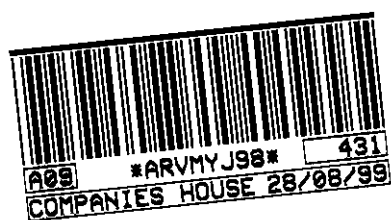


Tarmac Regional Construction Limited

Directors' report and financial statements

31 December 1998

Registered number 303453



Directors' report and financial statements

Contents

Directors' report	1
Report of the auditors to the members of Tarmac Regional Construction Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activity

The company is principally engaged in the development of a harbour village complex at Eastbourne.

Business review and future developments

The company's turnover for the year was £450,000 (1997: £4,325,645) and its loss before tax was £2,448 (1997: £3,203).

Development of the harbour continues to progress satisfactorily.

The directors anticipate that the company will continue in its present role within Tarmac Construction Services in 1999.

The company's ultimate holding company, Tarmac plc, has announced that it intends to separate its two business streams; Construction Services, of which Tarmac Regional Construction Limited is a part and Heavy Building Materials. The Directors believe that with a strong order book, Construction Services will continue to improve its performance as a separate business.

Proposed dividend

The directors do not recommend the payment of a dividend (1997: £2,207,745).

Directors and directors' interests

The directors serving during the year were:

GA Cooper
B Pellard
BJ Sharples
E McEwan

The interests of the directors who held office at the end of the financial year in the share and loan capital of Tarmac plc (other than where disclosed in the financial statements of the immediate holding company or the ultimate holding company) were as follows:

	At 31 December 1998		Number of 50p ordinary shares At 1 January 1998		Share option movements in year		
	Fully paid	Share options	Fully paid	Share options	granted	exercised	lapsed
GA Cooper	24,766	117,684	9,028	129,096	20,000	14,871	16,541

No director had any beneficial interest in the share or loan capital of any subsidiary of Tarmac plc.

Directors' report *(continued)*

Year 2000

Tarmac recognises the importance of the Year 2000 problem and has established a Group-wide programme to ensure that the related risks are mitigated.

The programme, which is monitored regularly at Board level covers five main areas: business systems and associated hardware, embedded chips in buildings and production facilities, key suppliers, joint ventures and client solutions.

In each area an analysis of the risks has been performed, from which corrective action plans have been developed. These plans are designed to address all key issues well in advance of 31 December 1999, without disruption to the underlying business processes.

The company is one of many which is included within the Tarmac Construction Services Business Stream. The total cost of the programme to the business stream as a whole, along with the amount spent in 1998, is included in the financial statements of Tarmac Construction Limited, the company's controlling entity. The company shares its business systems with Tarmac Construction Limited and for this reason it is not possible to directly apportion costs associated with the Year 2000 problem to this company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' report *(continued)*

Auditors

A resolution will be proposed for the re-appointment of KPMG Audit Plc as auditor of the company at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'McEwan', is written over a horizontal line.

E McEwan
Secretary

Construction House
Birch Street
Wolverhampton
WV1 4HY

16 March 1999



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the auditors to the members of Tarmac Regional Construction Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG Audit Plc', with a horizontal line underneath.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

16 March 1999

Profit and loss account
for the year ended 31 December 1998

	<i>Note</i>	1998 £	1997 £
Turnover	<i>1</i>	450,000	4,325,645
Cost of sales		(450,000)	(4,240,000)
		<hr/>	<hr/>
Gross profit		-	85,645
Administrative expenses		(2,448)	(88,848)
		<hr/>	<hr/>
Operating loss	<i>2</i>	(2,448)	(3,203)
Tax on operating loss	<i>4</i>	(106,857)	(58,237)
		<hr/>	<hr/>
Loss for the financial year		(109,305)	(61,440)
Dividend		-	(2,207,745)
		<hr/>	<hr/>
Retained loss for the financial year		(109,305)	(2,269,185)
Retained profit brought forward		-	2,269,185
		<hr/>	<hr/>
Retained loss carried forward		(109,305)	-
		<hr/> <hr/>	<hr/> <hr/>


The above results are all derived from continuing operations.

The company has no recognised gains and losses in either the current or preceding year other than those disclosed in the profit and loss account.

Balance sheet
at 31 December 1998

	<i>Note</i>	1998		1997
		£	£	£
Fixed assets				
Tangible assets	5	400,000		400,000
Investments	6	1,000		1,000
		401,000		401,000
Current assets				
Stock	7	11,156,302		6,536,571
Debtors: amounts falling due within one year		4,102,490		2,119,260
Debtors: amounts falling due after more than one year		6,132,735		8,724,315
Total debtors	8	10,235,225		10,843,575
		21,391,527		17,380,146
Creditors: amounts falling due within one year				
	9	(21,865,832)		(17,745,146)
Net current liabilities			(474,305)	(365,000)
Net (liabilities)/assets			(73,305)	36,000
Capital and reserves				
Called up share capital	11	36,000		36,000
Profit and loss account		(109,305)		-
Equity shareholders' funds	12	(73,305)		36,000

These financial statements were approved by the board of directors on 16 March 1999 and were signed on its behalf by:


BJ Sharples
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. The shareholders have confirmed their willingness to continue to provide support to the above company for a period of at least twelve months in order to enable the company to trade and pay its debts as they fall due. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

Group accounts

The company is exempt under section 228 Companies Act 1985 from the requirement to prepare group accounts and deliver them to the Registrar of Companies. The financial statements therefore present information about the company as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Tarmac plc, the company's parent undertaking, which is registered in England and Wales.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking Tarmac plc includes the company's cash flows in its own published consolidated cash flow statement.

