

The Expanded Piling Company Limited

**Directors' report and financial
statements**

Registered number 414814

31 December 1999



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of The Expanded Piling Company 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 1999.

Principal activities

The company's principal activities during the year were those of contract piling and associated works.

Business review

The company reports a profit on ordinary activities after taxation of £853,680 (1998: £959,777).

Proposed dividend

The directors propose a final dividend of £954,957 (1998: £nil).

Payments to suppliers

The company does not adopt any specific code or standard, however, it is company's policy to pay its suppliers in accordance with the terms and conditions agreed prior to the commencement of trading provided that the supplier has met its contractual obligations.

At the year end there were 92 days purchases in trade creditors.

Directors and directors' interests

The directors who held office during the year were as follows:

KF Bates
 JGG Bell
 EJ Bridgewood
 RJ Markham
 B Pellard (Resigned 1 July 1999)
 RW Robinson

It was with regret that the directors announced the death of EJ Bridgewood on 18 February 1999.

The interests of the directors who held office at the end of the financial year in the ordinary shares of Carillion plc (1998 Tarmac plc) are shown below.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

	In Carillion plc At 31 December 1999			In Tarmac plc At 31 December 1998	
	Number of 50p ordinary share options	Number of 50p ordinary shares	Number of 50p ordinary share options granted during the year	Number of 50p ordinary Share Options	Number of 50p ordinary Shares
