

Tarmac plc
(formerly Tarmac Group plc)

**Directors' report and consolidated
financial statements**
Registered Number 3751525
31 December 1999



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Directors' report

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

Reorganisation and demerger

Tarmac plc ("New Tarmac") was incorporated as Tarmac Group plc on 9 April 1999, with registered number 3751525, as a wholly-owned subsidiary of the then parent company, Tarmac plc, registered number 132583 ("Old Tarmac"). On 26 July 1999, sanction of the Court was granted for a Scheme of Arrangement under Section 425 of the Companies Act ("the Scheme"), which came into effect on 28 July 1999. Under the Scheme, New Tarmac became the ultimate holding company of the Tarmac group of companies.

Pursuant to the terms of the Scheme, ordinary shareholders in Old Tarmac exchanged their shares for ordinary shares in New Tarmac on the basis of one ordinary share in New Tarmac for every five ordinary shares held in Old Tarmac. The issued ordinary shares in Old Tarmac were cancelled under the Scheme. The credit arising in the books of Old Tarmac as a result of this cancellation was applied in paying up in full at par the same number of ordinary shares in Old Tarmac as had been cancelled. Those shares were issued to New Tarmac in consideration for the issue of New Tarmac ordinary shares to shareholders in Old Tarmac on the terms described above.

Coincident with the Scheme becoming effective, the name of Tarmac Group plc (New Tarmac) was changed to Tarmac plc and the name of Tarmac plc (Old Tarmac) was changed to Tarmac Holdings plc.

Pursuant to a Court hearing on 28 July 1999, sanction was granted for a reduction of the capital of New Tarmac, which took effect on 29 July 1999. The capital was reduced by repaying to the holders of New Tarmac shares an amount determined by the directors and effected by way of the transfer of certain companies, businesses and rights (the Construction Services Business stream) to Carillion plc in consideration of the allotment by Carillion plc of one ordinary share in Carillion plc for each New Tarmac share held.

Principal activities

The group continues to exploit resources of stone, sand and gravel to satisfy the needs of the building and construction industries for crushed and graded aggregates. It has also developed a major business producing asphalt, has large road surfacing operations and owns or controls substantial reserves of strategically located mineral reserves throughout the UK and ten other countries around the world. To complement these activities, the group also produces ready mixed concrete and other cement based products and manufactures concrete blocks, pre-cast concrete and general concrete products.

Business review

Despite adverse market conditions and the major restructuring of the group, the full year's performance was encouraging.

We announced at the start of the year our intention to pursue the demerger of our construction business from our heavy building materials business. The demerger was completed on 29 July 1999. The costs of effecting the demerger were £28.4 million, which have been shown as an exceptional cost for the year. These costs were higher than originally anticipated, but are a direct consequence of the high degree of complexity inherent in this transaction.

The results for the group comprise twelve months of the Heavy Building Materials Business Stream and the first seven months of the Construction Services Business Stream, the latter being classified as discontinued operations throughout the accounts.

Trading conditions were generally unhelpful, especially compared with the second half of last year. In particular, demand for asphalt within the UK remained lacklustre due to the continued absence of new road construction. As a result, operating profit on continuing operations declined 5% on last year to £128.6 million.

Directors' report *(continued)*

Year 2000

Throughout 1999 and earlier years, the group carried out reviews to identify areas where the year 2000 date change in computer systems could potentially have significant financial or operational consequences. Where problems were identified, rectification work was carried out. Up to now, the group has encountered no significant problems in relation to this issue. The group acknowledges that it is impossible to know whether there are any problems yet to arise and therefore continues to monitor the situation. The total cost of the programme to the Tarmac group is estimated at £6.2 million, of which £2.6 million relates to businesses within the New Tarmac group. Costs have been charged to the profit and loss account as and when incurred.

Profits and proposed dividend

The profit on ordinary activities before taxation amounted to £71.7 million (1998 £131.4 million). The directors do not recommend the payment of a final dividend. An interim dividend of 5.15p per share (1998: interim 3.0 pence per share, final 2.8 pence per share, total 5.8 pence per share) was paid on 7 January 2000.

Policy and practice on payment of creditors

The group does not follow a prescribed code on the payment of suppliers. The policy is for each business to agree terms and conditions for transactions with its suppliers. Payment is generally made on these terms, provided that the suppliers have met their obligations to the businesses' satisfaction.

The company's expenditure relates predominantly to overhead and payroll costs. It is therefore inappropriate to calculate a creditor days ratio in respect of the company.

Directors and directors' interests

The directors who held office in the period to 31 December 1999 in Tarmac plc were as follows:

	Appointed	Resigned	Reappointed
Executive directors			
Hackwood Directors Limited	09/04/1999	09/04/1999	
Hackwood Secretaries Limited	09/04/1999	09/04/1999	
GW Bolsover	09/04/1999	20/04/1999	29/07/1999
JF Bowater	09/04/1999	20/04/1999	29/07/1999
CJ Bunker	09/04/1999		
RJ Harrison	09/04/1999		
Sir Neville Simms	09/04/1999	29/07/1999	
Non-executive directors			
Sir John Banham (Chairman)	24/05/1999		
RJ Dickens CBE DL	24/05/1999		
MRB Gatenby	30/07/1999		
Sir Anthony Gill	24/05/1999		

Messrs. RJ Harrison, CJ Bunker and GW Bolsover resigned as directors on 13 March 2000. Sir John Banham, Sir Anthony Gill and Messrs. RJ Dickens and MRB Gatenby resigned as directors on 14 March 2000.

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The following were appointed directors of Tarmac plc on 13 March 2000.

DC Cather
TH Claiborne
JMcN Evans
FKJ Jackson
AW Lea
KA Riley
RS Robertson
PB Rothwell
AJ Trahar
PG Whitcutt

The directors named above, who were appointed on 13 March 2000, hold office until the first annual general meeting of the company at which, being eligible, each offers himself for re-election. Mr JF Bowater, having been appointed as a director by the company in general meeting with effect from 29 July 1999, retires by rotation and, being eligible, offers himself for re-election at the annual general meeting.

The directors who held office at the end of the year had the following interests in the ordinary share capital of the company as shown below:

Fully paid shares owned:

	Tarmac plc	
	28 July 1999 ¹	31 December 1999
Sir John Banham	4,751	7,251
GW Bolsover	13,735	21,500
JF Bowater	15,182	22,098
CJ Bunker	21,151	54,087
RJ Dickens CBE DL	2,041	7,041
MRB Gatenby	5,000	5,000
Sir Anthony Gill	22,261	62,261
RJ Harrison	32,943	74,101

¹ Or date of appointment if later.

Share options:	28 July 1999	Granted	
		During Period	At 31 December 1999
GW Bolsover	-	75,165	75,165
JF Bowater	-	38,686	38,686
CJ Bunker	-	95,229	95,229
RJ Harrison	-	120,578	120,578

Directors' report *(continued)*

Directors and directors' interests *(continued)*

No director is, or was during the period, beneficially interested in the convertible capital bonds issued by Tarmac Finance (Jersey) Limited, or the share or loan capital of any subsidiary undertaking.

Employees

It is group policy to communicate with and involve employees on matters affecting their interests at work and to inform them of the performance of the business. The group adopts such employee consultation as is appropriate, including consultative committees, training and development and communication programmes. The information is complemented by the group newspaper, "Tarmac World".

It is also group policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and, wherever possible, to retrain employees who become disabled so that they can continue their employment.

Political and charitable contributions

The group made political contributions during the year of £20,000 to the Conservative Party. Donations to UK charities amounted to £177,000.

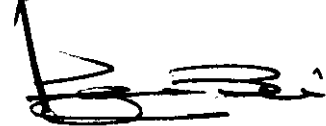
Post balance sheet event

It was announced on 5 November 1999 that agreement had been reached between the boards of Anglo American plc and Tarmac plc on the terms of a recommended cash offer for the entire issued and to be issued share capital of Tarmac plc. The formal offer document was posted to shareholders on 17 November 1999. The offer of £5.85 per share valued the Tarmac business at approximately £1.2 billion.

On 1 March 2000, Anglo American announced that the conditions within the offer document had been satisfied or waived and, as a result, the offer was declared wholly unconditional.

Tarmac plc was delisted from the London Stock Exchange on 4 May 2000.