Turnover

Turnover represents rental income and the value of realisations made during the year, excluding value added tax. All turnover arises in the UK.

Investment properties

Investment properties are included at valuation. In accordance with Statement of Standard Accounting Practice 19, investment properties are revalued annually at open market values and the aggregate surplus or deficit is transferred to an investment property revaluation reserve. Any deficit in excess of the aggregate revaluation reserve is traded through the profit and loss account. No depreciation is provided in respect of freehold and investment properties.

Development work in progress

Development work in progress is stated at the lower of cost and net realisable value. Cost includes appropriate overheads.

Deferred taxation

Deferred taxation calculated using the liability method is included only where the effects of timing differences between results as stated in the financial statements and as computed for taxation purposes are likely to crystallise in the foreseeable future.

2 Operating loss

	1998	1997
	£	£
<i>Operating loss is stated after charging</i>		
Auditors' remuneration - audit work	2,375	2,625
	<u> </u>	<u> </u>

Notes (continued)

3 Directors' emoluments

The directors, who are the only employees of the company, have neither received nor waived any remuneration during the year (1997: £Nil).

4 Tax on operating loss

	1998 £	1997 £
UK corporation tax at 31% (1997: 31.5%)	26,300	-
Group relief receivable	-	(1,000)
Deferred taxation	6,200	400
Adjustment in respect of previous years	74,357	58,837
	<u>106,857</u>	<u>58,237</u>

The company expects to receive full payment from fellow subsidiary undertakings for its corporation tax losses.

5 Tangible assets

	Freehold investment property £
Cost and net book value	
At beginning and end of year	<u>400,000</u>

6 Investments

Shares in subsidiary undertaking at cost:

	£
Balance at beginning and end of year	<u>1,000</u>

The investment comprises 100% of the issued share capital of Sovereign Harbour Limited, a company registered in England and Wales.

7 Stock

	1998 £	1997 £
Development work in progress	<u>11,156,302</u>	<u>6,536,571</u>

Notes (continued)

8 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	3,631,334	2,033,231
Group relief receivable	43,072	79,829
Corporation tax	427,379	-
Amounts owed by group undertakings	705	-
Other debtors (Note 10)	-	6,200
	<hr/>	<hr/>
	4,102,490	2,119,260
Amounts falling due after more than one year:		
Trade debtors	6,132,735	8,724,315
	<hr/>	<hr/>
	10,235,225	10,843,575
	<hr/> <hr/>	<hr/> <hr/>

9 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	82,259	20,405
Amounts owed to group undertakings	21,511,691	14,650,110
Dividends	-	2,207,745
Other taxation and social security	239,183	751,074
Accruals and deferred income	32,699	115,812
	<hr/>	<hr/>
	21,865,832	17,745,146
	<hr/> <hr/>	<hr/> <hr/>

10 Deferred Taxation

	£
Balance at beginning of year	6,200
Transfer to profit and loss account	(6,200)
	<hr/>
Balance at end of the year	-
	<hr/> <hr/>

Deferred tax assets have not been recognised in the accounts in respect of other timing differences amounting to £143,700 (1997: £117,800).

Notes (continued)

11 Share capital

	1998 £	1997 £
<i>Authorised:</i>		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
36,000 ordinary shares of £1 each	36,000	36,000
	<hr/>	<hr/>

12 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Net reduction in shareholders' funds	(109,305)	(2,269,185)
Shareholders' funds at beginning of year	36,000	2,305,185
	<hr/>	<hr/>
Shareholders' funds at end of year	(73,305)	36,000
	<hr/>	<hr/>

13 Contingent liabilities

The company has entered into a number of performance bonds as part of its ongoing development business.

14 Related party disclosures

As a wholly owned subsidiary of Tarmac plc, the company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Tarmac plc group. Note 15 gives details of how to obtain a copy of the published financial statements of Tarmac plc.

15 Controlling and parent companies

The company's immediate controlling company is Tarmac Construction Limited, its immediate parent company, whilst the company's ultimate controlling company is Tarmac plc, its ultimate parent company, both of which are registered in England and Wales.

Copies of the group financial statements of Tarmac plc are available from Construction House, Birch Street, Wolverhampton, WV1 4HY.

Sovereign Harbour Limited

Directors' report and financial statements

31 December 1998

Registered number 2217605

Directors' report and financial statements

Contents

Directors' report	1
Report of the auditors to the members of Sovereign Harbour Limited	3
Profit and loss account	4
Balance sheet	4
Notes	5

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Business review

The company has not traded during the year ended 31 December 1998, nor subsequently. The only accounting entry during the year was the write down of fixed asset investments.

