

TPS Consult Limited

Directors' report and financial statements

31 December 1997

Registered number 2574820



TPS Consult Limited

Directors' report and financial statements

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TPS Consult Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The company is principally engaged in the provision of architectural, engineering and structural design services.

Business review

Turnover for the year amounted to £16,108,000 (1996: £14,180,000) and loss on ordinary activities before taxation was £3,724,000 (1996: £24,476,000).

Dividend

The directors do not propose the payment of a dividend for the year (1996: £Nil).

Directors and directors' interests

The directors serving during the year were:

| | |
|------------|---|
| MR Kennard | (resigned 28 February 1997) |
| DT Simons | (resigned 6 March 1998) |
| SG Jessup | (appointed 21 January 1997) |
| RJT Ewen | (appointed 1 July 1997 and resigned 23 December 1997) |
| B Pellard | (appointed 9 March 1998) |

The directors who held office at the end of the financial year, other than those whose interests are disclosed in the financial statements of the immediate holding company, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Tarmac PLC:-

Number of shares

| | At 31 December 1997 | | At 1 January 1997 (or later date of appointment) | | Share option movements in period | | |
|-----------|---------------------|------------------|--|------------------|----------------------------------|-----------|--------|
| | Shares | Share options | Shares | Share options | granted | exercised | lapsed |
| SG Jessup | - | 100,000 | - | 20,000 | 80,000 | - | - |

At 31 December 1997 no director had any beneficial interest in the share or loan capital of any subsidiary of Tarmac PLC.

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Directors' report *(continued)*

Employees

Communication and consultation within working teams takes place, as appropriate, as part of the normal pattern of every operation.

Every employee receives the annual Employee Report which explains Tarmac Construction Service's financial performance and includes information on significant activities which are taking place. This report is supplemented by a regular publication, Tarmac World, which provides information on activities throughout the Tarmac Group. In addition, every employee receives a copy of On Balance, the quarterly magazine of Tarmac Professional Services.

The establishment and maintenance of safe working practices at all work places is of greatest importance to the company and special training in health and safety is provided for all employees. In addition, competitions are held regularly to encourage greater awareness of and attention to safety.

The company is an active and enthusiastic supporter of training schemes of all types and is providing valuable training and experience to a large number of young people, as well as increasing its own training commitment to full-time employees.

Equal opportunities

TPS Consult Limited is an equal opportunities employer.

It is the policy of the company to give the fullest consideration to the employment needs of all prospective and existing employees. To that end, no job applicant or employee receives less favourable treatment than another on grounds of colour, race, nationality, ethnic or national origin, sex, religion or disability where the work content is commensurate with the individual's particular disability.

Special attention is given to interviewing, selection, recruitment and training to ensure that there is effective implementation of company policy. Promotion is based upon ability, merit and performance taking into account the future needs of the company. Where necessary training is carried out to assist employees to develop potential.

All aspects of employment are regularly reviewed by management to ensure this policy is achieved.

Research and development

The company continues to evaluate new developments in design practices and to adopt those which offer improvements to present practices. It gives active support to research and development organisations working on the problems and needs of the industry. Controlled innovation provides further opportunities to introduce competitive products to clients and to demonstrate technical capabilities.

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Directors' report *(continued)*

Creditor payment policy

It is the company's policy to obtain best possible payment terms with its suppliers as part of periodic negotiations. As such there is no uniform payment policy. The company makes every effort to pay suppliers according to the agreed terms and to not knowingly exceed negotiated payment terms. The number of days of purchases outstanding at 31 December was 51 days.

Directors' responsibilities

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


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

Approved by the Board and signed on its behalf by:


J Perrott
Secretary

25 MARCH 1998
31 Waterloo Road
Wolverhampton
West Midlands
WV1 4DZ

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of TPS Consult Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 MARCH 1998

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Profit and loss account

for the year ended 31 December 1997

| | <i>Note</i> | 1997 £'000 | 1996 £'000 |
|--|-------------|------------------------------|-----------------------------|
| Turnover | 2 | 16,108 | 14,180 |
| Cost of sales | | (11,706) | (13,127) |
| Gross profit | | <u>4,402</u> | <u>1,053</u> |
| Administrative expenses | | (7,055) | (7,158) |
| Operating loss | | <u>(2,653)</u> | <u>(6,105)</u> |
| Fundamental restructuring | | - | (14,900) |
| Loss on ordinary activities before interest | | <u>(2,653)</u> | <u>(21,005)</u> |
| Interest receivable and similar income | 3 | 1 | 1 |
| Interest payable and similar charges | 4 | (1,072) | (3,472) |
| Loss on ordinary activities before taxation | 5 | <u>(3,724)</u> | <u>(24,476)</u> |
| Taxation on loss on ordinary activities | 8 | 1,417 | 7,546 |
| Loss for the financial year | 16 | <u><u>(2,307)</u></u> | <u><u>(16,930)</u></u> |

All amounts are derived from continuing operations.

The company has no recognised gains or losses in either the current or preceding year other than the losses for those years.

