuarial valuations of the group's defined benefit schemes are carried out every three years.

The pension cost figures used in these accounts comply with the current pension cost accounting standard, Statement of Standard Accounting Practice 24 ("SSAP 24"). A new pension cost accounting standard, Financial Reporting Standard 17 ("FRS 17"), must be used for the figures that will be shown in the accounts at 31 December 2005 and subsequent years. Under transitional arrangements, the company is required to disclose additional information about the schemes and the figures that would have been shown under FRS 17 in this year's balance sheet and profit and loss account. This additional information is given in separate paragraphs below.

The MANSELL plc scheme was closed to new members from 31 December 2001, and the Hall & Tawse plan has been closed to new members since 1 July 1998.

Under the projected unit method, the current service cost of the closed schemes is expected to increase as the average age of the employed members increases.

MANSELL plc Pension Scheme – SSAP 24 information

The most recent independent actuarial valuation of the scheme was carried out at 31 July 2002 and used the projected unit method. The key financial assumptions adopted were:

Investment return before retirement	6.9% p.a.
Investment return after retirement	5.15% p.a.
Rate of increase in pensionable earnings	4.0% p.a.
Rate of increase in pensions in payment	
Pension accrued before 6 April 1997	3.0% p.a.
Pension accrued after 5 April 1997	3.4% p.a.
Price inflation	2.5% p.a.

The valuation showed that the market value of the scheme's assets was £27.8 million and that the market value of those assets represented 65% of the benefits that had accrued to members on an ongoing funding basis.

At 31 July 2002 under the MFR basis, the scheme's assets represented 93% of the benefits that had accrued to members. At 31 December 2002, the scheme's assets were estimated to be 89% of the benefits that had accrued to members on the MFR basis.

In accordance with actuarial advice, the company increased its contributions from 11% to 13% of pensionable earnings on 1 January 2002 and from 13% to 21.6% of pensionable earnings on 1 March 2003.

Employee contributions were increased by 1% with effect from 1 March 2002.

The pension charge for the year ended 31 December 2002 was £3,176,000 (2001: £2,145,000). A provision of £250,000 (2001: £nil) is included in provisions for liabilities and charges (note 18), this being the excess of the accumulated pension cost over the amount funded, in accordance with SSAP 24

Hall & Tawse Retirement Benefit Plan – SSAP 24 information

The most recent independent actuarial valuation of the plan was carried out at 31 March 2002 and used the projected unit method.

The key financial assumptions adopted were:

Investment returns	6.0% p.a.
General pensionable earnings increases	4.0% p.a.
Pension increases	2.5% p.a.
Price inflation	2.5% p.a.

The valuation showed that the market value of the plan's assets was £87.0 million and that the market value of those assets represented approximately 97% of the benefits that had accrued to members on an ongoing funding basis.

Notes to the Financial Statements

27. Pension arrangements (continued)

At 31 March 2002 under the MFR basis the plan's assets represented 104% of the benefits that had accrued to members. At 31 December 2002 the scheme's assets were estimated to be 87% of the benefits that had accrued to members on the MFR basis.

In accordance with actuarial advice, the company increased its contributions from 10.9% to 15% of pensionable earnings on 1 February 2002 and from 15% to 19.9% of pensionable earnings from on 1 September 2002.

Employee contributions were increased by 1% with effect from 1 March 2002.

The pension charge for the year ended 31 December 2002 was £1,344,000 (2001: £1,022,000).