KF Bates	72,395	19,466	72,395	150,527	5,220
JGG Bell	26,110	13,903	26,110	74,824	-
EJ Bridgewood	-	-	-	107,337	1,865
RJ Markham	25,120	263	25,120	18,857	1,317

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The interests of B Pellard and RW Robinson in the share capital of Carillion plc are disclosed in the directors' report of the parent company.

Year 2000

Following the critical date transition to 1 January 2000, no failures to business critical systems have been identified. There has been no indication from third parties with whom the company engages, that they have been adversely affected by the Year 2000 problem, which may impact the company's ability to operate.

The directors, however, continue to recognise that there still remain critical dates which may lead to failures. In response to this possibility resource continues to be dedicated to the problem until the potential remaining for Year 2000 problems to arise is significantly mitigated.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



DO FitzHugh
Secretary

Birch Street
Wolverhampton
WV1 4HY

Statement of directors' responsibilities

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 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.



KPMG Audit Plc

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Sheffield

S1 3AF

Report of the auditors to the members of The Expanded Piling Company Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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

KPMG Audit Plc

Chartered Accountants

Registered Auditor

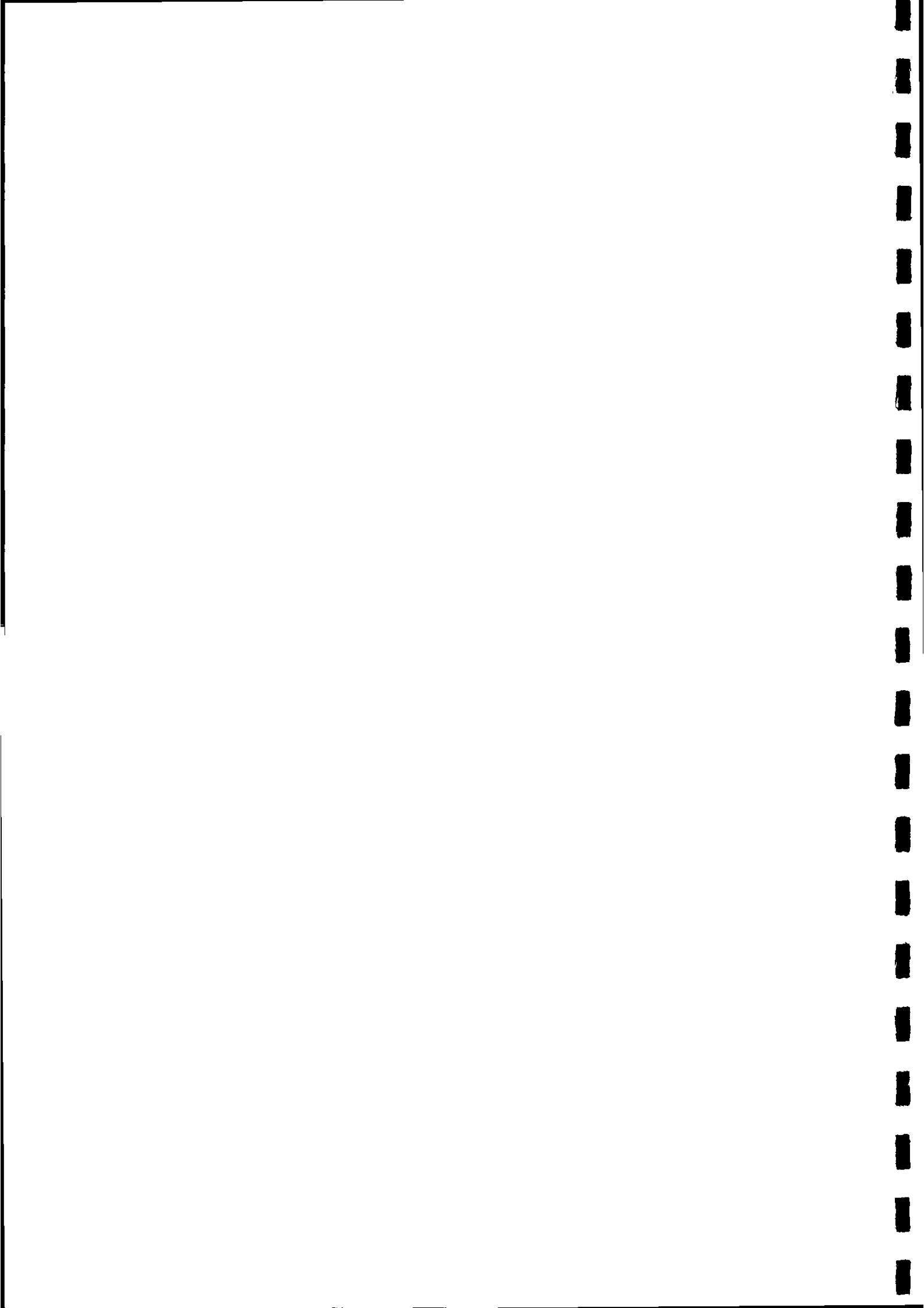
14 March 2000.