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Reconciliation of movements in shareholders' funds *for the year ended 31 December 1997*

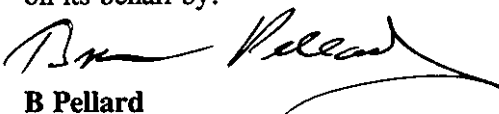
| | 1997 £'000 | 1996 £'000 |
|---|---------------------|---------------------|
| Loss for the financial year | (2,307) | (16,930) |
| Goodwill written off on business acquired | - | (14,704) |
| Net decrease in shareholders' funds | <u>(2,307)</u> | <u>(31,634)</u> |
| Opening shareholders' funds | 8,893 | 40,527 |
| Closing shareholders' funds | <u><u>6,586</u></u> | <u><u>8,893</u></u> |

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Balance sheet at 31 December 1997

| | Note | 1997 £'000 | 1996 £'000 | 1996 £'000 |
|---|------|---------------|---------------|---------------|
| Fixed assets | | | | |
| Tangible assets | 9 | 299 | 408 | |
| Investments | 10 | - | - | |
| | | | 299 | 408 |
| Current assets | | | | |
| Stocks | 11 | 50 | 155 | |
| Debtors | 12 | 18,196 | 29,978 | |
| Cash at bank and in hand | | 166 | 142 | |
| | | 18,412 | 30,275 | |
| Creditors: amounts falling due within one year | 13 | (12,125) | (21,790) | |
| Net current assets | | | 6,287 | 8,485 |
| Net Assets | | | 6,586 | 8,893 |
| Capital and reserves | | | | |
| Called up share capital | 15 | 44,368 | 44,368 | |
| Goodwill reserve | 16 | (19,410) | (20,508) | |
| Profit and loss account | 16 | (18,372) | (14,967) | |
| Equity shareholders' funds | | | 6,586 | 8,893 |

These financial statements were approved by the board of directors on 25 MARCH 1998 and signed on its behalf by:


B Pellard
Director

TPS Consult Limited

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Accounting standards

The financial statements have been prepared in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements of the company are prepared under the historical cost convention.

Group financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the undertaking as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Tarmac PLC, the company's parent undertaking.

Cash flow statement

In accordance with Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that Tarmac PLC, the company's ultimate parent undertaking includes the company's cashflows in its own published consolidated cashflow statement.

Related parties

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8 (Related Party Disclosures) and has not disclosed details of transactions with entities that are part of the Tarmac PLC Group or with investees of that group qualifying as related parties.

Goodwill

Any excess of the purchase consideration over the fair value of the net assets of an acquired business, including an interest in an associated undertaking, is eliminated against goodwill write off reserve in the year of acquisition. This reserve is amortised on a systematic basis through the profit and loss account reserves over a twenty year period.

Long term contracts

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 the lower of profit earned to date and that forecast at completion. 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.

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Notes (continued)

1 Principal accounting policies (continued)

Stocks

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

Depreciation

Depreciation is based on historic cost less estimated residual value of tangible fixed assets and is charged in equal instalments over their estimated useful economic lives, as follows:

| | |
|-------------------------------|---------|
| Plant, machinery and vehicles | 3 years |
|-------------------------------|---------|

Deferred taxation

Deferred taxation, calculated using the liability method is included only where the effects of timing differences between results as stated in the financial statements and as computed for taxation purposes are likely to crystallise in the foreseeable future.

Foreign currencies

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

Leased assets

All leases are accounted for as operating leases. Rentals are charged to the profit and loss account in equal annual instalments over the life of the lease.

Government grants

Government grants in respect of capital expenditure are credited to the profit and loss account over the life of the related asset.

Pensions

Regular pension costs are established in accordance with the recommendations of independent actuaries and are charged to the profit and loss account based on the expected pension costs over the employees' service lives with the company.

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Notes (continued)

2 Turnover

Turnover is stated exclusive of value added tax and represents the value of work executed during the year for all customers including fellow subsidiary undertakings.

The analysis of turnover by geographical area is as follows:

| | 1997 £'000 | 1996 £'000 |
|----------------|---------------|---------------|
| United Kingdom | 14,165 | 11,836 |
| Europe | 74 | 92 |
| USA | 1 | 11 |
| Asia | 1,757 | 1,899 |
| Africa | 111 | 245 |
| Other | - | 97 |
| | <u>16,108</u> | <u>14,180</u> |

3 Interest receivable and similar income

| | 1997 £'000 | 1996 £'000 |
|---|---------------|---------------|
| Interest receivable from group undertakings | - | 1 |
| Other interest receivable | 1 | - |
| | <u>1</u> | <u>1</u> |

4 Interest payable and similar charges

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Interest payable to group undertakings | 1,072 | 860 |
| Other interest payable | - | 2,612 |
| | <u>1,072</u> | <u>3,472</u> |

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Notes (continued)

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging the following:

| | 1997 £'000 | 1996 £'000 |
|---------------------------------------|---------------|---------------|
| Depreciation of tangible fixed assets | 218 | 212 |
| Auditors' remuneration: | | |
| Audit | 22 | 29 |
| Non audit | - | 9 |
| Operating leases: | | |
| Hire of plant and machinery | 160 | 601 |
| Hire of other assets | - | 1,462 |
| | <u>218</u> | <u>1,462</u> |