MANSELL plc Pension Scheme - FRS 17 additional information

The most recent actuarial valuation for the MANSELL plc Pension Scheme was carried out at 31 July 2002. This valuation has been updated to 31 December 2002 by a qualified independent actuary. The financial assumptions used by the actuary to calculate the scheme's liabilities were:

	At 31 December 2002	At 31 December 2001
Rate of increase in pensionable earnings	3.75%	3.75%
Rate of increase in deferred pensions during deferment	2.25%	2.25%
Rate of increase in pensions in payment		
Pension accrued before 6 April 1997	3.00%	3.00%
Pension accrued after 5 April 1997	3.40%	3.40%
Discount rate	5.60%	6.00%
Price inflation	2.25%	2.25%

At 31 December 2002 the assets in the scheme and the expected rates of return (net of expenses) were:

	2002		2001	
	Expected long term rate of return	Value £'000	Expected long term rate of return	Value £'000
Equities	7.80%	21,177	7.0%	23,863
Bonds	4.20%	5,922	4.6%	5,760
Other	3.25%	474	3.5%	105
Total market value of assets		27,573		29,728
Present value of scheme liabilities		(46,877)		(38,224)
Deficit in the scheme		(19,304)		(8,496)
Related deferred tax asset		5,791		2,549
Net pension liability		(13,513)		(5,947)

Notes to the Financial Statements

27. Pension arrangements (continued)

Hall & Tawse Retirement Benefit Plan - FRS 17 additional information

The most recent actuarial valuation for the Hall & Tawse Retirement Benefit Plan was carried out at 31 March 2002. This valuation has been updated to 31 December 2002 by a qualified independent actuary. The financial assumptions used by the actuary to calculate the scheme's liabilities were:

	At 31 December 2002	At 31 December 2001
Rate of increase in pensionable earnings	3.75%	3.75%
Rate of increase in deferred pensions during deferment	2.25%	2.25%
Rate of increase in pensions in payment	2.25%	2.25%
Discount rate	5.60%	6.00%
Price inflation	2.25%	2.25%

At 31 December 2002 the assets in the scheme and the expected rates of return (net of expenses) were:

	2002		2001	
	Expected long term rate of return	Value £'000	Expected long term rate of return	Value £'000
Equities	8.0%	44,920	7.5%	51,400
Bonds	4.6%	27,410	5.1%	33,150
Other	3.5%	1,400	5.0%	1,550
Total market value of assets		73,730		86,100
Present value of scheme liabilities		(93,700)		(89,300)
Deficit in the scheme		(19,970)		(3,200)
Related deferred tax asset		5,991		960
Net pension liability		(13,979)		(2,240)

Additional FRS17 disclosures

The following disclosures show the effects upon the group balance sheet and profit and loss account that would arise if the requirements of FRS17 were recognised in the financial statements.

	2002		2001	
	£'000	£'000	£'000	£'000
Net assets				
Net assets excluding pension liability		20,046		18,843
Pension liabilities:				
MANSELL plc Pension Scheme	(13,513)		(5,947)	
Hall & Tawse Retirement Benefit Plan	(13,979)		(2,240)	
		(27,492)		(8,187)
Net (liabilities) / assets including pension liability		(7,446)		10,656
Profit and loss reserve				
Profit and loss reserve excluding pension liability		2,780		3,550
Pension liabilities:				
MANSELL plc Pension Scheme	(13,513)		(5,947)	
Hall & Tawse Retirement Benefit Plan	(13,979)		(2,240)	
		(27,492)		(8,187)
Profit and loss deficit including pension liability		(24,712)		(4,637)

27. Pension arrangements (continued)

Year to 31 December 2002	MANSELL plc Pension Scheme £'000	Hall & Tawse Retirement Benefit Plan £'000
Analysis of the amount charged to operating profit		
Service cost	1,966	1,470
Past service cost	184	-
	2,150	1,470
Analysis of net return on pension scheme		
Expected return on pension scheme assets	2,039	5,570
Interest on pension liabilities	(2,362)	(5,250)
	(323)	320
Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on assets	(7,264)	(15,444)
Experience (loss) / gain on liabilities	(137)	3,880
Changes in assumptions	(3,860)	(5,400)
	(11,261)	(16,964)
Movement in deficit during the year		
Deficit in scheme at beginning of year	(8,496)	(3,200)
Movement in year:		
Current service cost	(1,966)	(1,470)
Contributions	2,926	1,344
Past service costs	(184)	-
(Interest cost) / net return on assets	(323)	320
Actuarial loss	(11,261)	(16,964)
Deficit in scheme at end of year	(19,304)	(19,970)