By order of the board



AC Smith
Secretary

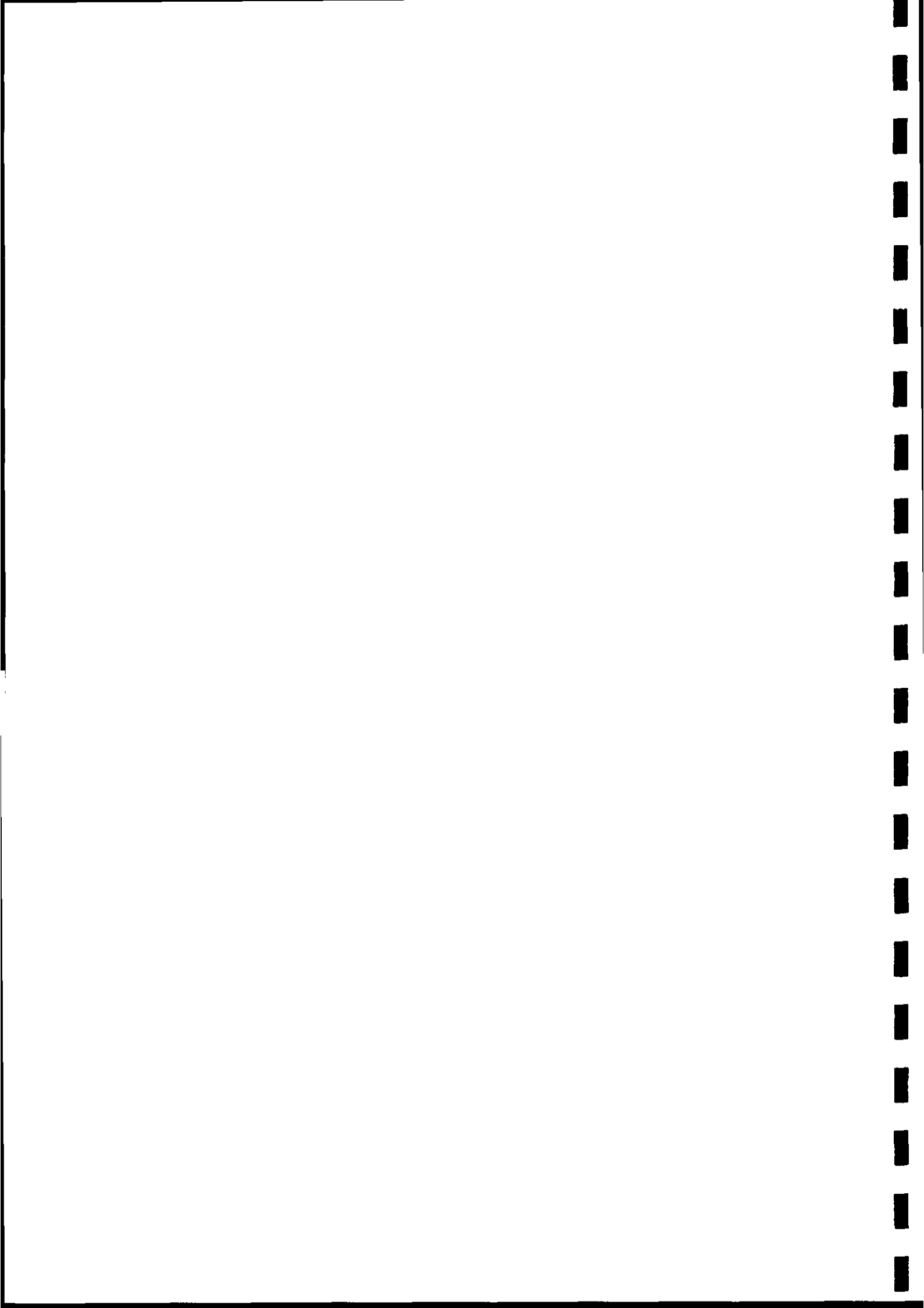
21 July 2000

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 group 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 group 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 group and to prevent and detect fraud and other irregularities.





KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

**Report of the auditor to the members of Tarmac plc
(formerly Tarmac Group plc)**

We have audited the financial statements on pages 7 to 37.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 5, 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.

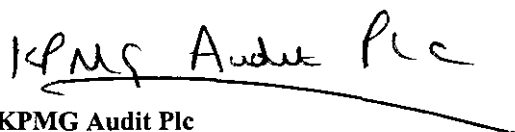
Basis of opinion

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 affairs of the company and the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

21 July 2000

Consolidated profit and loss account for the year ended 31 December 1999

	Note	1999 £m	1998 As restated £m
Turnover			
Continuing activities		1,341.5	1,269.5
Discontinued activities		1,028.1	1,857.1
		<hr/>	<hr/>
		2,369.6	3,126.6
Less group's share of turnover of:			
Joint ventures-			
Continuing activities		(45.8)	(50.0)
Discontinued activities		(113.5)	(183.6)
Associates- continuing activities		(16.9)	(14.1)
		<hr/>	<hr/>
Group turnover	2,3	2,193.4	2,878.9
		<hr/>	<hr/>
Group operating profit	2,3		
Ordinary trading			
- Continuing activities		115.5	124.7
- Discontinued activities		9.2	20.9
- QUEST elimination adjustment		-	(0.6)
		<hr/>	<hr/>
		124.7	145.0
Exceptional operating items			
Continuing activities	2	(2.0)	(1.0)
Discontinued activities	2	-	(4.5)
		<hr/>	<hr/>
	3	122.7	139.5
Group's share of operating profit of:			
Joint ventures-			
Continuing activities		8.8	6.4
Discontinued activities		6.4	22.1
Discontinued activities - exceptional items		-	(1.4)
Associates - continuing activities		6.3	6.0
		<hr/>	<hr/>
Total operating profit			
Continuing activities		128.6	136.1
Discontinued activities		15.6	37.1
Quest elimination adjustment		-	(0.6)
		<hr/>	<hr/>
		144.2	172.6
Demerger costs	5	(28.4)	-
		<hr/>	<hr/>
Profit before interest		115.8	172.6
Net interest payable:	7		
Group		(41.6)	(39.6)
Joint ventures and associates		(2.5)	(1.6)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	71.7	131.4
Taxation on profit on ordinary activities	8	(33.1)	(39.4)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		38.6	92.0
Equity minority interests		(7.3)	(8.4)
		<hr/>	<hr/>
Profit for the financial year	9	31.3	83.6
Dividends on equity shares	10	(10.5)	(55.8)
		<hr/>	<hr/>
Retained profit for the year for group and its share of joint ventures and associates	22	20.8	27.8
		<hr/>	<hr/>

Consolidated balance sheet at 31 December 1999

	Note	1999 £m	1998 restated £m
Fixed assets			
Goodwill	11	30.9	1.7
Tangible assets	12	1,348.0	1,394.3
Investments in joint ventures	13		
Share of gross assets		52.1	324.7
Share of gross liabilities		(36.4)	(275.1)
Investments in associates	13	15.7 27.7	49.6 27.5
		1,422.3	1,473.1
Current assets			
Stocks	14	117.1	158.0
Debtors	15	312.4	772.0
Investments	16	-	0.8
Cash at bank and in hand		175.1	311.1
Creditors: amounts falling due within one year	17	604.6 (407.4)	1,241.9 (1,066.4)
Net current assets			
Due within one year		170.9	121.6
Debtors due after more than one year		26.3	53.9
		197.2	175.5
Total assets less current liabilities		1,619.5	1,648.6
Creditors: amounts falling due after more than one year	18	(646.9)	(616.1)
Provisions for liabilities and charges	19	(96.2)	(82.1)
		(743.1)	(698.2)
Net assets		876.4	950.4
Capital and reserves			
Called up share capital	21	184.3	488.3
Share premium account	22	0.5	-
Revaluation reserve	22	252.8	264.8
Other reserves	22	309.3	194.6
Profit and loss account	22	60.8	(91.5)
Equity shareholders' funds		807.7	856.2
Equity minority interests		68.7	94.2
Total capital employed		876.4	950.4

These financial statements were approved by the board of directors on 21 July 2000 and were signed on its behalf by:

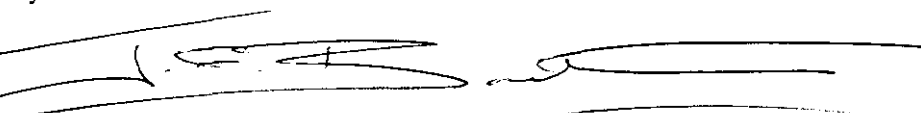

JF Bowater
Director


FKJ Jackson
Director

Company balance sheet
at 31 December 1999

	<i>Note</i>	1999	
		£m	£m
Fixed assets			
Investments	13		511.7
Current assets			
Debtors	15	10.5	
Creditors: amounts falling due within one year	17	(10.5)	
Net current assets			-
Total assets less current liabilities			511.7
Creditors: amounts falling due after more than one year	18		(326.9)
Net assets			184.8
Capital and reserves			
Called up share capital	21		184.3
Share premium account	22		0.5
Profit and loss account	22		-
Shareholders' funds			
Equity			184.8

