Tarmac International (Civil Engineering) Limited

Directors' report and financial statements

Registered number 2034158

31 December 1998

Contents

Directors' report

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

Business review and future developments

The company had turnover in the year of £Nil *(1997: £Nil)* with a loss before tax of £1,000,018 *(1997: £1,000).*

The company had an interest in a contract in Hong Kong. Following the acquisition of Wimpey Construction activities during 1996, the beneficial ownership of the contract in which the company had an interest was transferred to Tarmac Construction (Contracts) International Limited. The company has previously been involved in certain aspects of the trackwork associated with the Channel Tunnel contract which were settled during the year.

The directors anticipate that the company will not 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 Tarmac International (Civil Engineering) 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 propose the payment of a dividend for the year *(1997: £Nil).*

Directors and directors' interests

The directors serving during the year were:

DO FitzHugh
EG Barron
KF Bates
EJ Bridgewood
DH Watkinson (resigned 22 April 1998)
E McEwan

With regret, the directors announce the death of EJ Bridgewood on 18 February 1999.

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

	Number of 50p ordinary shares						
	At 31 December 1998		At 1 January 1998		Share option movements in year		
	Fully paid	Share options	Fully paid	Share options	granted	exercised	lapsed
DO FitzHugh	32,311	204,747	10,976	194,345	45,241	14,871	19,968
EG Barron	3,471	123,756	3,471	129,846	25,322	14,871	16,541
KF Bates	5,220	150,527	-	136,124	29,274	14,871	-
EJ Bridgewood	1,865	107,337	1,865	109,655	23,145	8,922	16,541

No director was beneficially interested in the loan capital of Tarmac plc.

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 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; and
- 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 at the forthcoming annual general meeting to re-appoint KPMG Audit Plc for the forthcoming year.

Approved by order of the board of directors and signed on its behalf by:

E McEwan
Secretary

Construction House
Birch Street
Wolverhampton
WV1 4HY

16 March 1999

KPMG

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Tarmac International (Civil Engineering) Limited

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

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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

16 March 1999

Profit and loss account

for the year ended 31 December 1998

	Note	1998	1997
		£	£
Turnover		-	-
Cost of sales		**(1,000,000)**	-
Gross loss		**(1,000,000)**	-
Administrative expenses		**(18)**	(1,000)
Loss on ordinary activities before taxation	*3*	**(1,000,018)**	(1,000)
Tax on loss on ordinary activities	*4*	**216,500**	(56,382)
Retained loss for the financial year	*9*	**(783,518)**	(57,382)

The above results are all derived from discontinued operations.

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

In both the current and preceding years, there was no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet
at 31 December 1998

	Note	**1998**	1997
		£	£
Current assets			
Debtors	*5*	**4,157,120**	4,907,337
Cash at bank and in hand		**14,872**	104,604
		4,171,992	5,011,941
Creditors: amounts falling due within one year	*6*	**(5,024,624)**	(5,081,055)
Net liabilities		**(852,632)**	(69,114)
Capital and reserves			
Called up share capital	*8*	**100,000**	100,000
Profit and loss account	*9*	**(952,632)**	(169,114)
Equity shareholders' funds		**(852,632)**	(69,114)

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

E McEwan
Director

Notes
(forming part of the financial statements)

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. Notwithstanding the deficit on net assets, 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 continue 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.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rates of exchange ruling at the dates of the transactions. Balances denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

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.

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.

Directors' emoluments

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

Loss on ordinary activities before taxation

	1998	1997
	£	£
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration - audit work	-	1,000

Notes *(continued)*

Tax on loss on ordinary activities

The taxation (credit)/charge based on the loss for the year comprises:

	1998 £	1997 £
Group relief receivable	**(493,500)**	(315)
Deferred taxation	**277,000**	19,124
Adjustment in respect of previous years	**-**	37,573
	(216,500)	56,382

The company has received corporation tax losses from fellow subsidiary undertakings for which it has made payment.

Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Amounts owed by group undertakings	**3,658,137**	4,608,279
Group relief receivable	**493,815**	-
Corporation tax	**5,168**	17,800
Prepayments and accrued income	**-**	4,258
	4,157,120	4,630,337
Amounts falling due after more than one year:		
Deferred taxation (note 7)	**-**	277,000
	4,157,120	4,907,337

Creditors: amounts falling due within one year

	1998 £	1997 £
Amounts owed to group undertakings	**4,989,650**	5,061,754
Group taxation relief	**-**	17,321
Accruals and deferred income	**1,000**	1,980
Other creditors	**33,974**	-
	5,024,624	5,081,055

Notes *(continued)*

Deferred taxation

The movement on the deferred taxation asset was as follows:

	£
At beginning of year	277,000
Transfer from profit and loss account	(277,000)
At end of year	-

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

	Amounts recognised	
	1998	1997
	£	£
Other timing differences	-	277,000

The asset above represents the full deferred taxation asset. The asset is recognised as the other timing differences are expected to reverse in the foreseeable future.

Called up share capital

	1998	1997
	£	£
Authorised:		
1,000,000 ordinary shares of £1 each	**1,000,000**	1,000,000
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	**100,000**	100,000

Reconciliation of movements in shareholders' funds

	Share capital	**Profit and loss account**	**1998 Total**	1997 Total
	£	**£**	**£**	£
Retained loss for the financial year	**-**	**(783,518)**	**(783,518)**	(57,382)
Net decrease in shareholders' funds	**-**	**(783,518)**	**(783,518)**	(57,382)
Shareholders' funds at beginning of year	**100,000**	**(169,114)**	**(69,114)**	(11,732)
Shareholders' funds at end of year	**100,000**	**(952,632)**	**(852,632)**	(69,114)

Notes *(continued)*

Related party transactions

As a 100% 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 group. Note 11 gives details of how to obtain a copy of the published financial statements of Tarmac plc.

Parent companies

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

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