



TARMAC LIMITED

Report and Financial Statements

31 December 2005



TARMAC LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS

Page

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Note of historical cost profits	7
Statement of total recognised gains and losses	7
Notes to the financial statements	8

TARMAC LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company operates in the United Kingdom, exploiting resources of stone and sand and gravel to satisfy the needs of the building and construction industries for crushed and graded aggregates. It has developed a major business producing asphalt, has a large road surfacing organisation and owns or controls substantial reserves of strategically located mineral reserves throughout the United Kingdom. The Company also produces cement, lime, ready mixed concrete and other cement based products and manufactures concrete blocks, pre-cast concrete and general concrete products.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Turnover was just ahead of 2004, however, Operating Profit was disappointing due to challenging market conditions, particularly in the second half of 2005, as the effects of higher energy costs and flat volumes impacted performance.

Market conditions in the UK are expected to remain difficult with sluggish demand and high cost pressures, particularly energy costs.

Early in 2006 the Company completed a strategic review designed to focus and improve performance. The scope of its activities is clearly defined as aggregates, together with the three routes to market of asphalt, concrete and concrete products and integration with cement where appropriate. This will strengthen the Company's ability to improve its results and grow.

Tarmac Limited conducts certain of its wholly owned United Kingdom business through various disclosed and undisclosed agency companies, including Tarmac Northern Limited, Tarmac Central Limited, Tarmac Western Limited, Tarmac Southern Limited, Buxton Lime Industries Limited and Tarmac Recycling Limited as undisclosed agents and Tarmac Concrete Products Limited, Tarmac Topblock Limited, Tarmac Precast Concrete Limited, Tarmac Topfloor Limited and Tarmac TopPave Limited as disclosed agents.

RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk:

The Company's principal financial assets are bank balances and cash, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The Company has no significant concentration of credit risk.

Liquidity risk:

In order to maintain liquidity, the Company ensures that sufficient funds are available for ongoing operations and future developments.

Price risk:

Whilst the Company acknowledges that it is exposed to commodity price risk, this risk is minimised by continuous initiatives from its procurement department.

DIVIDENDS AND RESERVES

During the year a dividend of £107 million was paid (2004 - £130 million). The retained loss for the year of £63.8 million (2004 - loss of £12.2 million as restated) has been transferred to reserves.

TARMAC LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors of the Company during and since the year were:

R S Robertson	(chief executive officer)	J D Hilliard	(resigned 16 May 2005)
D C Cather	(resigned 30 September 2006)	M J Saunders	(resigned 31 December 2005)
G S Greenhalgh	(resigned 31 March 2005)	P E Whittle	
T C L Hall	(resigned 16 May 2005)	R I W Boyd	(resigned 16 May 2005)
F K J Jackson	(resigned 31 March 2005)	K C Hajjar	(appointed 31 March 2005)
C C James		A Roentgen	(appointed 16 May 2005)
T R Last		D M Weston	(appointed 2 October 2006)
A C Walker			
J T Davies			

No director who held office at the end of the year had any interest in the loan or share capital of Tarmac Limited. The interests of certain directors in the share capital of Anglo American plc, the Company's ultimate parent company, are given in the accounts of the following companies:

D C Cather, K C Hajjar and R S Robertson - Anglo Industrial Minerals Holdings Limited

C C James, T R Last, A C Walker, J T Davies, P E Whittle and A Roentgen - Tarmac Holdings Limited.

EMPLOYEES

It is common 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 Company 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 company 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 re-train employees who become disabled so that they can continue their employment.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted FRS 17 "Retirement Benefits" and FRS 21 "Events after the Balance Sheet date" for the first time in the 2005 accounts. The 2004 comparatives have thus been restated accordingly - note 8 refers to the FRS 21 adjustment and note 25 refers to the FRS 17 adjustment.

CREDITOR PAYMENT POLICY

The Company's policy with regard to payment of suppliers is to agree terms and conditions for its transactions with its suppliers. Payment is then made on these terms, providing the suppliers meet their obligations to the Company's satisfaction. At the year end, there were 51 days (2004 - 49 days) purchases in trade creditors.

CHARITABLE DONATIONS

The Company made donations to UK charities of £370,000 (2004 - £166,000) during the year.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



K C Hajjar
Director

Millfields Road
Ettingshall
Wolverhampton
WV4 6JP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 United Kingdom accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TARMAC LIMITED

We have audited the financial statements of Tarmac Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the note of historical cost profits, the statement of total recognised gains and losses and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. 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.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Nickie . Tamm LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham

Date

30 October 2006

TARMAC LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2005

	Note	2005 £000	2004 As restated Notes 8 and 25 £000
TURNOVER	1,2	1,448,784	1,414,450
Operating costs	4	(1,368,085)	(1,318,642)
OPERATING PROFIT		80,699	95,808
Profit on disposal of fixed assets		2,375	2,225
Income from shares in group undertakings		6,073	76,597
Income from shares in joint ventures and associates		3,128	4,110
Net interest payable and similar charges	5	(22,356)	(41,614)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	69,919	137,126
Tax on profit on ordinary activities	7	(26,717)	(19,332)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		43,202	117,794
Dividends	8	(107,000)	(130,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	18	(63,798)	(12,206)

All activities relate to continuing operations.