These financial statements were approved by the board of directors on 21 July 2000 and were signed on its behalf by:


JF Bowater
Director


TKJ Jackson
Director

Consolidated cash flow statement
for the year ended 31 December 1999

	<i>Note</i>	1999 £m	1999 £m	1998 £m	1998 £m
Net cash inflow from operating activities	25		2.8		139.5
Dividends received from joint ventures			19.3		2.0
Dividends received from associated undertakings			7.0		4.0
Returns on investments and servicing of finance					
Interest paid		(47.4)		(47.5)	
Interest received		6.8		8.4	
Dividends paid to equity minority shareholders		(12.0)		(1.8)	
Net cash outflow from returns on investments and servicing of finance			(52.6)		(40.9)
Corporate taxation paid			(13.0)		(21.3)
Capital expenditure and financial instruments					
Payments to acquire tangible assets		(87.1)		(100.8)	
Sale of tangible assets		13.3		45.0	
Net cash outflow from capital expenditure and financial investments			(73.8)		(55.8)
Acquisitions and disposals					
Purchase of subsidiary undertakings and businesses	26	(40.9)		(22.3)	
Purchase of joint ventures and associated undertakings		(9.6)		(13.5)	
Bank overdrafts transferred on demerger	27	16.4		-	
Demerger costs paid	5	(23.3)		-	
Net cash outflow from acquisitions and disposals			(57.4)		(35.8)
Equity dividends paid			(10.9)		(23.2)
Net cash outflow before financing			(178.6)		(31.5)
Net cash inflow from management of liquid resources	28		52.8		19.0
Financing					
Issue of ordinary shares		33.7		6.9	
Draw down of US Private Placement Notes		-		120.0	
Net drawdown/(repayment) of other loans		34.0		(52.8)	
Net cash inflow from financing			67.7		74.1
(Decrease)/increase in cash in the period	28		(58.1)		61.6

Consolidated statement of total recognised gains and losses
for the year ended 31 December 1999

	1999 £m	1998 £m
Profit for the financial year	31.3	83.6
Currency adjustments relating to net investments in foreign enterprises, net of taxation effect	(0.2)	0.6
Total recognised gains and losses relating to the financial year	31.1	84.2
Prior year adjustment (see note 19)	(6.9)	
Total gains and losses recognised since last annual report	24.2	

Note of consolidated historical cost profits and losses
for the year ended 31 December 1999

	1999 £m	1998 £m
Reported profit on ordinary activities before taxation	71.7	131.4
Realisation of revaluation reserve	11.9	2.1
Historical cost profit on ordinary activities before taxation	83.6	133.5
Historical cost transfer to reserves	32.7	29.9

Consolidated reconciliation of movements in shareholders' funds
for the year ended 31 December 1999

	1999 £m	1998 as restated £m
Profit for the financial year	31.3	83.6
Dividends	(10.5)	(55.8)
Demerger of Construction Services Business Stream	20.8	27.8
Other recognised gains and losses relating to the year (net)	(119.8)	-
New share capital subscribed (net of issue costs):	(0.2)	0.6
Share options (Old Tarmac)	33.7	6.9
Scrip dividend alternative (Old Tarmac)	16.4	30.3
Shares issued re purchase of Situsec Limited (New Tarmac)	0.6	-
Net (reduction) / addition to shareholders' funds	(48.5)	65.6
Opening shareholders' funds (1998 originally £797.5m before deducting prior year adjustment of £6.9m)	856.2	790.6
Closing shareholders' funds	807.7	856.2

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 financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain tangible fixed assets comprising a major part of the group's land, buildings and mineral reserves.

On 28 July 1999, Tarmac plc issued and credited as fully paid 204,674,759 ordinary shares of £2.50 each in exchange for the whole of the issued share capital of Tarmac Holdings plc (formerly Tarmac plc). On 29 July 1999, Tarmac plc demerged its Construction Services Business Stream following a reduction in share capital granted by a court hearing on the same date. Further details of the capital reduction are given in note 21.

The combination with Tarmac Holdings plc has been accounted for as a group reconstruction in accordance with the principles of merger accounting as set out in Financial Reporting Standard 6 "Acquisitions and Mergers". Accordingly, the consolidated results are presented as if the new Tarmac plc group had been in existence throughout the years ended 31 December 1998 and 1999. The results of the Construction Services Business Stream have been disclosed as discontinued activities in both years.

Basis of consolidation

The group accounts include those of the parent company and all its subsidiary undertakings as well as the group's share of both associated undertakings and joint ventures under the equity accounting method. The results of subsidiary undertakings acquired and disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on business combinations in respect of acquisitions before 1 January 1998, when FRS 10 "Goodwill and intangible assets" was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive/(negative) goodwill is amortised/(credited) in the profit and loss account by equal annual instalments over its estimated useful life, normally a period not exceeding 20 years.

Turnover

Turnover represents the amounts receivable, excluding value added tax, for goods and services supplied to external customers and, in respect of long-term contracting activities, the value of work executed during the year.

Depreciation

Depreciation is based on historical cost or revaluation, less the estimated residual values, and the estimated economic lives of the assets concerned. Freehold land is not depreciated. Mineral reserves are amortised over their estimated commercial life where this is less than ten years. Other tangible assets are depreciated in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Freehold buildings and long leasehold properties	-	50 years
Short leasehold properties	-	life of lease
Plant and machinery	-	5 to 20 years
Cement plants	-	15 to 35 years
Motor vehicles	-	4 to 7 years

Notes (continued)

1 Accounting policies (continued)

Restoration

Provision is made for the net present value of the total estimated cost of restoring land where quarrying activities have been undertaken and there is an obligation to restore those sites. Where this provision gives access to future economic benefits, an asset is recognised, within debtors, which is charged to the profit and loss account over the lives of the relevant sites. Costs are charged to the provision as incurred and the unwinding of the discount is charged to the profit and loss account and is included in the interest charge for the year.

Leased Assets

Assets held under finance leases are capitalised and the capital element of future repayments included within creditors. Depreciation on such assets is charged to the profit and loss account over the shorter of the lease term and their useful life. Finance charges are allocated to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the obligation.

Operating lease rentals are charged to the profit and loss account in equal instalments over the life of the lease, except that provision is made for the expected net cost on vacant leasehold properties.

Stocks and long-term contracts

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate overheads. Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. The profit on each individual contract is recognised when the outcome of the contract can be foreseen with reasonable certainty and is the lower of profit earned to date and that forecast at completion. Profit for the year includes settlement of claims arising on contracts completed in prior years. Payments received on account are deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors.

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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The accounts of overseas subsidiary and associated undertakings and joint ventures are translated into sterling at the rates of exchange ruling at the year end. Gains or losses arising on the translation of the opening net assets of such overseas undertakings are taken to reserves, together with exchange differences on related foreign currency borrowings.

Pensions

Regular pension costs for defined benefit schemes are established in accordance with the recommendation of independent actuaries and are charged to the profit and loss accounts based on the expected pension costs over the employees' service lives with the group. Current actuarial surpluses or deficits are spread over the remaining service lives. Contributions to money purchase schemes are charged to the profit and loss account as incurred.

Notes (continued)

2 Segmental information

The table below sets out information for each of the group's industry segments and geographic areas of operation:

By activity	Turnover 1999			1998		
	Total	Inter segment	External	Total	Inter segment	External
	£m	£m	£m	£m	£m	£m
Heavy Building Materials						
UK	923.6	(9.2)	914.4	874.2	(24.9)	849.3
North America	311.3	-	311.3	296.0	-	296.0
Europe	91.7	-	91.7	96.6	-	96.6
Other	24.1	-	24.1	27.6	-	27.6
	<u>1,350.7</u>	<u>(9.2)</u>	<u>1,341.5</u>	<u>1,294.4</u>	<u>(24.9)</u>	<u>1,269.5</u>
Construction Services discontinued activity	1,035.4	(7.3)	1,028.1	1,866.1	(9.0)	1,857.1
	<u>2,386.1</u>	<u>(16.5)</u>	<u>2,369.6</u>	<u>3,160.5</u>	<u>(33.9)</u>	<u>3,126.6</u>
By geographical market served						
Heavy Building Materials						
UK			914.4			849.3
North America			311.3			296.0
Europe			91.7			96.6
Other			24.1			27.6
			<u>1,341.5</u>			<u>1,269.5</u>

The discontinued activity relates predominantly to the UK.