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Turnover - continuing operations		13,911,081	12,081,200
Cost of sales		(11,835,930)	(9,735,253)
Gross profit		2,075,151	2,345,947
Administrative expenses		(932,056)	(997,929)
Trading profit - continuing operations		1,143,095	1,348,018
Interest receivable and similar income		135,253	89,768
Interest payable and similar charges	5	(25,081)	(4,800)
Profit on ordinary activities before taxation	2	1,253,267	1,432,986
Tax on profit on ordinary activities	6	(399,587)	(473,209)
Profit on ordinary activities after taxation		853,680	959,777
Proposed dividend		(954,957)	-
Profit for the financial year		(101,277)	959,777
Retained profit brought forward		1,125,626	165,849
Retained profit carried forward		1,024,349	1,125,626

All recognised gains and losses have been included in the above profit and loss account.

There is no difference between the company's result as reported and on a historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.



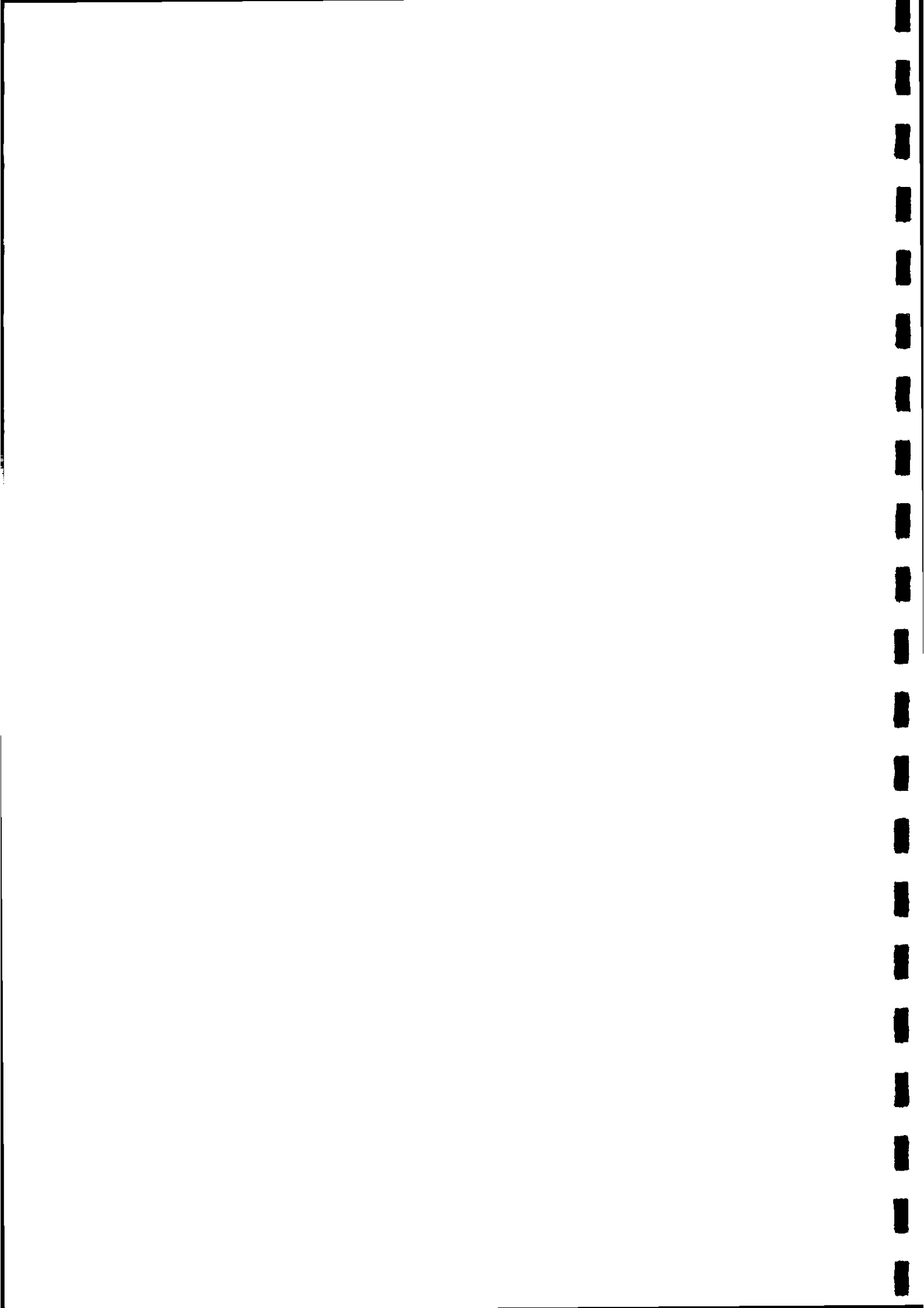
Balance sheet
at 31 December 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	7	1,650,017	1,222,356
Investments	8	84,884	84,884
		<u>1,734,901</u>	<u>1,307,240</u>
Current assets			
Stocks	9	166,657	140,480
Debtors	10	6,544,109	5,943,525
Cash at bank and in hand		204,652	-
		<u>6,915,418</u>	<u>6,084,005</u>
Creditors: amounts falling due within one year	11	<u>(7,094,238)</u>	<u>(6,067,360)</u>
Net current (liabilities)/assets		<u>(178,820)</u>	<u>16,645</u>
Total assets less current liabilities		<u>1,556,081</u>	<u>1,323,885</u>
Creditors : amounts falling due after more than one year	12	<u>(394,873)</u>	<u>(61,400)</u>
Net assets		<u>1,161,208</u>	<u>1,262,485</u>
Capital and reserves			
Called up share capital	13	47,830	47,830
Share premium account	14	84,304	84,304
Other reserves	14	4,725	4,725
Profit and loss account		1,024,349	1,125,626
Equity shareholders' funds		<u>1,161,208</u>	<u>1,262,485</u>

These financial statements were approved by the board of directors on 14 March 2000 and were signed on its behalf by:

JGG Bell

RJ Markham
Directors



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

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of Carillion plc and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Plant and equipment	-	4 to 8 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on purchase cost on a first in first out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Notes (continued)

1 Accounting policies (continued)

Long term contracts (continued)

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the value of work done during the year stated net of value added tax. All turnover is derived from the United Kingdom and arises from the principal activity.