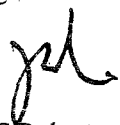
TARMAC LIMITED

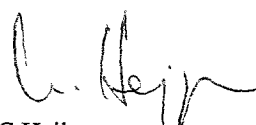
BALANCE SHEET 31 December 2005

	Note	2005 £000	2004 As restated Notes 8 and 25 £000
FIXED ASSETS			
Intangible assets	9	40,186	43,479
Tangible assets	10	1,039,116	1,059,611
Investments	11	330,678	346,857
		<u>1,409,980</u>	<u>1,449,947</u>
CURRENT ASSETS			
Stocks	12	81,227	77,902
Debtors - amounts due within one year	13	369,050	378,961
- amounts due greater than one year	13	11,875	3,461
Cash at bank and in hand		42,307	34,876
Investments		1,127	-
		<u>505,586</u>	<u>495,200</u>
CREDITORS: amounts falling due within one year	14	<u>(451,103)</u>	<u>(537,883)</u>
NET CURRENT LIABILITIES		<u>54,483</u>	<u>(42,683)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,464,463</u>	<u>1,407,264</u>
CREDITORS: amounts falling due after more than one year	15	<u>(1,015,921)</u>	<u>(884,356)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(86,584)</u>	<u>(97,646)</u>
PENSION LIABILITY	24	<u>(165,712)</u>	<u>(119,722)</u>
NET ASSETS		<u>196,246</u>	<u>305,540</u>
CAPITAL AND RESERVES			
Called up share capital	17	25,100	25,100
Share premium account	18	125,000	125,000
Revaluation reserve	18	18,948	29,948
Profit and loss account	18	27,198	125,492
EQUITY SHAREHOLDERS' FUNDS	19	<u>196,246</u>	<u>305,540</u>

These financial statements were approved by the Board of Directors on 26 October 2006

Signed on behalf of the Board of Directors


R S Robertson
Director


K C Hajjar
Director

NOTE OF HISTORICAL COST PROFITS
Year ended 31 December 2005

	2005	2004
		As restated
		Note 25
	£000	£000
Reported profit on ordinary activities before taxation	69,919	137,126
Transfer of amount equivalent to additional depreciation on revalued assets	11,000	11,000
Historical cost profit on ordinary activities before taxation	80,919	148,126
Historical cost profit retained after taxation	54,202	128,794

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2005

	2005	2004
		As restated
		Note 25
	£000	£000
Profit for the financial year	43,202	117,794
Actuarial loss relating to the pension scheme	(64,994)	(26,784)
UK deferred tax attributable to actuarial loss	19,498	8,035
Total recognised gains and losses relating to the year	(2,294)	99,045
Prior year adjustment (note 25)	(44,836)	
Total recognised gains and losses since last annual report and financial statements	(47,130)	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention adjusted for the revaluation of certain tangible fixed assets comprising a major part of the company's land, buildings and mineral reserves. The transitional provisions of FRS 15 have been adopted and the previously revalued assets are frozen at their modified historical cost.

Group financial statements

These financial statements present information about the company as an individual undertaking and not about its group. The company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group financial statements, being a wholly-owned subsidiary undertaking of Anglo American plc.

Goodwill

Until 31 December 1997, any goodwill, being the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets of an acquired business, including an interest in an associated undertaking or joint venture, was written off to reserves on acquisition as a matter of accounting policy, and any such goodwill previously written off to reserves in respect of businesses disposed of during the year was included in the calculation of any profit or loss on disposal. From 1 January 1998, in accordance with FRS 10 "Goodwill and Intangible Assets", such goodwill is capitalised and amortised in equal annual instalments over its estimated useful service life of 15 - 20 years.

Turnover

Turnover represents the net amount 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.

Tangible fixed assets

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

Freehold buildings	50 years
Long leasehold properties	50 years
Short leasehold properties	Period of lease
Plant and machinery	5 - 25 years
Motor vehicles	4 - 7 years

Capitalisation of finance costs

Interest charges paid in relation to certain significant capital projects are capitalised and included in fixed assets.

Restoration and decommissioning provision

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 fixed assets, which is charged to the profit and loss account over the life of the site.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

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.