The group's share of turnover of joint ventures and associated undertakings, which is included in total turnover above, may be analysed as follows:

	1999		1998	
	Joint Ventures	Associates	Joint ventures	Associates
	£m	£m	£m	£m
Heavy Building Materials				
UK	35.1	3.4	42.1	3.9
North America	-	11.8	-	10.0
Europe	0.3	1.7	-	0.2
Other	10.4	-	7.9	-
	<u>45.8</u>	<u>16.9</u>	<u>50.0</u>	<u>14.1</u>
Construction Services -discontinued activity	113.5	-	183.6	-
	<u>159.3</u>	<u>16.9</u>	<u>233.6</u>	<u>14.1</u>

Notes (continued)

2 Segmental information (continued)

	1999			1998		
	Profit before all exceptional items £m	Exceptional items £m	Profit before interest £m	Profit before all exceptional items £m Restated	Exceptional operating items £m	Profit before interest £m Restated
Heavy Building Materials						
UK	95.7	(2.0)	93.7	106.6	-	106.6
North America	35.0	-	35.0	35.8	-	35.8
Europe	7.3	-	7.3	8.5	-	8.5
Other	1.6	-	1.6	1.5	-	1.5
	<u>139.6</u>	<u>(2.0)</u>	<u>137.6</u>	<u>152.4</u>	<u>-</u>	<u>152.4</u>
Construction Services - discontinued activity	15.6	(28.4)	(12.8)	43.0	(5.9)	37.1
Group centre	(9.0)	-	(9.0)	(15.9)	(1.0)	(16.9)
	<u>146.2</u>	<u>(30.4)</u>	<u>115.8</u>	<u>179.5</u>	<u>(6.9)</u>	<u>172.6</u>

Operating exceptional items for 1999 of £2.0 million comprise the fees of professional advisors to 31 December 1999 following the offer from Anglo-American plc for the entire issued share capital of Tarmac plc. Other non-operating exceptional costs of £28.4 million are discussed in note 5 to the accounts.

Exceptional operating items included above for 1998 comprise £4.5 million of restructuring costs incurred within the Construction Services Business Stream and £1.0 million of professional fees, incurred in the Group Centre, in respect of abortive corporate activity.

The Group's share of the results of joint ventures and associated undertakings, which is included in profit before all exceptional items above, may be analysed as follows:

	1999		1998	
	Joint ventures £m	Associates £m	Joint ventures £m	Associates £m
Heavy Building Materials				
UK	7.1	1.1	5.2	1.2
North America	-	5.2	-	4.8
Other	1.7	-	1.2	-
	<u>8.8</u>	<u>6.3</u>	<u>6.4</u>	<u>6.0</u>
Construction Services -discontinued activity	6.4	-	22.1	-
Exceptional operating cost	-	-	(1.4)	-
	<u>15.2</u>	<u>6.3</u>	<u>27.1</u>	<u>6.0</u>

Of the 1998 exceptional operating items described above, £1.4 million arises in respect of joint ventures in the Construction Services Business Stream

Notes (continued)

2 Segmental information (continued)

	Net Assets	
	1999 £m	1998 £m Restated
Heavy Building Materials		
UK	885.4	863.2
North America	502.8	465.0
Europe	72.9	74.1
Other	11.2	4.3
	<hr/>	<hr/>
	1,472.3	1,406.6
Construction Services - discontinued activity	-	(38.4)
	<hr/>	<hr/>
	1,472.3	1,368.2
Group Centre	(70.8)	(42.9)
	<hr/>	<hr/>
	1,401.5	1,325.3
Unallocated net liabilities	(525.1)	(374.9)
	<hr/>	<hr/>
	876.4	950.4
	<hr/>	<hr/>
Unallocated net liabilities comprise:		
Net borrowings	(466.7)	(317.7)
Corporate taxation, including deferred taxation	(47.9)	(29.9)
Proposed dividend	(10.5)	(27.3)
	<hr/>	<hr/>
	(525.1)	(374.9)
	<hr/>	<hr/>

3 Analysis of continuing and discontinued operations

	1999			1998		
	Continuing £m	Discontinued £m	Total £m	Continuing £m Restated	Discontinued £m Restated	Total £m Restated
Turnover	1,278.8	914.6	2,193.4	1,205.4	1,673.5	2,878.9
Cost of sales	(846.5)	(828.8)	(1,675.3)	(765.4)	(1,523.5)	(2,288.9)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit	432.3	85.8	518.1	440.0	150.0	590.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Distribution costs	(213.6)	(5.3)	(218.9)	(211.5)	(1.5)	(213.0)
Administrative expenses	(103.2)	(71.3)	(174.5)	(102.8)	(127.6)	(230.4)
Exceptional operating items	(2.0)	-	(2.0)	(2.0)	(4.5)	(6.5)
QUEST elimination adjustment	-	-	-	(0.6)	-	(0.6)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit	113.5	9.2	122.7	123.1	16.4	139.5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The amounts contributed by new acquisitions in 1999 within the continuing activities section for turnover, cost of sales and operating profit are insignificant as regards the figures shown in the group accounts.

Notes (continued)

4 Profit on ordinary activities before taxation

	1999 £m	1998 £m
Profit on ordinary activities before taxation has been arrived at after charging:		
Depreciation of tangible assets	72.6	70.8
Amortisation of capitalised goodwill	0.3	0.1
Operating leases		
Hire of plant and machinery		
Short term	35.0	57.0
Long term	10.1	22.9
Hire of other assets	13.0	10.8
Audit fees		
UK (including £0.1 million in respect of the company)	1.2	1.2
Overseas	0.3	0.5
	<hr/>	<hr/>

Fees paid to KPMG Audit Plc and its associates in 1999 for UK non-audit services amounted to £7.1 million including £6.7 million relating to the demerger, which are included in note 5 (1998 - £1.8 million).

5 Demerger costs

	1999 £m	1998 £m
Costs of fundamental restructuring - demerger costs	28.4	-
	<hr/>	<hr/>
	28.4	-
	<hr/>	<hr/>

The costs of fundamental restructuring relate to the demerger of the group's Construction Services Business Stream to Carillion plc and principally comprise professional fees. At 31 December 1999, £5.1 million of the demerger costs remained unpaid.

6 Directors and employees

Detailed information in respect of directors' shareholdings and share options is set out in the Directors' report.

	1999 £000
Emoluments (for the period 29 July to 31 December 1999)	641
	<hr/>
Contributions to money purchase pension schemes	55
	<hr/>
	Number of directors
Number of directors who:	
Are members of defined benefit pension schemes	4
	<hr/>
Are members of money purchase pension schemes	1
	<hr/>

Notes (continued)

6 Directors and employees (continued)

The aggregate of emoluments, excluding pension contributions of the highest paid director, was £189,000. At 31 December 1999, the annual pension accruing at normal retirement age for the highest paid director was £188,000.

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

	Number of employees	
	1999	1998
Heavy Building Materials	11,260	10,924
Construction Services	7,719	13,272
Group Centre	147	173
	<hr/> 19,126	<hr/> 24,369
UK	13,314	16,813
Overseas	5,812	7,556
	<hr/> 19,126	<hr/> 24,369

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£m	£m
Wages and salaries	375.8	461.2
Social security costs	41.1	49.7
Other pension costs	9.4	14.3
	<hr/> 426.3	<hr/> 525.2

7 Net interest payable and similar charges - group

	1999	1998
	£m	Restated £m
On bank loans and bank overdrafts	33.4	33.8
Servicing costs of convertible capital bonds	10.2	10.2
Finance charges payable in respect of finance leases	0.2	0.4
Unwinding of discount on provisions	1.1	1.2
Other	3.6	2.4
	<hr/> 48.5	<hr/> 48.0
Total interest payable	(6.9)	(8.4)
Total interest receivable	<hr/> 41.6	<hr/> 39.6

Notes (continued)

8 Taxation

	1999 £m	1998 £m
UK:		
Corporation tax at 30.25% (1998 : 31 %)	17.8	22.3
Deferred taxation	2.2	4.7
Overseas:		
Corporate taxes	3.9	2.4
Deferred taxation	3.4	7.2
Advance corporation tax written back	-	(4.9)
Share of joint ventures' tax	3.0	5.3
Share of associates' tax	0.4	2.3
Adjustments relating to earlier years		
Corporation tax	(0.4)	2.2
Deferred taxation	2.8	(2.1)
	<hr/> 33.1	<hr/> 39.4

The tax charge for the year is increased above the expected rate as a prudent view has been taken of the tax allowability of the demerger costs.