The directors do not expect the company to trade in the foreseeable future.

The company's ultimate holding company, Tarmac plc, has announced that it intends to separate its two business streams; Construction Services, of which Sovereign Harbour Limited is a part and Heavy Building Materials. The Directors believe that with a strong order book, Construction Services will continue to improve its performance as a separate business.

Directors and directors' interests

The directors who served during the year were:

B Pellard
GA Cooper
BJ Sharples

The interests of the directors who held office at the end of the financial year and their families in the share and loan capital of Tarmac plc (other than where disclosed in the financial statements of the immediate and ultimate holding company) were as follows:

	At 31 December 1998		Number of 50p ordinary shares At 1 January 1998		Share option movement in year		
	Fully paid	Share options	Fully paid	Share options	granted	exercised	lapsed
GA Cooper	24,766	117,684	9,028	129,096	20,000	14,871	16,541

No director had any beneficial interest in the share or loan capital of any subsidiary of Tarmac plc.

Year 2000

Tarmac recognises the importance of the Year 2000 problem and has established a Group-wide programme to ensure that the related risks are mitigated.

The programme, which is monitored regularly at Board level covers five main areas: business systems and associated hardware, embedded chips in buildings and production facilities, key suppliers, joint ventures and client solutions.

In each area an analysis of the risks has been performed, from which corrective action plans have been developed. These plans are designed to address all key issues well in advance of 31 December 1999, without disruption to the underlying business processes.

The company is one of many which is included within the Tarmac Construction Services Business Stream. The total cost of the programme to the business stream as a whole, along with the amount spent in 1998, is included in the financial statements of Tarmac Construction Limited, the company's controlling entity. The company shares its business systems with Tarmac Construction Limited and for this reason it is not possible to directly apportion costs associated with the Year 2000 problem to this company.

Directors' report *(continued)*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

A resolution will be proposed for the re-appointment of KPMG Audit Plc as auditor of the company at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf by:



E McEwan
Secretary

Construction House
Birch Street
Wolverhampton
WV1 4HY

16 March 1999



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Sovereign Harbour Limited

We have audited the financial statements on pages 4 to 6.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 mis-statement, 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 the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'KPMG Audit Plc'.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

16 March 1999

Profit and loss account
for the year ended 31 December 1998

	1998 £	1997 £
Amounts written off investments	(64,689)	-
Loss before taxation	(64,689)	-
Taxation on loss on ordinary activities	-	-
Loss after taxation being retained loss for the year	(64,689)	-
Profit and loss reserve brought forward	-	-
Profit and loss reserve carried forward	(64,689)	-

Balance sheet
at 31 December 1998

	<i>Note</i>	1998 £	1997 £
Fixed assets			
Investments	3	35,311	100,000
Capital and reserves			
Called up share capital		100,000	100,000
Profit and loss account	4	(64,689)	-
		35,311	100,000

These financial statements were approved by the board of directors on 16 March 1999 and were signed on its behalf by:



BJ Sharples
Director

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

These financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention adjusted for the revaluation of certain tangible assets comprising land and buildings.

Group accounts

The company is exempt under section 228 Companies Act 1985 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the company as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Tarmac plc, the company's parent undertaking, which is incorporated in Great Britain.

Profit and loss account

During the current and preceding year the company did not trade and received no income and incurred no expenditure.

Deferred taxation

Deferred taxation, calculated using the liability method, is included only where the effects of timing differences between results as stated in the accounts and as computed for taxation purposes are likely to crystallise in the foreseeable future and result in a tax payment or receipt.

Investments

Investments in subsidiary and associated undertakings, and other unlisted investments, are stated at cost less amounts written off.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Tarmac plc, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

Notes (continued)

2 Directors' emoluments

The directors, who are the only employees, have neither received nor waived any remuneration in the year (1997: £Nil).

3 Investments

	1998 £	1997 £
Cost		
At beginning and end of year	100,000	100,000
	<u> </u>	<u> </u>
Provisions		
At beginning of year	-	-
Other movements in year	64,689	-
	<u> </u>	<u> </u>
At end of year	64,689	-
	<u> </u>	<u> </u>
Net book value		
At 31 December 1998	35,311	100,000
	<u> </u>	<u> </u>

4 Share capital

	1998 £000	1997 £000
Authorised:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>

5 Related party disclosures

As a wholly owned subsidiary of Tarmac plc the company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Tarmac plc group. Note 6 gives details of how to obtain a copy of the published financial statements of Tarmac plc.

6 Controlling and parent company

The company's controlling company is Tarmac Construction Limited, its immediate parent company, whilst the company's ultimate controlling company is Tarmac plc, its ultimate parent company, both of which are registered in England and Wales.

Copies of the group financial statements of Tarmac plc are available from Construction House, Birch Street, Wolverhampton WV1 4HY.