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

Stocks are valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Contracts

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. Profit for the year includes settlement of claims arising on contracts completed in prior years. Payments received on account of contracts 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 is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The Company provides pension arrangements to the majority of full-time employees through a defined benefit pension scheme, based on career average salary. Actuarial valuations are carried out every three years by independent qualified actuaries. Following the adoption of Financial Reporting Standard 17 "Retirement Benefits" (FRS17), the regular service cost of providing benefits to employees during the year, together with the cost of any benefits relating to past service is charged to operating profit in the year. The interest cost on retirement benefit scheme liabilities less the expected return on the assets of the scheme during the year, based on the market value of the scheme at the start of the year, is charged as other finance charges to profit before taxation in the year. The difference between the market value of assets and the actuarial value of pension liabilities is shown as a liability in the balance sheet, net of deferred tax. Differences between actual and expected returns on assets and experience gains/losses arising on the scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of recognised gains and losses in the year.

Cash flow statement

Under Financial Reporting Standard 1 "Cash Flow Statements", the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking and so no statement has been prepared.

2. SEGMENTAL ANALYSIS OF TURNOVER AND OPERATING PROFIT

During 2004 and 2005 the company had only one principal continuing class of business, being the quarrying and production of construction materials, all originating and supplied within the United Kingdom.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

D C Cather was, and R S Robertson, K C Hajjar , A Roentgen and P E Whittle are directors of Anglo Industrial Minerals Holdings Limited and their emoluments are disclosed in that company's financial statements.

It is not practicable to allocate the services of the above directors between their services as directors of Anglo Industrial Minerals Holdings Limited from the qualifying services of Tarmac Limited.

R I W Boyd was a director of Tarmac Northern Limited and his emoluments are disclosed in that company's financial statements.

	2005 £000	2004 £000
Directors' remuneration		
Emoluments	1,210	1,498
Pension costs	189	349
	<u>1,399</u>	<u>1,847</u>
 Highest paid director		
Emoluments	<u>260</u>	<u>212</u>
 Money purchase pension contributions	31	23
Accrued pension benefits	<u>11</u>	<u>73</u>

During both the current financial year and the year ended 31 December 2004, the highest paid director received a number of shares although did not exercise any share options.

	No.	No.
Number of directors included above who are members of a:		
defined benefit pension scheme	7	8
defined contribution pension scheme	<u>1</u>	<u>2</u>
 Average number of persons employed		
Production and distribution	3,055	4,701
Administration and selling	<u>4,539</u>	<u>2,927</u>
	<u>7,594</u>	<u>7,628</u>
	£000	£000
Staff costs during the year (including directors)		
Wages and salaries	211,124	193,146
Social security costs	19,208	18,697
Other pension costs	<u>17,991</u>	<u>17,364</u>
	<u>248,323</u>	<u>229,207</u>

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

4. OPERATING COSTS

	2005 £000	2004 £000
		As restated
Change in stocks of finished goods and work in progress	(1,733)	3,475
Other operating income	(3,175)	(3,793)
Raw materials and consumables	572,590	643,268
Other external charges	443,497	356,105
Staff costs	248,323	229,207
Depreciation	82,187	87,087
Impairment of fixed assets	23,103	-
Amortisation	3,293	3,293
	<u>1,368,085</u>	<u>1,318,642</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £000	2004 £000
		As restated
Interest payable to group undertakings	22,890	36,003
Other interest payable	2,329	8,778
Finance lease charges	-	24
	<u>25,219</u>	<u>44,805</u>
Interest receivable from group undertakings	-	(62)
Other interest receivable	(470)	(253)
	<u>(470)</u>	<u>(315)</u>
Other finance income:		
Expected return on pension scheme assets	(37,734)	(35,957)
Interest on pension scheme liabilities	34,961	33,187
	<u>(2,773)</u>	<u>(2,770)</u>
Exchange loss/(gain) on foreign currency borrowings	380	(106)
Net interest payable and similar charges	<u>22,356</u>	<u>41,614</u>

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £000	2004 £000
Profit on ordinary activities before taxation is after charging/(crediting):		
Depreciation		
Owned assets	82,187	87,087
Impairment of a fixed assets	23,103	
Goodwill amortisation	3,293	3,293
Hire of plant and machinery	18,610	19,402
Rentals under operating leases		
Other operating leases	8,498	8,512
Rents receivable	(1,900)	(2,400)
Auditors' remuneration		
Audit fees	485	504
Other services	-	30
	<u> </u>	<u> </u>