9 Profit for the financial year

Included within the profit for the financial year is £10.5 million dealt with in the accounts of the company.

10 Dividends

	1999 £m	1998 £m
Equity shares:		
Interim dividend declared (1998: Paid)	10.5	28.5
Final dividend proposed	-	27.3
	<hr/> 10.5	<hr/> 55.8

The aggregate amount of declared dividends is £10.5m. The interim dividend was paid on 7 January 2000.

The 1998 interim dividend includes £19.3 million transferred to reserves in respect of the scrip dividend alternative offered to shareholders. During 1999, £16.4 million was transferred to reserves in respect of the 1998 final scrip dividend alternative.

Notes *(continued)*

11 Intangible fixed assets

Group	Positive Goodwill £m	Negative Goodwill £m	Net Goodwill £m
<i>Cost</i>			
At beginning of year	5.9	(4.1)	1.8
Exchange rate adjustments	0.1	0.5	0.6
Goodwill arising on acquisitions	30.6	-	30.6
Goodwill eliminated on demerger	(1.8)	-	(1.8)
	<hr/>	<hr/>	<hr/>
At end of year	34.8	(3.6)	31.2
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At beginning of year	0.2	(0.1)	0.1
Charged in year	0.5	(0.2)	0.3
Goodwill eliminated on demerger	(0.1)	-	(0.1)
	<hr/>	<hr/>	<hr/>
At end of year	0.6	(0.3)	0.3
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1999	34.2	(3.3)	30.9
	<hr/>	<hr/>	<hr/>
At 31 December 1998	5.7	(4.0)	1.7
	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Tangible fixed assets

Group	Mineral reserves £m	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation				
At beginning of year	774.0	203.4	836.7	1,814.1
Exchange rate adjustments	2.9	(0.2)	(0.4)	2.3
Additions	4.6	10.8	70.7	86.1
Subsidiaries acquired	2.3	3.7	10.3	16.3
Writedown	(8.3)	-	-	(8.3)
Eliminated on demerger	-	(22.9)	(50.4)	(73.3)
Disposals	-	(6.7)	(34.2)	(40.9)
Category transfers	3.4	(3.3)	(0.1)	-
At end of year	778.9	184.8	832.6	1,796.3
Depreciation				
At beginning of year	1.9	33.7	384.2	419.8
Provision for the year	0.4	5.6	66.6	72.6
Subsidiaries acquired	-	0.6	4.6	5.2
Eliminated on demerger	-	(1.6)	(15.5)	(17.1)
Disposals	-	(2.4)	(29.8)	(32.2)
At end of year	2.3	35.9	410.1	448.3
Net book value				
At 31 December 1999	776.6	148.9	422.5	1,348.0
At 31 December 1998	772.1	169.7	452.5	1,394.3
The gross book value represents items at;				
Cost	25.8	157.6	832.6	1,016.0
1985 valuation	-	27.2	-	27.2
1996 valuation	753.1	-	-	753.1
	778.9	184.8	832.6	1,796.3
Gross book value of depreciable assets	778.9	122.9	832.6	1,734.4

Included within plant, machinery and vehicles are assets with a net book value of £1.8 million (1998: £3.5 million) held under finance lease arrangements. Depreciation provided on these assets for the year amounted to £1.7 million (1998: £1.7 million).

Cumulative interest included in tangible fixed assets at 31 December 1999 amounted to £6.1 million (1998: £6.1 million).

Notes (continued)

12 Tangible fixed assets (continued)

Included in tangible fixed assets are the following assets which are the subject of an operating lease agreement, the lessee in respect of which is the Carolinas Cement Company, a US limited partnership in which the group has a 41% interest.

Group	Mineral reserves £m	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation	14.3	13.2	87.5	115.0
Depreciation	-	5.7	38.8	44.5
Net book value	14.3	7.5	48.7	70.5

Group mineral reserves and land and buildings comprise:

	Mineral reserves		Land and buildings	
	1999 £m	1998 £m	1999 £m	1998 £m
Freehold	541.6	534.3	136.0	155.0
Long Leasehold	-	6.1	4.9	8.1
Short Leasehold	235.0	231.7	8.0	6.6
Net book value at end of year	776.6	772.1	148.9	169.7

The total amounts for mineral reserves and land and buildings determined to the historic cost accounting rules are as follows:

	Mineral reserves		Land and buildings	
	1999 £m	1998 £m	1999 £m	1998 £m
Cost	527.9	513.7	190.6	208.6
Depreciation	8.1	7.9	37.7	38.9
	519.8	505.8	152.9	169.7

Notes (continued)

13 Fixed asset investments

	Group		Company
	1999	1998	1999
	£m	£m	£m
Interest in joint ventures and associated undertakings	43.4	77.1	-
Interest in subsidiary undertakings	-	-	511.7
	<u>43.4</u>	<u>77.1</u>	<u>511.7</u>

Interest in joint ventures and associated undertakings

Group	Joint ventures £m	Associated undertakings £m	Total £m
<i>Cost</i>			
At beginning of year	20.3	16.5	36.8
Exchange adjustments	-	0.4	0.4
Additions	9.6	-	9.6
Eliminated on demerger	(25.1)	-	(25.1)
	<u>4.8</u>	<u>16.9</u>	<u>21.7</u>
<i>Share of post acquisition reserves</i>			
At beginning of year	29.3	11.0	40.3
Exchange adjustments	-	0.2	0.2
Retained profits less losses	9.0	6.6	15.6
Dividends paid during the year	(19.3)	(7.0)	(26.3)
Eliminated on demerger	(8.1)	-	(8.1)
	<u>10.9</u>	<u>10.8</u>	<u>21.7</u>
<i>Net book value</i>			
At 31 December 1999	<u>15.7</u>	<u>27.7</u>	<u>43.4</u>
At 31 December 1998	<u>49.6</u>	<u>27.5</u>	<u>77.1</u>

Interest in subsidiary undertakings

Company	Shares £m
<i>Cost</i>	
At beginning of period	-
Group transfers (note 21):	
Tarmac Holdings plc	511.7
Construction Services Business Stream	327.5
Demerger of Construction Services Business Stream	(327.5)
	<u>511.7</u>
At end of period	<u>511.7</u>
Net book value at 31 December 1999	<u>511.7</u>

Notes (continued)

13 Fixed asset investments (continued)

The principal subsidiary and associated undertakings and joint ventures of the group which are included within these accounts are shown in note 32.

14 Stocks

	Group	
	1999	1998
	£m	£m
Raw materials and consumables:		
Land for development	-	0.4
Other raw materials	66.1	71.3
	<hr/> 66.1	<hr/> 71.7
Long-term contract balances	-	10.5
Work in progress	1.6	37.4
Finished goods and goods for resale	49.4	38.4
	<hr/> 117.1	<hr/> 158.0
Long-term contract balances comprise:		
Net cost less foreseeable losses	-	24.2
Applicable payments on account	-	(13.7)
	<hr/> -	<hr/> 10.5

15 Debtors

	Group	Company
	1999	1998
	£m	Restated £m
Amounts falling due within one year:		
Trade debtors	192.2	336.8
Amounts recoverable on contracts	45.3	215.9
Amounts owed by group undertakings	-	-
Amounts owed by joint ventures and associated undertakings	27.0	73.9
Other debtors	12.7	53.2
Prepayments and accrued income	8.9	38.3
	<hr/> 286.1	<hr/> 718.1
Amounts falling due after more than one year:		
Trade debtors	0.5	7.8
Amounts recoverable on contracts	-	18.7
Amounts owed by joint ventures and associated undertakings	0.6	1.8
Other debtors	23.4	24.7
Prepayments and accrued income	1.8	0.9
	<hr/> 26.3	<hr/> 53.9
Total debtors	<hr/> 312.4	<hr/> 772.0

Notes (continued)

15 Debtors (continued)

The company had no debtors receivable after more than one year.

Other debtors in 1999 include £1,185,000 in respect of 280,294 ordinary 90p shares in the company and 280,294 ordinary 50p shares in Carillion plc. The shares are held by the company's Employee Share Ownership Plan. At 31 December 1999 the market value of the shares was £1.8 million.