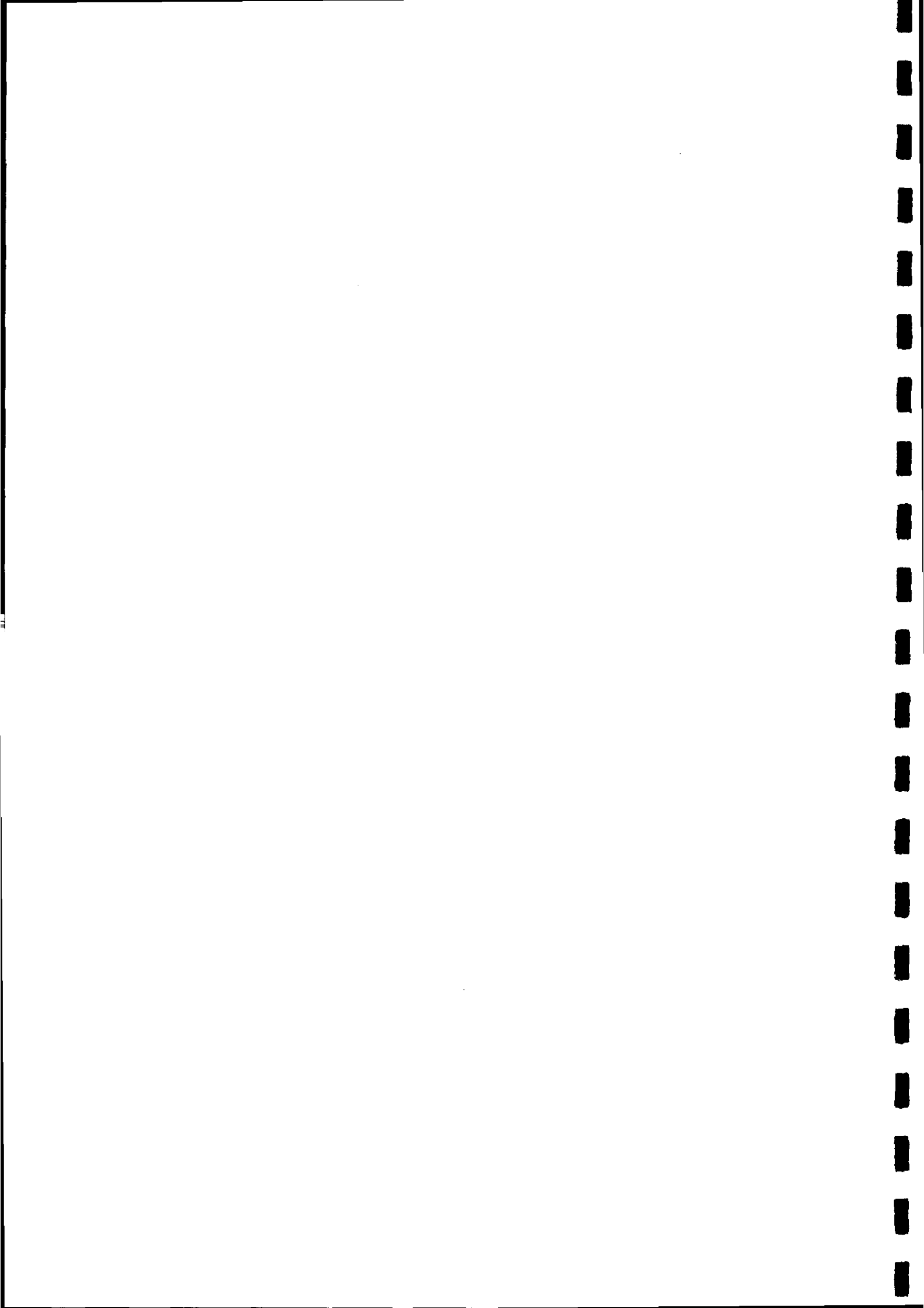
Related party transactions

As the company is a wholly owned subsidiary of Carillion PLC, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Carillion PLC, within which this company is included, can be obtained from the registered office of the company as set out in the directors' report.

There are no other related party transactions.

2 Profit on ordinary activities before taxation

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	10,300	12,500
Depreciation and other amounts written off tangible fixed assets:		
- owned	77,500	82,490
- leased	65,874	26,483
Hire of plant and machinery - rentals payable under operating leases	2,728,468	1,756,139
Hire of other assets - operating leases	160,685	133,798
Profits on sale of tangible fixed assets	76,775	2,014
	<hr/>	<hr/>



Notes (continued)

3 Remuneration of directors

	1999 £	1998 £
Directors' emoluments	224,597	160,779
	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	3
	1999 £	
Emoluments attributable to the highest paid director	116,523	
Company contributions to pension schemes for the highest paid director	25,540	

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Office and management	33	32
Labourers	108	103
	141	135

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and salaries	2,763,289	2,791,891
Social security costs	252,240	244,269
Other pension costs (see note 18)	194,728	184,873
	3,210,257	3,221,033

Notes (continued)

5 Interest payable and similar charges

	1999 £	1998 £
Finance lease interest	25,081	4,800

6 Taxation

	1999 £	1998 £
UK corporation tax at 30% (1998 :31 %)	355,400	464,984
Adjustment relating to prior years	-	40,512
Deferred tax	44,187	(32,287)
	399,587	473,209