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £000	2004 £000 As restated
Current tax:		
Amount payable for group relief based on profit for the year at 30% (2004 – 30%)	18,454	18,507
Balancing payment made under transfer pricing regime	4,596	1,916
Adjustment to prior years:		
Corporation tax	131	261
Group/consortium relief	(4,997)	(111)
Total current tax	18,184	20,573
Deferred tax:		
Origination and reversal of timing differences	7,648	5,363
Adjustment in respect of prior years	885	(6,604)
Total deferred tax	8,533	(1,241)
Tax on profit on ordinary activities	26,717	19,332
Current tax reconciliation:		
Profit on ordinary activities before taxation	69,919	137,126
Current tax at 30% (2004: 30%)	20,976	41,138
Effects of:		
Expenses not deductible for tax purposes	7,036	8,860
Impairment of non qualifying assets	5,408	-
Capital allowances for year in excess of depreciation	(5,245)	(9,104)
Movements in general provisions	(2,402)	3,741
Adjustments to tax charge in respect of previous periods	(4,866)	150
Non taxable income	(2,723)	(24,212)
	(2,792)	(20,565)
Total current tax (see above)	18,184	20,573

8. DIVIDENDS

	2005 £000	2004 £000
Equity shares		
Paid	107,000	130,000

The Company has adopted FRS 21 "Events after the balance sheet date" during the period, which states that dividends should be recognised in the accounts in the period in which they are approved or paid and not in the period in which they are proposed. Hence the dividend of £107 million that was previously disclosed as proposed in 2004, has now been restated as paid in 2005.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

9. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At 1 January and 31 December 2005	56,507
	<hr/>
Accumulated depreciation	
At 1 January 2005	13,028
Charge for the year	3,293
	<hr/>
At 31 December 2005	16,321
	<hr/>
Net book value	
At 31 December 2005	40,186
	<hr/>
At 31 December 2004	43,479
	<hr/>

Goodwill arising is being written off over a period of 15 to 20 years depending on the directors' estimate of the useful life of each acquisition.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

10. TANGIBLE FIXED ASSETS

	Mineral reserves £000	Land and buildings £000	Plant, machinery and vehicles £000	Assets in course of construction £000	Total £000
Cost or valuation					
At 1 January 2005 (restated)	553,740	150,799	921,934	22,916	1,649,389
Additions	2,934	2,155	63,367	19,877	88,333
Disposals	-	(1,129)	(19,549)	-	(20,678)
Reclassification	7,257	(472)	6,438	(13,223)	-
Intergroup transfers	-	116	(660)	-	(544)
At 31 December 2005	563,931	151,469	971,530	29,570	1,716,500
Accumulated depreciation					
At 1 January 2005 (restated)	162,875	31,885	395,018	-	589,778
Charge for the year	14,898	4,280	63,009	-	82,187
Impairments	17,632	396	5,075	-	23,103
Disposals	-	(310)	(17,405)	-	(17,715)
Reclassification	70	(495)	425	-	-
Intergroup transfers	-	(2)	33	-	31
At 31 December 2005	195,475	35,754	446,155	-	677,384
Net book value					
At 31 December 2005	368,456	115,715	525,375	29,570	1,039,116
At 31 December 2004	390,865	118,914	526,916	22,916	1,059,611

As a result of a strategic review of the Company's fixed assets, an impairment charge of £23.1 million has been charged to the Profit and Loss account in 2005.

Cumulative interest included in the cost or valuation of tangible fixed assets at 31 December 2004 amounted to £16.6 million (2004 - £16.6 million). This capitalisation of interest is in relation to the construction of major capital projects.

The cost and accumulated depreciation at 1 January 2005 have both been restated by £9,978,000 to correct the opening position. This restatement does not have any impact on the net book value at 1 January 2005 or on the profit and loss account for the year.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

10. TANGIBLE FIXED ASSETS (continued)

The gross book value represents items at:

	Mineral reserves £000	Land and buildings £000	Plant, machinery and vehicles £000	Assets in course of construction £000	Total £000
Cost	330,919	151,069	971,530	29,570	1,483,088
Valuation at 17 March 1987	-	400	-	-	400
Valuation at 31 December 1996	233,012	-	-	-	233,012
	<u>563,931</u>	<u>151,469</u>	<u>971,530</u>	<u>29,570</u>	<u>1,716,500</u>
Less: non depreciable assets	<u>-</u>	<u>(75,346)</u>	<u>-</u>	<u>-</u>	<u>(75,346)</u>
Gross book value of depreciable assets	<u>563,931</u>	<u>76,123</u>	<u>971,530</u>	<u>29,570</u>	<u>1,641,154</u>

Mineral reserves and land and buildings comprise:

	Mineral reserves		Land and buildings	
	2005 £000	2004 £000	2005 £000	2004 £000
Freehold	330,679	320,800	128,416	127,927
Long leasehold	73,365	73,062	8,854	9,390
Short leasehold	159,887	159,878	14,199	13,482
Cost or valuation	<u>563,931</u>	<u>553,740</u>	<u>151,469</u>	<u>150,799</u>