At 31 December 1998 fixed asset investments of the group included 1,551,781 ordinary 50p shares in Old Tarmac at a book value of £Nil held by the company's Employee Share Ownership Plan.

Subsequent to the acquisition of the company by Anglo American plc the Employee Share Ownership Plan was discontinued and the shares in the company sold.

16 Investments (held as current assets)

The company and group had no investments held as current assets (1998 group: market value £0.8 million, comprising UK listed investments).

17 Creditors: amounts falling due within one year

	Group	Company
	1999	1999
	£m	£m
Bank loans and bank overdrafts	5.4	29.6
Obligations under finance leases	1.6	1.6
Payments received on account:		
Long term contracts	-	47.7
Other	-	4.3
Trade creditors	191.8	538.6
Bills of exchange payable	-	9.4
Amounts owed to joint ventures and associated undertakings	20.4	67.3
Corporation tax	22.0	17.8
Advance corporation tax	-	5.1
Taxation and social security	18.8	58.1
Other creditors	46.7	133.3
Accruals and deferred income	90.2	126.3
Declared dividend (1998: Proposed)	10.5	27.3
	<u>407.4</u>	<u>1,066.4</u>
	<u>407.4</u>	<u>10.5</u>

The pensions creditor, previously included within Creditors: amounts falling due within one year, has now been classified within Provisions for liabilities and charges (see note 19). Prior year comparatives have been restated.

Notes (continued)

18 Creditors: amounts falling due in more than one year

	Group		Company
	1999 £m	1998 £m	1999 £m
Bank loans	405.8	371.7	-
Trade creditors	-	5.2	-
US Private Placement Notes	123.1	120.0	-
Convertible Capital Bonds	107.5	107.5	-
Amounts owed to group undertakings	-	-	326.9
Obligations under finance leases	1.5	3.1	-
Other creditors	9.0	8.6	-
	<u>646.9</u>	<u>616.1</u>	<u>326.9</u>

All bank loans and the US Private Placement Notes (the "Notes") are currency loans, except for £20 million of the Notes denominated in sterling.

During 1991, a wholly owned subsidiary undertaking, Tarmac Finance (Jersey) Limited, raised £107.5 million through the issue at par of 9.5% Convertible Capital Bonds 2006. The proceeds of the issue were lent by that subsidiary undertaking to Tarmac Holdings plc ("Old Tarmac") under the terms of a debenture. The bonds were convertible at any time at the option of the bondholders into fully paid 2.5% Exchangeable Redeemable Preference Shares in the subsidiary undertaking which were, in turn, exchangeable for ordinary shares in Old Tarmac.

With the exception of the Convertible Capital Bonds and the Notes all of the above creditors were repayable at 31 December 1999 within five years of the balance sheet date. At 31 December 1999, the Convertible Capital Bonds and the Notes were unsecured and were subject to interest of 9.5% per annum and LIBOR related rates respectively.

Following the acquisition of the entire issued share capital of the company on 1 March 2000 by Anglo American plc, the bank loans were repaid on 23 March 2000, the Convertible Capital Bonds were redeemed on 24 March 2000 and the Notes were redeemed on 11 May 2000. The premia on early redemption of the Convertible Capital Bonds and the Notes were £4.3 million and £1.0 million respectively. The funds were provided by the new parent company.

The maturity profile of the obligations under finance leases is as follows:

	Group	
	1999 £m	1998 £m
Amounts payable:		
Within one year	1.6	1.6
Between one and two years	1.0	1.6
Between two and five years	0.5	1.5
	<u>3.1</u>	<u>4.7</u>

Notes (continued)

19 Provisions for liabilities and charges

	1999	Group 1998 Restated
	£m	£m
Pensions	36.1	34.6
Other	38.7	47.4
Deferred taxation (note 20)	21.4	0.1
	<u>96.2</u>	<u>82.1</u>

Movements in provisions were as follows:

	Pensions £m	Other £m	Total £m
At beginning of year as previously stated	-	20.9	20.9
Prior year adjustment	34.6	26.5	61.1
	<u>34.6</u>	<u>47.4</u>	<u>82.0</u>
At beginning of year as restated	34.6	47.4	82.0
Exchange rate adjustments	-	(0.4)	(0.4)
Profit and loss account	1.5	0.1	1.6
Expenditure during the year	-	(4.5)	(4.5)
Eliminated on demerger	-	(3.9)	(3.9)
	<u>36.1</u>	<u>38.7</u>	<u>74.8</u>

Other provisions comprise principally land restoration and vacant leasehold property.

The amounts provided for deferred taxation and the amounts not provided are set out in note 20 below.

FRS12 "Provisions and contingent liabilities and contingent assets" is applicable to the group's accounts for the first time in 1999. As a consequence, the comparative financial information has been restated to reflect changes that are required to the group's provisions for restoring land from which minerals have been extracted and provisions that are required by FRS12 in respect of vacant leasehold property. The restatement of the vacant leasehold property provision reduces net assets by £6.9 million. The change in the group's policy concerning restoration increases debtors and provisions for liabilities and charges by £17.7 million (1998: £19.6 million). The effect on the current year's results is to increase operating profit and net interest payable by £1.1 million (1998: £1.2 million). There is no effect on the profit on ordinary activities before taxation or cash flows for either year. As an additional consequence of FRS12, the pensions creditor has been reclassified within provisions for liabilities and charges from other creditors.

Details of the group's Pension Schemes are set out in note 29.

Notes (continued)

20 Deferred taxation

Group	1999		1998	
	Provided £m	Unprovided £m	Provided £m	Unprovided £m
Difference between accumulated depreciation and amortisation and capital allowances	67.3	38.2	52.2	28.1
Other timing differences	(45.9)	(2.8)	(52.1)	(30.2)
	<u>21.4</u>	<u>35.4</u>	<u>0.1</u>	<u>(2.1)</u>

Movements in the provision were as follows:

	£m
At beginning of year	0.1
Exchange adjustments	1.1
Subsidiaries acquired	1.1
Eliminated on demerger	10.7
Profit and loss account	8.4
	<u>21.4</u>
At end of year	<u>21.4</u>

The company had no deferred tax asset or liability at the year end.

No provision has been made for any taxation which may arise in the event of any assets which are included in the accounts at a figure in excess of their original cost being realised at that higher figure. These assets are held for the purposes of the group's business and, as regards those owned by undertakings located in the UK, it is considered that any notional liability which might arise on their disposal would be subject to deferment under the provisions of the Taxation of Chargeable Gains Act 1992 (S.152). As a result of the provisions of that Act (S.35), it is anticipated that the notional liability so deferred would be minimal in most cases. It is unlikely that such deferment would be available in respect of assets held by undertakings located outside the UK.

Notes (continued)

21 Called up share capital

	1999 £m
<i>Authorised</i>	
259,999,998 Ordinary shares of £0.90 each	234.0
2 special shares of £2.50 each	-
	<hr/> 234.0 <hr/>
 <i>Allotted, called up and fully paid</i>	 1999 £m
204,800,869 shares of £0.90 each	184.3
	<hr/>

The issued share capital of Old Tarmac on 1 January 1999 was 976,541,893 ordinary 50p shares amounting to £488.3 million. Prior to the reorganisation and merger of Old Tarmac and New Tarmac, 30,982,705 shares with a nominal value of 50 pence were issued in respect of the exercise of share options for aggregate consideration of £33.7 million and 15,849,197 shares with a nominal value of 50 pence each were issued in respect of the scrip dividend. Therefore, on the date of merger, the share capital of Old Tarmac was 1,023,373,795 ordinary shares of 50 pence each, giving a total share capital of £511.7 million.

The company was incorporated on 9 April 1999 with an authorised share capital of £650,000,000 divided into 260,000,000 ordinary shares of £2.50 each. Upon incorporation, 100 ordinary shares were issued. On the same date, 24,000 ordinary shares were allotted on deferred subscription terms, which allotment was to be cancelled to the extent that such ordinary shares were allotted to successful applicants under the proposed Scheme of Arrangement of ordinary shares in the company.

On 11 June 1999, two authorised but unissued ordinary shares were designated as Special Shares of £2.50 each and these were issued for cash on 23 July 1999 to Ogier Nominees Limited and Reigo Nominees Limited to be held on trust for Keeper Limited, the trustee for a general charitable trust, in connection with the demerger of the Construction Services Business Stream of Tarmac Holdings plc. Pursuant to the Scheme of Arrangement which became effective on 28 July 1999, the company became the holding company of Tarmac Holdings plc and 204,674,759 ordinary shares in the company having a nominal value of £511.7 million were issued, fully paid, to the shareholders of Tarmac Holdings plc under the Scheme. The allotment of 24,000 ordinary shares on deferred terms was accordingly cancelled.

