

**Sovereign Harbour Limited**

**Directors' report and financial statements**

31 December 1998

Registered number 2217605



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## **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 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 dark ink that reads 'KPMG Audit Plc' with a stylized flourish at the end.

**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)	-
<b>Loss before taxation</b>	<b>(64,689)</b>	-
Taxation on loss on ordinary activities	-	-
<b>Loss after taxation being retained loss for the year</b>	<b>(64,689)</b>	-
Profit and loss reserve brought forward	-	-
<b>Profit and loss reserve carried forward</b>	<b>(64,689)</b>	-

**Balance sheet**  
*at 31 December 1998*

	<i>Note</i>	1998 £	1997 £
<b>Fixed assets</b>			
Investments	3	35,311	100,000
<b>Capital and reserves</b>			
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 £
<b>Cost</b>		
At beginning and end of year	100,000	100,000
	<u>          </u>	<u>          </u>
<b>Provisions</b>		
At beginning of year	-	-
Other movements in year	64,689	-
	<u>          </u>	<u>          </u>
<b>At end of year</b>	64,689	-
	<u>          </u>	<u>          </u>
<b>Net book value</b>		
At 31 December 1998	35,311	100,000
	<u>          </u>	<u>          </u>

### 4 Share capital

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