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

	Mineral reserves		Land and buildings	
	2005 £000	2004 £000	2005 £000	2004 £000
Cost	480,570	470,379	150,878	150,208
Depreciation	<u>(132,579)</u>	<u>(110,979)</u>	<u>(33,650)</u>	<u>(29,777)</u>
Net book value	<u>347,991</u>	<u>359,400</u>	<u>117,228</u>	<u>120,431</u>

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

11. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group under- takings £000	Loans to subsidiary under- takings £000	Shares in joint venture £000	Shares in associated under- takings £000	Other £000	Total £000
Cost						
At 1 January 2005	346,271	18,502	3,896	6,604	7,805	383,078
Additions	-	1,253	5	-	-	1,258
Disposals	(1,485)	(8,146)	(1)	-	(7,805)	(17,437)
At 31 December 2005	344,786	11,609	3,900	6,604	-	366,899
Amounts written off						
At 1 January and 31 December 2005	31,145	4,432	644	-	-	36,221
Net book value						
At 31 December 2005	313,641	7,177	3,256	6,604	-	330,678
At 31 December 2004	315,126	14,070	3,252	6,604	7,805	346,857

Shares in group undertakings comprise £6,300,000 (2004 - £6,300,000) in respect of shares held in a fellow subsidiary undertaking and £338,486,000 (2004 - £339,971,000) in respect of shares held in subsidiary undertakings.

A list of the principal investments in group undertakings and participating interests is shown in note 23.

In the opinion of the directors, the market value of the company's investments is not less than the net book values shown above.

12. STOCKS

	2005 £000	2004 £000
Raw materials and consumables	36,747	35,155
Work in progress	4,616	3,245
Finished goods and goods for resale	39,864	39,502
	81,227	77,902

There is no material difference between the balance sheet value of stocks and their replacement cost.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

13. DEBTORS

	2005 £000	2004 £000
Amounts falling due within one year		
Trade debtors	168,933	159,273
Amounts recoverable on contracts	49,982	56,224
Amounts owed by group undertakings	58,486	58,522
Amounts owed by joint ventures	7,757	6,836
Other debtors	19,538	18,456
Group/consortium relief receivable (including ACT recoverable)	45,665	64,713
Prepayments and accrued income	18,689	14,937
	<u>369,050</u>	<u>378,961</u>
Amounts falling due after more than one year	£000	£000
Amounts recoverable on contracts	9,231	742
Amounts owed by group undertakings	2,644	2,689
Other debtors	-	30
	<u>11,875</u>	<u>3,461</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000	2004 £000
Bank overdraft (unsecured)	-	12,316
Obligations under finance leases	11	10
Trade creditors	158,475	149,328
Amounts owed to group undertakings	39,955	33,748
Amounts owed to joint ventures and associated undertakings	4,965	2,439
Corporation tax	428	2,381
Group/consortium relief payable	76,865	189,529
Other taxes and social security	55,662	52,919
Other creditors	76,989	53,814
Accruals and deferred income	37,753	41,399
	<u>451,103</u>	<u>537,883</u>

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £000	2004 £000
Obligations under finance leases	-	11
Amounts owed to group undertakings	1,001,510	869,096
Other creditors	14,411	15,249
	<u>1,015,921</u>	<u>884,356</u>

Obligations under finance leases are secured on certain plant and machinery. Repayments are paid by instalments bearing interest in the range 6.5% to 8.0% per annum.

The obligations under finance leases are repayable as follows:

	2005 £000	2004 £000
In one year or less or on demand	11	10
In more than one year but not more than two years	-	11
	<u>11</u>	<u>21</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

The movement on provisions was as follows:

	Deferred taxation £000	Restoration £000	Other £000	Total £000
Balance at 1 January 2005	68,119	46,581	2,162	116,862
Adjustment in respect of prior period (note 25)	(19,216)	-	-	(19,216)
Balance at 1 January 2005 as restated	<u>48,903</u>	<u>46,581</u>	<u>2,162</u>	<u>97,646</u>
Provided during the year	(10,966)	4,055	(374)	(7,285)
Utilised during the year	-	(3,499)	(278)	(3,777)
Transfer from group undertakings	-	-	-	-
Balance at 31 December 2005	<u>37,937</u>	<u>47,137</u>	<u>1,510</u>	<u>86,584</u>

Provisions to restore land where quarrying activities have been undertaken are expected to be utilised over the life of the relevant quarry. The other provision is in respect of vacant properties in accordance with FRS 12.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation	Provided 2005 £000	Provided 2004 As restated £000
Capital allowances in advance of depreciation	108,595	104,327
Other short term timing differences	(70,658)	(55,424)
	<u>37,937</u>	<u>48,903</u>

17. CALLED UP SHARE CAPITAL

	2005 £000	2004 £000
Authorised, allotted, called up and fully paid 25,100,000 Ordinary shares of £1 each	<u>25,100</u>	<u>25,100</u>