By an order of the Court dated 28 July 1999 the par value of the Company's authorised and issued ordinary shares was reduced from £2.50 to £0.90 per share. As a result of this capital reduction, £327.5 million was credited to Other Reserves. The reduction in capital effected the demerger of the Construction Services Business Stream of Tarmac plc to Carillion plc.

On 1 September 1999, 1 ordinary share of 90p nominal was issued for cash for the purpose of repurchasing the two special shares which were accordingly repurchased on the same day.

On 4 October 1999, 126,009 ordinary shares were issued at a premium of £0.5 million in part consideration for the whole of the issued share capital of Situsec Limited.

Notes (continued)

21 Called up share capital (continued)

Share options

Share options in the company extant at the year end are detailed below:

Scheme	Date of approval	Options extant at 31 December 1999	Option price pence per share	Dates options exercisable
Approved Executive Share Option Scheme 1999	08/07/99	339,202	548.25	04/08/02 -03/08/09
Executive Share Option Scheme 1999	08/07/99	1,622,968	548.25	04/08/02 -03/08/09
Sharesave Scheme 1999	08/07/99	1,012,139	439.0	01/11/02 -30/04/03
Sharesave Scheme 1999	08/07/99	1,112,694	439.0	01/11/04 -30/04/05

Following the acquisition of the entire issued share capital by Anglo America plc (note 31) the share option schemes were cancelled.

22 Share premium and reserves

Group	Share Premium £m	Revaluation Reserve £m	Capital Redemption £m	Other Reserves £m	Profit and Loss Account £m	Total £m
As previously reported in Old Tarmac	193.7	264.8	0.9	-	(84.6)	374.8
Prior year adjustment	-	-	-	-	(6.9)	(6.9)
As restated in Old Tarmac at beginning of year	193.7	264.8	0.9	-	(91.5)	367.9
Merger of Old Tarmac with New Tarmac						
Transfers to Other Reserves	(193.7)	-	(0.9)	194.6	-	-
New Tarmac at beginning of year	-	264.8	-	194.6	(91.5)	367.9
Demerger of Construction Services Business Stream						
Capital reduction effected through Other Reserves	-	-	-	327.5	-	327.5
Net assets eliminated on demerger	-	-	-	(119.8)	-	(119.8)
Realisation of Revaluation Reserve	-	(0.1)	-	0.1	-	-
Realisation of profits and goodwill	-	-	-	(103.4)	103.4	-
Other movements						
Retained profit for the year	-	-	-	-	20.8	20.8
Exchange rate adjustments	-	-	-	-	(0.2)	(0.2)
Scrip dividend in Old Tarmac	-	-	-	(7.9)	16.4	8.5
Share options in Old Tarmac	-	-	-	18.2	-	18.2
Realisation of Revaluation Reserve	-	(11.9)	-	-	11.9	-
Issue of shares re acquisition of Situsec Limited	0.5	-	-	-	-	0.5
At end of year	0.5	252.8	-	309.3	60.8	623.4

Notes (continued)

22 Share premium and reserves (continued)

Company	Share Premium £m	Other Reserves £m	Profit and Loss £m	Total £m
At incorporation	-	-	-	-
Capital reduction	-	327.5	-	327.5
Demerger of Construction Services Business Stream	-	(327.5)	-	(327.5)
Issue of shares re acquisition of Situsec Limited	0.5	-	-	0.5
At year end	0.5	-	-	0.5

Group

The profit and loss account balance is stated after writing off goodwill. The goodwill written off to reserves prior to 31 December 1999 is £171.8 million (1998: £292.5 million), virtually all of which relates to subsidiary undertakings. In accordance with FRS10, goodwill arising since 1 January 1998 has been capitalised as shown at note 11 above.

A surplus of £21.7 million (1998: £40.3 million) attributable to associated undertakings and joint ventures is included in the profit and loss account balance.

23 Contingent liabilities

In the normal course of business, the group has performance bonds, guarantees and claims under contracting and other agreements, including joint ventures. The likelihood of these having a material adverse impact on the group's financial position is considered to be remote. In addition, there are the following contingent liabilities:

	Group 1999 £m	1998 £m
Guarantees on behalf of joint ventures and associated undertakings	10.6	17.6
Bills and promissory notes discounted	6.9	3.8
	17.5	21.4

The group is the subject of certain legal proceedings which are regarded as unlikely to succeed or unlikely to have a material effect on the group's financial position.

In addition to guarantees, bonds and letters of credit provided in respect of their own activities, the company and group have provided guarantees and third party bonding support in respect of the business of the Carillion group. Such support applies only to contracts in place prior to demerger and no further support will be provided. The obligation on the Carillion group is to perform the underlying contracts, and, in practice, the extent of the risks to the company and group will reduce over the period during which these contracts progress to completion.

The Carillion group has agreed to indemnify fully the Tarmac group against any liabilities incurred in relation to guarantees and bonding support provided by the group in respect of the business of the Carillion group. To date, the Tarmac group has not incurred any material increase in liabilities arising from the provision of guarantees or bonds. At 31 December 1999, the total maximum value of such bonds was £264.7 million.

Notes (continued)

24 Capital and financial commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Contracts placed	7.2	8.9	Nil	Nil

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

	1999		1998	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Group				
Operating leases which expire:				
Within one year	0.8	1.6	1.3	3.4
In the second to fifth years inclusive	1.8	17.1	3.6	15.1
Over five years	3.8	0.8	7.7	5.6
	6.4	19.5	12.6	24.1

25 Reconciliation of operating profit to operating cash flows

	1999 Total £m	1998 Total £m
Operating profit	144.2	172.6
Depreciation and other amounts written off fixed assets	80.9	70.8
Profit on sale of fixed assets	(5.8)	-
Amortisation of capitalised goodwill	0.3	0.1
Share of results from joint ventures	(15.2)	(21.8)
Share of results from associated undertakings	(6.3)	(11.3)
Increase in stocks	(17.5)	(5.4)
Increase in debtors	(97.8)	(7.3)
Increase in current asset investments	(4.0)	(0.1)
Decrease in creditors falling due within one year	(69.1)	(13.9)
Decrease in creditors falling due after more than one year	(4.0)	(6.4)
Decrease in provisions	(2.9)	(37.8)
Net cash inflow from operating activities	2.8	139.5

Cashflows relating to discontinued activities have not been presented as, in the opinion of the directors, it is not practicable to do so.

Notes (continued)

26 Acquisitions

	Total £m
Book value of net assets acquired	
Tangible assets	7.0
Stocks	4.2
Debtors	4.0
Cash less bank overdrafts	0.4
Creditors: amounts falling due within one year	(6.0)
Deferred tax	(1.1)
Equity minority interests	1.3
	<hr/> 9.8
Fair value adjustments	
Revaluation of assets acquired	
Tangible assets	4.1
	<hr/>
Fair value of assets acquired	13.9
Goodwill arising	30.6
	<hr/>
Fair value of consideration payable	44.5
Cash less bank overdrafts in businesses acquired	(0.4)
Movements in deferred consideration	(2.6)
	<hr/> 41.5 <hr/>
Satisfied by:	
Shares issued	0.6
Cash outflow per the cash flow statement	40.9
	<hr/> 41.5 <hr/>

The principal acquisitions during the year were:

On 9 September 1999, the group acquired the trade and assets of Marley Paving for a total cash consideration of £25.9 million (of which £0.1 million has been deferred until 2000).

On 4 October 1999, the group acquired Situsec Limited for a total consideration of £9.6 million, of which £8.8 million was paid for by cash in the year, £0.6 million was settled by the issue of shares and £0.2 million remains to be paid at the year end.

On 19 October 1999, the group acquired Moffats (Drumquin) Limited for a total cash consideration of £6.1 million of which £0.9 million was paid during the year.

Goodwill arising is being written off over the directors' estimate of the useful life of each acquisition, in all cases a period of 20 years.

The net results before taxation of the businesses acquired in 1999 for the financial periods immediately prior to acquisition and their previous financial year were not material as regards the figures shown in the group accounts.

