

TARMAC ROADSTONE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

(Registered in England and Wales, Number 368254)



TARMAC ROADSTONE LIMITED

Director's Report

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

Business Review

The company acts as a manager in respect of certain of the activities of its immediate parent undertaking, Tarmac Heavy Building Materials UK Limited. The company has received no income nor incurred expenditure in respect of its management activities during the year ended 31 December 1998.

The company is the United Kingdom holding company of Tarmac Roadstone Australia (Pty) Limited.

Directors

The Directors serving during the year were:-

J J T H Graves	(Resigned 31 December 1998)
R L Isaacs	
M Whittle	(Resigned 31 July 1998)

Directors' Interests

The beneficial interest of the directors in office at 31 December 1998 and their families in the ordinary share capital of Tarmac Plc are shown below:-

	31 December 1998	1 January 1998
	Ordinary Share of 50p	Ordinary Share of 50p
	Fully Paid	Fully Paid
	Number	Number
Fully paid shares owned:-		
J J T H Graves	18,144	5,015
R L Isaacs	29,306	13,885

Directors' report (continued)

Directors' interests (continued)

Share Options	1 January 1998	Movements during 1998		Exercised	31 December 1998	Exercise price (p)	
		Granted	Lapsed			Weighted average	Options granted in year
J J T H Graves							
Share Option Scheme 1985	59,096	-	(28,948)	-	30,148	321.0	-
Executive Share Option Scheme 1994	131,326	-	-	-	131,326	117.6	-
Savings Related Share Option Scheme (1990)	18,048	-	-	(5,947)	12,101	99.7	-
	208,470	-	(28,948)	(5,947)	173,575		
R L Isaacs							
Share Option Scheme 1985	61,930	-	(28,948)	-	32,982	260.1	-
Executive Share Option Scheme 1994	157,840	44,859	-	-	202,699	116.7	117.3
Savings Related Share Option Scheme (1990)	18,449	-	-	(8,922)	9,527	108.6	-
	238,219	44,859	(28,948)	(8,922)	245,208		

Directors Report (continued)

Director and Directors' Interests

R L Isaacs made a gain of £3,524 on the 8922 ordinary shares exercised at 100.0p per share on 12 February 1998.

Options under the Share Option Scheme 1985 are exercisable normally between three and ten years after the date of grant, subject to the achievement of pre-determined increases in profit before taxation per ordinary share in respect of each option. No new options were capable of grant under this scheme after February 1995. These options are exercisable up to April 2004.

Options under the Executive Share Option Scheme (1990) are exercisable normally between five and seven years after the date of grant. They are not exercisable, however, unless the average growth in earnings per ordinary share over a period of five financial years of Tarmac plc during the currency of the option has been sufficient to place Tarmac Plc in the top quartile of companies comprising the FT-SE 100 Share Index by reference to growth in earnings per share over the same period. This scheme has now been discontinued. These options are exercisable up to September 2000.

Options granted under the Executive Share Option Scheme 1994 are exercisable normally between three and ten years after the date of grant if, over any three year period during the currency of the option, the total shareholder return on ordinary shares is equal to or exceeds the percentage change over the same period in the total return for the FT-SE 100 Share Index. Options under the scheme are normally granted annually, in tranches which vary according to the executive grade of each grantee, up to a maximum subscription cost of four times salary. Thus, each Scheme member's maximum possible allocation is accumulated over a period of several years. These options are exercisable up to March 2008.

Options under the employee Savings-Related Share Option Scheme (1990) are linked with savings contracts having either a three or five year term. They are exercisable normally during the period of six months following the third or fifth anniversary, as appropriate, of the commencement of the associated savings contract. These options are exercisable up to December 2003.

The market price of the ordinary shares at 31 December 1998 was 112.5p and the range during the year was 77p to 130.0p per ordinary share.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgement and estimates that are reasonable and prudent;
- state where applicable accounting standards have been followed, subject to any materials departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By Order of the Board.



C G Reynolds

Secretary

Millfields Road
Ettingshall
Wolverhampton
West Midlands
WV4 6JP

Dated: 16 March 1999

AUDITORS' REPORT TO THE MEMBERS OF TARMAC ROADSTONE LTD

We have audited the financial statements on pages 6 to 7.

Respective Responsibilities of Directors and Auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in 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 company's state of affairs as at 31 December 1998 and of its result for the year then ended and have properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
16 March 1999

TARMAC ROADSTONE LIMITED

BALANCE SHEET

AT 31 DECEMBER 1998

	NOTE	1998 £	1997 £
Fixes Asset - Investments	3	61,047	61,047
Creditors : Amounts falling due after more than one year	4	(23,051)	(23,051)
Net Assets		<u>37,996</u>	<u>37,996</u>
Capital and Reserves			
Called Up Share Capital	5	2,002	2,002
Profit and Loss Account		<u>35,994</u>	<u>35,994</u>
Equity Shareholders Funds		<u>37,996</u>	<u>37,996</u>

These financial statements were approved by the Board of Directors on 16 March 1999 and signed on its behalf by:-



R L Isaacs
DIRECTOR

PROFIT & LOSS ACCOUNT

During the current and preceding financial year the company did not trade and received no income and incurred no expenditure. Consequently during those years the company made neither a profit nor a loss and had no recognised gains or losses.

TARMAC ROADSTONE LIMITED
NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)
FOR THE YEAR ENDED 31 DECEMBER 1998

1. Basis of Accounting

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

2. Directors' Remuneration

No Directors remuneration were paid during either year specifically in respect of services to the company.

3. Investments	1998	1997
	£	£
Shares at cost in subsidiary undertaking	<u>61,047</u>	<u>61,047</u>

The company owns the whole of the allotted ordinary share capital of Tarmac Roadstone Australia (PTY) Limited, a company incorporated in Australia.

In the opinion of the Directors the value of the investment in the subsidiary undertaking at 31 December 1998 is not less than the amount at which it is stated in the balance sheet.

Tarmac Roadstone Limited is a wholly owned subsidiary of Tarmac Heavy Building Materials UK Limited, a company registered in England and Wales, and accordingly consolidated financial statements have not been prepared.

4. Creditors : Amounts Falling Due After More Than One Year

	1998	1997
	£	£
Loan due to parent undertaking	<u>23,051</u>	<u>23,051</u>

The loan is unsecured, does not bear interest and has no set repayment date.

The directors are of the opinion that repayment is unlikely to be demanded within the next twelve months.

5. Share Capital	1998	1997
	£	£
Authorised :		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, Called Up and Fully Paid:		
2,002 ordinary shares of £1 each	<u>2,002</u>	<u>2,002</u>

6. Movement in Shareholder's Funds

There was no movement in Shareholders' Funds during either the current or preceding financial year.

7. Parent Undertakings

The company is controlled by Tarmac Heavy Building Materials UK Limited, it's parent undertaking. The ultimate holding company is Tarmac Plc. The only group in which the accounts of the company are consolidated is that headed by Tarmac Plc. Both of these companies are incorporated in Great Britain. The consolidated financial statements of Tarmac Plc are available to the public and may be obtained from Tarmac Heavy Building Materials UK Limited, Millfields Road, Ettingshall, Wolverhampton, WV4 6JP.