18. RESERVES

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2005	125,000	29,948	63,328	218,276
Adjustment in respect of prior period (note 8)			107,000	107,000
Adjustment in respect of prior period (note 25)	-	-	(44,836)	(44,836)
Balance at 1 January 2005 as restated	<u>125,000</u>	<u>29,948</u>	<u>125,492</u>	<u>280,440</u>
Transfer of amount equivalent to additional depreciation on revalued assets	-	(11,000)	11,000	-
Profit for the year			(63,798)	(63,798)
2005 actuarial loss on pension scheme net of deferred tax			(45,496)	(45,496)
Balance at 31 December 2005	<u>125,000</u>	<u>18,948</u>	<u>27,198</u>	<u>171,146</u>

The cumulative amount of goodwill written off against reserves is £6.9 million (2004 - £6.9 million).

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
		As restated
	£000	£000
Retained profit/ (loss) for the financial year	(63,798)	(12,206)
Net actuarial gains and losses	(45,496)	(18,749)
Opening shareholders' funds	305,540	336,495
Closing shareholders' funds	<u>196,246</u>	<u>305,540</u>

20. FINANCIAL COMMITMENTS

	2005	2004
	£000	£000
Capital commitments		
Contracted for but not provided	<u>29,100</u>	<u>53,133</u>

Operating lease commitments

At 31 December 2005, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2005	2004	2005	2004
	£000	£000	£000	£000
Leases which expire:				
Within one year	108	1,239	971	1,301
Within one to two years	-	448	-	774
Within two to five years	202	1,682	1,952	1,444
After five years	5,231	3,975	34	-
	<u>5,541</u>	<u>7,344</u>	<u>2,957</u>	<u>3,519</u>

21. CONTINGENT LIABILITIES

The company has contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, entered into under the normal course of business. The likelihood of these having a material adverse impact on the company's financial position is considered remote.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

22. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Tarmac Holdings Limited and its results are included in the consolidated financial statements of Anglo American plc.

The related party transactions with the company's joint venture and associate companies are as follows:

	2005				2004			
	During the year Sales £000	Purchases £000	At 31 December Debtors £000	Creditors £000	During the year Sales £000	Purchases £000	At 31 December Debtors £000	Creditors £000
Joint ventures								
C & H Quickmix Limited	1,784	(7)	364	(105)	1,936	(65)	352	-
Ebchester Sand and Gravel Limited	-	-	436	(36)	40	(6)		
Eton Aggregates Limited	-	(668)	150	(82)	-	(763)	50	(153)
North Tyne Roadstone Limited	-	-	9	(150)	35	-	78	(150)
RH Roadstone Limited	-	(1,316)	81	(240)	462	(2,511)	822	(1,011)
Tendley Quarries Limited	156	-	59	(750)	82	(1,170)	22	(588)
United Marine Holdings Limited	424	(16,907)	145	(3,126)	860	(19,531)	77	(2,607)
Roadstone Recycling Limited	-	-	-	-	500	(165)	700	(314)
Norwest Holdings Limited	-	-	72	(6)	-	-	41	(6)
West Lothian Recycling Limited	32	-	234	(25)	177	(1)	50	-
Precast Cellular Structures Limited	2,968	-	687	-	5,396	-	709	-
Mersey Asphalt Limited	216	(136)	281	(278)	1,064	(26)	343	(3)
Newhaven Roadstone Limited	1,072	(456)	2,483	-	1,395	(728)	154	(115)
Bristol Aggregates Recycling Ltd	54	(107)	215	(6)	50	(243)	75	(116)
Harlow Asphalt Limited	-	(2,657)	660	(175)	-	(1,767)	-	(2)
Tayestone Recycled Aggregates Limited	-	-	58	-	-	-	95	(33)
Linear Quarry Products Limited	-	-	398	-	89	(21)	392	(7)
Elstow Asphalt Limited	-	-	1048	-	-	-	-	-

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

23. PRINCIPAL INVESTMENTS OF TARMAC LIMITED

All principal investments are held directly by the company.

Principal subsidiary undertakings

Principal subsidiaries that are dormant have not been listed as it would provide a statement of excessive length. Principal subsidiary undertakings all of which are incorporated in Great Britain and are principally engaged in the heavy building materials business of extraction and sale of, or manufacture of, construction materials:

	% of issued ordinary shares held
Tarmac Minerals Limited	100%
East Coast Slag Products Limited	100%
Cambrian Stone Limited	100%
Midland Quarry Products Limited	50%
Moffatts (Drumquin) Limited	100%
Tarmac (South Western) Limited	100%
Tarmac Caledonian Limited	100%
Tilcon – Huttenes – Albertus Limited	75%
Cempak Limited	100%
BDP Surfacing Limited	100%
Roseland Asphalt Limited	100%
Roseland Aggregates Limited	100%
Huw Howatson Limited	100%
Environmental Aggregates Limited	100%
Hepplewhite Quarries and Plant Hire Limited	67%
Tees-side Waste Management Limited	100%

Principal fellow subsidiary undertaking

The company holds 30% of the issued ordinary shares of Tarmac Investments (International) Limited, a company incorporated in Great Britain, which is principally engaged in holding investments on behalf of the Tarmac group of companies. The remaining 70% of the issued ordinary share capital is held by other group undertakings.