Notes (continued)

27 Demerger of Construction Services Business Stream

	£m
Book value of net assets demerged	
Goodwill	(1.7)
Tangible assets	(56.2)
Joint ventures and associated undertakings	(33.2)
Stocks	(62.5)
Debtors excluding deferred tax asset	(559.5)
Deferred tax asset	(10.7)
Investments	(4.8)
Cash less bank overdrafts	16.4
Creditors falling due within one year	582.1
Creditors falling due in more than one year	6.3
Provisions for liabilities and charges	3.9
Equity minority interests	0.1
	<hr/>
Net assets demerged transferred to Other Reserves	(119.8) 119.8
	<hr/>
Bank overdrafts transferred	- 16.4
	<hr/>
Cash inflow per cash flow statement	16.4
	<hr/> <hr/>

28 Analysis of net debt

	Cash at bank	Short-term deposits	Short-term borrowings		Long-term borrowing including convertible capital bonds	Net debt
	£m	£m	Bank overdrafts	Bank loans	£m	£m
			£m	£m		
Decrease in cash	(81.7)	-	23.6	-	-	(58.1)
Cash inflow from management of liquid resources	-	(52.8)	-	-	-	(52.8)
Cash inflow from increase in debt financing	-	-	-	(0.5)	(33.5)	(34.0)
Effect of foreign exchange rate changes	(0.9)	(0.6)	1.1	-	(3.7)	(4.1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Movement in net debt in the period	(82.6)	(53.4)	24.7	(0.5)	(37.2)	(149.0)
Net debt at 1 January 1999	166.6	144.5	(29.3)	(0.3)	(599.2)	(317.7)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net debt at 31 December 1999	84.0	91.1	(4.6)	(0.8)	(636.4)	(466.7)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

28 Analysis of net debt (continued)

	1998	Exchange rates	Cash flows	Non cash movement	1999
	£m	£m	£m	£m	£m
Cash in hand	0.3	-	(0.2)	-	0.1
Cash at bank	166.3	(0.9)	(81.5)	-	83.9
Short term deposits	144.5	(0.6)	(52.8)	-	91.1
	<u>311.1</u>	<u>(1.5)</u>	<u>(134.5)</u>	<u>-</u>	<u>175.1</u>
Bank overdrafts	(29.3)	1.1	23.6	-	(4.6)
Bank loans payable in less than one year	(0.3)	-	-	(0.5)	(0.8)
Bank loans payable in more than one year	(371.7)	(0.6)	(34.0)	0.5	(405.8)
US Private Placement Notes	(120.0)	(3.1)	-	-	(123.1)
Convertible Capital Bond	(107.5)	-	-	-	(107.5)
	<u>(628.8)</u>	<u>(2.6)</u>	<u>(10.4)</u>	<u>-</u>	<u>(641.8)</u>
Total debt	<u>(317.7)</u>	<u>(4.1)</u>	<u>(144.9)</u>	<u>-</u>	<u>(466.7)</u>

Cash flow information in respect of acquisitions and the demerger is set out in notes 26 and 27 respectively.

29 Pensions

The group operates pension schemes in respect of its employees in the UK and overseas.

The principal schemes which relate to UK employees are the Tarmac Staff Scheme and Tarmac B Pension Scheme. The assets are held in trustee administered funds separate from those of the group, are of the defined benefit type and are funded. A valuation of these schemes is undertaken by independent qualified actuaries every three years. At the date of the latest actuarial valuation, 31 December 1996, the market values of the assets of these schemes were £439.6 million and £155.0 million, respectively. The actuarial valuations have been made on the projected unit basis, and assume a return on investments 2% per annum higher than the rate of annual salary increases and between 4% and 4.25% per annum higher than the rate of annual pension increases. At 31 December 1996, the actuarial values of scheme assets were £380.8 million and £137.0 million, sufficient to cover 113% and 115% respectively, of the benefits that had accrued to members at that date after allowing for expected future increases in pensionable pay. On the recommendation of the actuaries, no company contributions are at present to be made to either scheme. The pension costs in respect of these schemes charged within the accounts spread both these surpluses over the remaining service lives of current employees, assumed at 15 years and 9.5 years respectively. Differences between the amount charged in the profit and loss account and the payments made to the trustee administered funds are dealt with in Provisions for liabilities and charges in the balance sheet.

The principal overseas schemes are in the US and are of the defined contribution type. In the year, £3.1 million was charged to the profit and loss account in respect of defined contribution pensions.

Following the demerger of the Construction Services Business Stream, Carillion plc established defined benefit pension schemes to cover all relevant participating Carillion employees and all eligible employees were invited to join with effect from 1 January 2000.

Following the demerger, a share of the assets of the defined benefit Tarmac Staff Scheme and Tarmac B Pension Scheme have been transferred to the appropriate Carillion pension schemes. The assets of these schemes were divided between the Tarmac and Carillion schemes in proportion to the split of membership liabilities including active, deferred and pensioner members, between these schemes. The shares of the assets retained by the Tarmac Staff Scheme and Tarmac B Scheme as at 31 July 1999 were 42% and 51% of the assets respectively.

Notes (continued)

30 Related party disclosures

The group has interests in a number of associated undertakings and joint ventures, details of which are set out in note 32.

During the year ended 31 December 1999, sales amounting in aggregate to £61.5 million (1998: £100.4 million) were made to such related parties. All these transactions were on an arm's length basis.

These accounts include the results of the Construction Services Business Stream until its demerger in July 1999. Since that date the group has continued to trade with the Carillion group on normal commercial terms.

31 Post Balance Sheet events

It was announced on 5 November 1999 that agreement had been reached between the Boards of directors of Anglo American plc and Tarmac plc on the terms of a recommended cash offer for the entire issued and to be issued share capital of Tarmac plc. The formal offer document was posted to shareholders on 17 November 1999. The offer of £5.85 per share valued the Tarmac business at approximately £1.2 billion.

On 1 March 2000, Anglo American plc announced that the conditions within the offer document had been satisfied or waived and, as a result, the offer was declared wholly unconditional. Anglo American plc therefore became the ultimate parent company of Tarmac plc on that date. Subsequent to the acquisition of the Tarmac group by Anglo American plc, the North American Business is being offered for sale; the effect of any such sale will be reflected in the financial statements in the period in which it arises.

Tarmac plc was delisted from the London Stock Exchange on 4 May 2000.

Notes (continued)

32 Principal companies within the Tarmac Group

All subsidiaries, joint ventures and associated undertakings are incorporated in Great Britain and operate in the UK except where shown. All holdings are of ordinary shares and, except where shown, all subsidiary undertakings are 100% owned and all joint ventures and associated undertakings are 50% owned.

Group Centre

Principal subsidiary undertakings

Tarmac Holdings plc
Tarmac International (Investments) Limited
Tarmac International Holdings BV (Holland)
Tarmac Finance (Jersey) Limited (Jersey)
Tarmac France S.A. (France)

Heavy Building Materials

Principal subsidiary undertakings

Cambrian Stone Limited
East Coast Slag Products Limited
Fort Blocks Limited
Midland Quarry Products Limited 50%
Moffats (Drumquin) Limited
Situsec Limited
Tarmac Heavy Building Materials UK Limited
Tarmac Roadstone Holdings Limited
Tarmac Minerals Limited
Tarmac Quarry Products Limited
Tarmac Topmix Limited
Tarmac Concrete Products Limited
Tarmac Topblock Limited
Tarmac Precast Concrete Limited
Tarmac Topfloor Limited
Tarmac Routes et Carrières S.A. (France)
Tarmac Matériaux de Construction S.A. (France) 95%
Tarmac Matériaux de Construction (Belgique) S.A. (Belgium)
Tarmac Fleming Quarries Limited (Eire)
Tarmac Severokamen A.S. (Czech Republic) 87%
Tarmac Asphalt Hong Kong Limited (Hong Kong) 80%
Tarmac America, Inc (US)
Tarmac Heavy Building Materials (China)
Wrocławskie Kopalnie Surowcow Mineralnych s.a. (Poland)
("WKSM") 94%

Principal joint ventures and associated undertakings

Al Futtaim Tarmac Pte Limited (UAE) 49%
Berwyn Granite Quarries Limited 49% (associate)
Carolinas Cement Company LP (trading as Roanoke Cement Company (US)) 41% (associate)
C&H Quickmix Limited
Ebchester Sand & Gravel Company Limited
Eton Aggregates Limited 25%
Mersey Asphalt Limited
Mineral Properties and Investments Limited
North Tyne Roadstone Limited
Norwest Holdings Limited
Precast Cellular Structures Limited
RH Roadstone Limited
Roadstone Recycling Limited
Tarmac Alawi LLC (Oman) 49%
Tarmac Recycling Services Limited
Teesside Waste Management Limited
Tendley Quarries Limited
United Marine Holdings Limited