	MANSELL plc Pension Scheme		Hall & Tawse Retirement Benefit Plan	
Year to 31 December 2002	**£'000**	**Percentage of scheme assets %**	**£'000**	**Percentage of scheme assets %**
History of experience gains and losses				
Difference between expected and actual return on scheme assets	(7,264)	(26)	(15,444)	(21)
Experience gains and losses on scheme liabilities	(137)	-	3,880	4
Total amount recognised in the statement of total recognised gains and losses	(11,261)	(24)	(16,964)	(18)

MANSELL Maintenance Limited Group Personal Pension Plan

The pension charge for the year to 31 December 2002 was £24,000 (2001: £34,000).

Network Plant (Midlands) Executive Pension Plan

The pension charge for the year to 31 December 2002 was £3,000 (2001: £3,000).

Other

The company is committed to pay a pension in respect of a former director, currently £25,000 per annum. At 31 December 2002 outstanding contributions payable to defined benefit schemes due in respect of December contributions amounted to £515,000. These sums were paid in January 2003.

Five Year Summary

	CAGR %	2002 £million	2001 £million	2000 £million	1999 £million	1998 £million
Turnover						
Continuing operations	6.5	511.1	465.9	424.8	417.1	396.9
Discontinued operations		17.9	26.1	32.2	29.7	23.7
Total		529.0	492.0	457.0	446.8	420.6
Profit on ordinary activities before exceptional items and taxation						
Continuing operations	14.3	10.6	10.8	7.7	6.4	6.2
Discontinued operations		(2.6)	(1.5)	0.4	0.7	0.1
Total		8.0	9.3	8.1	7.1	6.3
Profit on ordinary activities after exceptional items, before taxation						
Continuing operations	20.1	10.6	9.5	6.8	6.4	5.1
Discontinued operations		(10.6)	(1.8)	0.4	0.7	0.1
Total		0.0	7.7	7.2	7.1	5.2
Profit on ordinary activities after exceptional items and taxation						
Continuing operations	21.5	7.4	6.5	4.3	4.2	3.4
Discontinued operations		(7.9)	(1.2)	0.2	0.5	0.1
Total		(0.5)	5.3	4.5	4.7	3.5
Dividends	20.0	2.9	2.9	2.6	2.0	1.4
Net assets employed (including net cash)	16.7	20.0	18.8	16.4	14.3	10.8

	CAGR %	2002 Pence	2001 Pence	2000 Pence	1999 Pence	1998 Pence
Earnings per share - continuing operations	18.6	26.5	23.2	14.7	16.2	13.4
Basic earnings per share	n/a	(4.5)	18.5	15.7	18.1	13.7
Dividends per ordinary share	15.8	9.0	9.0	8.0	7.0	5.0

The above table has been restated for the years 1998 to 2000 to reflect the impact of FRS 19 (Deferred Tax) adopted in 2001 and the closure of the Maintenance division in 2002.

For the purpose of calculating the result from discontinued operations net of taxation, corporation tax is imputed at 33%, after adjustment for goodwill written off in 2002 amounting to £2,704,000 which is not deductible for corporation tax.

Note: CAGR means compound annual growth rate between 1998 and 2002.

Advisers

Bankers
Barclays Bank PLC
Clydesdale Bank PLC
National Westminster Bank Plc
Bank of Scotland

Bond broker
Aon Surety & Guarantee

Insurance broker
JLT Risk Solutions Limited

Solicitors
Norton Rose
Freethcartwright
MacRoberts

Auditors
Moore Stephens

Pension advisers and actuaries
William M. Mercer Limited
Watson Wyatt Partners

Financial Calendar

		2003
Annual General Meeting		1 May
2002 Final dividend	-Approval	1 May
	-To be paid	31 May
2003 Interim results	-Announcement	4 September
2003 Interim dividend	-Declaration	4 September
	-To be paid	30 November

		2004
2003 Final results	-Announcement	8 April
Annual General Meeting		12 May
2003 Final dividend	-Approval	12 May
	-To be paid	31 May