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

23. PRINCIPAL INVESTMENTS OF TARMAC LIMITED (continued)

Principal joint ventures and associated undertakings

Joint ventures and associated undertakings, all of which are incorporated in Great Britain, and are principally engaged in the United Kingdom in the heavy building materials business of extraction and sale of quarry products, or recycling of building materials, for construction purposes:

	% of issued ordinary shares held
Joint ventures	
C & H Quickmix Limited	50%
Ebchester Sand and Gravel Limited	50%
Eton Aggregates Limited	25%
North Tyne Roadstone Limited	50%
RH Roadstone Limited	50%
Tendley Quarries Limited	50%
United Marine Holdings Limited	50%
Roadstone Recycling Limited	50%
Mersey Asphalt Limited	50%
Norwest Holdings Limited	50%
West Lothian Recycling Limited	50%
Precast Cellular Structures Limited	50%
Newhaven Roadstone Limited	50%
Bristol Aggregates Recycling Limited	33%
Harlow Asphalt Limited	33%
Associate	
Berwyn Granite Quarries Limited	49%
Al-Futtaim Quarry Products	49%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

24. PENSIONS

The pension schemes to which the company contributes are of the defined benefit and money purchase types and are for the benefit of all relevant employees of Tarmac Group Limited and its United Kingdom subsidiary undertakings ("the group"). The assets of the schemes are held in trustee administered funds separate from those of the group and are funded. Actuarial valuations of the money purchase schemes are not undertaken.

During the year, the company operated three final salary schemes: the Tarmac Staff Pension Scheme, the Tarmac B Pension Scheme and the Anglo Industrial Minerals Defined Benefit Scheme (AIM), the assets of each of which were held in separate trustee administered funds.

Contributions amounting to £10,451,000 (2004 - £11,372,000) were paid in respect of the Anglo Industrial Minerals pension scheme. Contributions of £5,018,000 (2004 - £5,412,000) were paid in respect of the Tarmac Staff pension scheme and the Tarmac B pension scheme and £580,123 (2004 - £788,240) at the end of the year was included in creditors.

Results of the triennial actuarial valuations at 31 December 2002 indicated that employer's contributions to the Tarmac schemes will be required to recommence, this occurred on 1 January 2004. As Tarmac Limited is now the sole significant participating employer in the Tarmac schemes, the provision is held within Tarmac Limited, together with an associated deferred tax asset of £49,714,000 (2004 - £16,701,000).

Although the company's share of the net assets and liabilities of the Group Schemes cannot be separately identified, the company accounts for its pension contributions to the Group Scheme within Tarmac Limited, since it is considered by management to be the largest sponsoring company to the Defined Benefit Pension Schemes.

Contributions are paid to the trustees of the Group Schemes on the basis of advice from an independent professionally qualified actuary who carries out a valuation of the Group Scheme every three years. A full actuarial valuation of the Tarmac Staff Pension and Tarmac B Pension Schemes was carried out at 31 December 2002 and updated to 31 December 2005 by a qualified actuary. A full actuarial valuation of the AIM Scheme was carried out at 31 March 2003.

The key assumptions used by the actuary were as follows:

	2005	2004	2003
Rates of increase of salaries	2.8%	3.3%	3.2%
Rates of increase of pensions in payment	2.8%	2.9%	2.7%
Discount rate	4.8%	5.3%	5.5%
Inflation assumption	2.8%	2.8%	2.7%

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

24. PENSIONS (continued)

	31 December 2005		31 December 2004		31 December 2003	
	Expected return	£000	Expected return	£000	Expected return	£000
Fair value of assets						
Equities	7.8%	399,996	8.0%	337,074	8.0%	360,285
Bonds	4.5%	228,333	4.9%	196,801	5.1%	138,457
Other	7.6%	17,718	7.7%	15,436	3.8%	1,243
		<u>646,047</u>		<u>549,311</u>		<u>499,985</u>
Net present value of liability		(811,759)		(669,033)		(601,153)
Recoverable deficit		(165,712)		(119,722)		(101,168)
Deferred tax		<u>49,714</u>		<u>35,917</u>		<u>30,350</u>
Net deficit		<u>(115,998)</u>		<u>(83,805)</u>		<u>(70,818)</u>
The net pension deficit before deferred tax comprises:						
	2005		2004		2003	
	£000		£000		£000	
Tarmac Staff Scheme	(91,905)		(46,863)		(37,323)	
Tarmac B Scheme	426		7,492		6,852	
Anglo Industrial Minerals Scheme	<u>(74,233)</u>		<u>(80,351)</u>		<u>(70,697)</u>	
Recoverable deficit	<u>(165,712)</u>		<u>(119,722)</u>		<u>(101,168)</u>	

