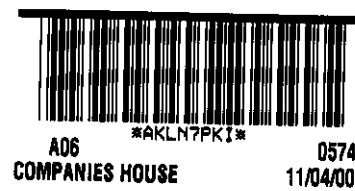


Carillion Regional Construction Limited
(formerly Tarmac Regional Construction Limited)

Directors' report and financial statements

year ended 31 December 1999
Registered number 303453



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

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 £13,370,576 (1998: £450,000) and its operating profit before tax was £1,487,574 (1998: loss £2,448).

Development of the harbour continues to progress satisfactorily.

The directors anticipate that the company will continue in its present role within the Carillion Group during 2000.

Following the demerger of the Carillion Group from Tarmac plc on 29 July 1999, Tarmac Regional Construction Limited changed its name to Carillion Regional Construction Limited with effect from 4 August 1999.

Demerger from Tarmac

On 29 July 1999 Tarmac Construction Services was demerged from Tarmac plc. This resulted in the listing of Carillion plc on the London Stock Exchange on 30 July 1999.

Proposed dividend

The directors do not recommend the payment of a dividend (1998: £Nil).

Directors and directors' interests

The directors serving during the year were:

GA Cooper
 BJ Sharples
 E McEwan
 B Pellard (resigned 1 July 1999)

The directors who held office at the end of the financial year and their families, other than those whose interests are disclosed in the financial statements of the immediate or ultimate holding company, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc, and Tarmac plc up to the date of demerger at which date all Tarmac plc share options were lapsed:

Number of shares

	At 31 December 1999		At 1 January 1999		Share option movements in year		
	Shares Number	Share options Number	Shares Number	Share options Number	granted Number	exercised Number	lapsed Number
GA Cooper							
Carillion plc	6,943	-	n/a	n/a	-	-	-
Tarmac plc	n/a	n/a	24,766	117,684	-	52,758	19,051

Directors' report *(continued)*

Year 2000

The Group undertook a comprehensive internal programme to ensure that all computer dependant systems continued to operate with the Y2K date change. Initial indications are that no major systems problems arose and that the Group's operations were unaffected as a result. Although the risk of problems now arising is low, vigilance is maintained and processes and procedures are in place to detect and rectify quickly any issues which may arise. The Group estimates that the total cost of modifying hardware and systems was approximately £3.6 million of which just over £1million was incurred in 1999.

European Economic and Monetary Union

The Group recognises the importance of the Euro, particularly for its businesses operating in France and Ireland which introduced the Euro on 1 January 1999. The introduction of the Euro has had little impact on the Group's internal systems and procedures. The related financial costs are not material to the Group.

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:

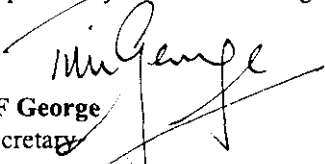
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare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

The directors are responsible for keeping 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:


TF George
Secretary

Birch Street
Wolverhampton
WV1 4HY

14 March 2000



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

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

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 is not disclosed.

Basis of audit 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 March 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Turnover	1	13,370,576	450,000
Cost of sales		(11,878,576)	(450,000)
		<hr/>	<hr/>
Gross profit		1,492,000	-
Administrative expenses		(4,426)	(2,448)
		<hr/>	<hr/>
Operating profit/(loss) on ordinary activities before tax	2	1,487,574	(2,448)
Tax on operating profit/(loss)	4	(485,500)	(106,857)
		<hr/>	<hr/>
Profit/(loss) for the financial year		1,002,074	(109,305)
Retained loss brought forward		(109,305)	-
		<hr/>	<hr/>
Retained profit/(loss) carried forward		892,769	(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 1999

	Note	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	5		400,000		400,000
Investments	6		1,000		1,000
			<u>401,000</u>		<u>401,000</u>
Current assets					
Stock	7	5,858,566		11,156,302	
Debtors: amounts falling due within one year		1,864,903		4,102,490	
Debtors: amounts falling due after more than one year		6,911,065		6,132,735	
Total debtors	8	8,775,968		10,235,225	
		<u>14,634,534</u>		<u>21,391,527</u>	
Creditors: amounts falling due within one year					
	9	(14,106,765)		(21,865,832)	
Net current assets/(liabilities)			527,769		(474,305)
Net assets/(liabilities)			<u>928,769</u>		<u>(73,305)</u>
Capital and reserves					
Called up share capital	11		36,000		36,000
Profit and loss account			892,769		(109,305)
Equity shareholders' funds	12		<u>928,769</u>		<u>(73,305)</u>

These financial statements were approved by the Board of directors on 14 March 2000 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.

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 Carillion 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 Carillion 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 profit/(loss) on ordinary activities before taxation

	1999	1998
	£	£
Operating profit/(loss) on ordinary activities before taxation is stated after charging		
Auditors' remuneration - audit work	2,625	2,375
	<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 (1998: £Nil).

4 Tax on operating profit/(loss)

	1999 £	1998 £
UK corporation tax at 30.25% (1998: 31%)	485,500	26,300
Deferred taxation	-	6,200
Adjustment in respect of previous years	-	74,357
	<u>485,500</u>	<u>106,857</u>

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 1% of the issued share capital of Sovereign Harbour Limited, a company registered in England and Wales.

7 Stock

	1999 £	1998 £
Development work in progress	<u>5,858,566</u>	<u>11,156,302</u>

Notes (continued)

8 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	1,864,903	3,631,334
Group relief receivable	-	43,072
Corporation tax	-	427,379
Amounts owed by group undertakings	-	705
	<hr/>	<hr/>
	1,864,903	4,102,490
Amounts falling due after more than one year:		
Trade debtors	6,911,065	6,132,735
	<hr/>	<hr/>
	8,775,968	10,235,225
	<hr/> <hr/>	<hr/> <hr/>

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	149,345	82,259
Amounts owed to group undertakings	12,933,441	21,511,691
Other taxation and social security	461,352	239,183
Accruals and deferred income	39,527	32,699
Corporation tax	523,100	-
	<hr/>	<hr/>
	14,106,765	21,865,832
	<hr/> <hr/>	<hr/> <hr/>

10 Deferred Taxation

Deferred tax assets have not been recognised in the accounts in respect of other timing differences amounting to £176,300 (1998: £143,700).

Notes (continued)

11 Share capital

	1999 £	1998 £
Authorised:		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
36,000 ordinary shares of £1 each	36,000	36,000
	<hr/>	<hr/>

12 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Net movement in shareholders' funds	1,002,074	(109,305)
Shareholders' funds at beginning of year	(73,305)	36,000
	<hr/>	<hr/>
Shareholders' funds at end of year	928,769	(73,305)
	<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 Carillion 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 Carillion plc group. Note 15 gives details of how to obtain a copy of the published financial statements of Carillion plc.

15 Controlling and parent companies

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

Copies of the group financial statements of Carillion plc are available from 24 Birch Street, Wolverhampton, WV1 4HY.