7 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At beginning of year	880,997	2,686,296	162,517	3,729,810
Additions	-	582,760	-	582,760
Disposals	-	(112,992)	-	(112,992)
At end of year	880,997	3,156,064	162,517	4,199,578
Depreciation				
At beginning of year	89,797	2,262,820	154,837	2,507,454
Charge for year	11,100	126,394	5,880	143,374
On disposals	-	(101,267)	-	(101,267)
At end of year	100,897	2,287,947	160,717	2,549,561
Net book value				
At 31 December 1999	780,100	868,117	1,800	1,650,017
At 31 December 1998	791,200	423,476	7,680	1,222,356

The gross book value of freehold land and buildings includes £555,997 (1998: £555,997) of depreciable assets.

Notes (continued)

7 Tangible fixed assets (continued)

The net book value of plant and equipment includes £707,903 (1998: £200,517) in respect of assets held under finance leases.

8 Fixed asset investments

	1999 £	1998 £
Shares in subsidiary undertakings	84,884	84,884

The companies in which the company's interest is more than 10% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Nevrus (535) Limited	England and Wales	Non-trading	100% ordinary shares
Expanded Driven Piling Limited	England and Wales	Non-trading	100% ordinary shares

In the opinion of the directors the investments in, and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

9 Stocks

	1999 £	1998 £
Raw materials and consumables	166,657	140,480

10 Debtors

	1999 £	1998 £
Amounts recoverable on contracts	2,246,190	1,453,737
Amounts owed by parent and fellow subsidiary undertakings	4,188,195	4,305,873
Other debtors	21,637	28,193
Prepayments and accrued income	67,687	91,135
Deferred tax	20,400	64,587
	6,544,109	5,943,525

Of the trade debtors, £136,084 (1998: £386,717) represents amounts falling due after more than one year. Of the amounts owed by parent and fellow subsidiary undertakings, £2,865,000 (1998: £2,865,000) relates to amounts falling due after more than one year.

Notes (continued)

11 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	1,436,439	963,377
Obligations under finance leases	169,093	110,400
Amounts owed to group undertakings	3,733,845	3,751,644
Corporation tax	350,115	459,699
Other taxes	93,462	52,674
Other creditors	89,418	19,396
Accruals	1,221,866	710,170
	<u>7,094,238</u>	<u>6,067,360</u>

12 Creditors : amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases	<u>394,873</u>	<u>61,400</u>

The maturity of obligations under finance leases is as follows:

	1999 £	1998 £
Within one year	169,093	110,400
In the second to fifth years	<u>394,873</u>	<u>61,400</u>
	<u>563,966</u>	<u>171,800</u>

13 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
95,275 Ordinary shares of £1 each	95,275	95,275
4,725 Preference shares of £1 each	<u>4,725</u>	<u>4,725</u>
	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
47,830 Ordinary shares of £1 each	<u>47,830</u>	<u>47,830</u>

Notes (continued)

14 Other reserves

	Other reserves	Share premium account
	£	£
At beginning and end of year	4,725	83,304

15 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	1999 Other	1998 Other
	£	£
Operating leases which expire:		
Within one year	28,740	69,728
In the second to fifth years inclusive	71,985	44,691
	100,725	114,419

16 Provisions for liabilities and charges

	Deferred Taxation
	£
At beginning of year (asset)	64,587
Charged in the year	(44,187)
At end of year (asset)	20,400

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999		1998	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and amortisation and capital allowances (asset)	20,400	-	64,587	-

Notes (continued)

17 Contingent liabilities

The company has given performance bonds in respect of certain contract work undertaken in the normal course of business.

18 Pension scheme

The pension schemes to which the company contributes are of the defined benefit type and are for the benefit of all relevant employees of Tarmac PLC and its UK subsidiary and associated undertakings ("the group"). The assets of the schemes are held in trustee administered funds separate from those of the group. Details of the latest actuarial valuation of the principal schemes are given in the group's consolidated financial statements. The contributions to the schemes made by the company represent the regular cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Tarmac PLC.

19 Reconciliation of movements in shareholders funds

	1999 £000	1998 £000
Profit for the financial year	853,680	959,777
Dividend	(954,957)	-
Net addition to shareholders' funds	(101,277)	959,777
Opening shareholders' funds	1,262,485	302,708
Closing shareholders' funds	1,161,208	1,262,485

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Carillion plc registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Carillion plc. The smallest group in which they are consolidated is that headed by Carillion plc registered in England and Wales. The consolidated accounts of Carillion plc are available to the public and can be obtained from the registered office of the company as set out in the directors' report.