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2005

24. PENSIONS (continued)

Analysis of the amount charged to operating profit

	2005 £000	2004 £000
Current service cost	10,045	11,267
Past service cost	-	57
Total operating charge	10,045	11,324

Analysis of the amount charged to other finance income

	2005 £000	2004 £000
Expected return on scheme assets	(37,734)	(35,957)
Interest on scheme liabilities	34,961	33,187
Total finance income	(2,773)	(2,770)
Net profit and loss account charge	7,272	8,554

TARMAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

24. PENSIONS (continued)

FRS 17 liability disclosure

The movement during the year in the FRS 17 pension liability (before allowance for deferred tax) shown above can be analysed as follows:

	2005 £000	2004 £000
As at 1 January	(119,722)	(101,168)
Current service cost	(10,045)	(11,267)
Contributions	15,469	16,784
Past service costs	-	(57)
Other finance income	2,773	2,770
Actuarial loss	(64,994)	(22,120)
Actuarial reassessment	10,807	(4,664)
As at 31 December	(165,712)	(119,722)

History of experience gains and losses

		2005	2004	2003	2002
Difference between the expected and actual return on scheme assets					
Amount	£000	61,536	12,811	45,628	109,126
Percentage of scheme assets	%	9.5	2.3	9.1	25.5
Experience gains and losses on scheme liabilities					
Amount	£000	(1,662)	(2,920)	(7,428)	(5,126)
Percentage of the present value of scheme liabilities	%	0.2	0.4	1.2	1.0
Total amount recognised in statement of total recognised gains and losses					
Amount	£000	(64,994)	22,120	7,065	104,468
Percentage of the present value of scheme liabilities	%	8.0	3.3	1.2	20.0

The company also operates a defined contribution scheme for which the pension cost for the year amounted to £905,510.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

25 PRIOR YEAR PENSIONS ADJUSTMENT NOTE

The Company's policy in respect of pensions was changed during the year to adopt Financial Reporting Standard No 17 "Retirement Benefits".

The previous policy recognised a charge to the profit and loss account for the regular service cost of the scheme so as to spread the expected cost of pensions over the service lives of the employees. Variations from regular cost were charged or credited to the profit and loss account over the estimated average remaining service life of the employees.

The new policy is to recognise the regular service cost of providing benefits to employees during the year, together with the cost of any benefits relating to past service by charging them to operating profit in the year.

The interest cost on retirement benefit scheme liabilities less the expected return on the assets of the scheme during the year, based on the market value of the scheme at the start of the year, is charged as other finance charges to profit before taxation in the year.

The difference between the market value of assets and the actuarial value of pension liabilities is shown as a liability in the balance sheet, net of deferred tax.

Differences between actual and expected returns on assets and experience gains (losses) arising on scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of total recognised gains and losses in the year.

The comparative figures in the primary statements and related notes to the financial statements have been restated to reflect the new policy

The effect of the change in policy are summarised below:

Balance Sheet

	2004
	£'000
Pension liability net of deferred tax	(44,836)
Net assets	(44,836)

Profit and loss account

	2004
	£'000
Operating expenses	(8,591)
Finance charges	(2,770)
Profit on ordinary activities before taxation	(11,361)
Taxation	3,409
Profit on ordinary activities after taxation	7,952

Given that FRS 17 has been fully adopted in the year, a calculation of the SSAP24 charge for the year and the resulting provision or prepayment has not been performed. The effect of the change in accounting policy on the results for the year ended 31 December 2005 and the balance sheet at that date have therefore not been disclosed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

26. POST BALANCE SHEET EVENTS

As a result of a strategic review of the Company's fixed assets, an additional impairment charge of £66 million has been charged to the profit and loss account in 2006.

In addition, the Company has sold its Minerals and Materials business in 2006 for a consideration of £4.8 million giving rise to a loss of £5.2 million.

27. ULTIMATE PARENT COMPANY

At the balance sheet date, the ultimate parent undertaking and controlling party of Tarmac Limited, and the parent company of the smallest and largest group for which group accounts are prepared, was Anglo American plc, a company incorporated in Great Britain. Copies of the financial statements of Anglo American plc can be obtained from 20 Carlton House Terrace, London, SW1Y 5AN.

The immediate parent company is Tarmac Holdings Limited.