6 Directors remuneration

| | 1997 £ | 1996 £ |
|--|-----------|----------------|
| Directors' emoluments | 128,812 | - |
| Number of directors who are: | | 1997 Number |
| Members of defined benefit pension schemes | | 2 |

7 Staff numbers and costs

The average number of persons employed by the company (including directors) during the financial year was as follows:

| | 1997 Number | 1996 Number |
|----------------------|----------------|----------------|
| Technical staff | 202 | 278 |
| Administration staff | 74 | 82 |
| | <u>276</u> | <u>360</u> |

The aggregate payroll costs of these persons were as follows:

| | 1997 £'000 | 1996 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 6,942 | 9,180 |
| Social security costs | 620 | 788 |
| Other pension costs | 959 | 919 |
| | <u>8,521</u> | <u>10,887</u> |

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8 Taxation on loss on ordinary activities

The tax credit for the year is made up as follows:

| | 1997 £'000 | 1996 £'000 |
|---|---------------|---------------|
| Group relief based on the loss for the year | 1,414 | 7,569 |
| Deferred tax | (188) | (23) |
| Adjustment in respect of prior years | 237 | - |
| Overseas tax | (46) | - |
| | <u>1,417</u> | <u>7,546</u> |

The movement on deferred tax is shown in note 14.

9 Tangible fixed assets

| | Plant, machinery and vehicles £'000 |
|-----------------------|--|
| <i>Cost</i> | |
| At beginning of year | 1,930 |
| Exchange adjustment | (27) |
| Additions | 127 |
| Group transfers | 27 |
| Disposals | (63) |
| At end of year | <u>1,994</u> |
| <i>Depreciation</i> | |
| At beginning of year | 1,522 |
| Exchange adjustment | (17) |
| Charge in year | 218 |
| Group transfers | 14 |
| Disposals | (42) |
| At end of year | <u>1,695</u> |
| <i>Net book value</i> | |
| At 31 December 1997 | <u>299</u> |
| At 1 January 1997 | <u>408</u> |

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Notes (continued)

10 Investments

The company holds 100% of the ordinary share capital as noted below. None of the companies have traded since incorporation.

The total cost of the company's investment in subsidiary undertakings is £10. The companies are as follows:

PSA Projects Edinburgh Limited
PSA Projects Birmingham Limited
Property Services Agency Limited
PSA Projects Limited
PSA Limited

Investments in the following companies were transferred to other group companies in the prior year:

TPS Special Services Limited (formerly PSA Projects London Limited)
Tarmac Professional Services Indonesia Limited (formerly PSA Projects Hong Kong Limited)
Tarmac Professional Services International Limited (formerly PSA Projects Germany Limited)
Cimserve Limited (formerly PSA Project Management Limited)

11 Stocks

| | 1997 £'000 | 1996 £'000 |
|------------------|---------------|---------------|
| Work in progress | 50 | 155 |

12 Debtors

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 2,464 | 2,487 |
| Amounts recoverable on contracts | 2,146 | 1,685 |
| Amounts owed by group undertakings | 2,509 | 15,709 |
| Group relief receivable | 10,247 | 8,671 |
| Other debtors | 136 | 345 |
| Prepayments and accrued income | 205 | 404 |
| | 17,707 | 29,301 |
| Amounts falling due after more than one year: | | |
| Other debtors | 489 | 677 |
| | 18,196 | 29,978 |

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Notes (continued)

13 Creditors: amounts falling due within one year

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Bank loans and overdrafts | 3 | - |
| Payments received on account - long term contracts | 1,585 | 1,855 |
| Trade creditors | 803 | 851 |
| Amounts owed to group undertakings | 7,034 | 5,299 |
| Amounts owed to associated undertakings | - | 29 |
| Corporation tax payable | - | 75 |
| Other tax and social security | 287 | 178 |
| Other creditors | 1,023 | 10,685 |
| Accruals and deferred income | 1,390 | 2,818 |
| | <u>12,125</u> | <u>21,790</u> |

14 Deferred tax asset

Amounts recognised in respect of deferred taxation are set out below:

| | 1997 £'000 | 1996 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 357 | 324 |
| Other timing differences | 132 | 353 |
| | <u>489</u> | <u>677</u> |

There is no unprovided deferred taxation (1996: £Nil).

Movements on the deferred tax asset were as follows:

| | Deferred taxation £'000 |
|-------------------------------------|-------------------------------|
| At beginning of year | 677 |
| Transfer to profit and loss account | (188) |
| At end of year | <u>489</u> |

The deferred tax asset is included within other debtors in the balance sheet.

15 Share capital

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| <i>Authorised, allotted, called up and fully paid:</i> | | |
| 44,368,024 ordinary shares of £1 each | <u>44,368</u> | <u>44,368</u> |

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Notes (continued)

16 Reserves

| | Goodwill £'000 | Profit and loss account £'000 | Total £'000 |
|-------------------------------------|-------------------|--|-----------------|
| At beginning of year | (20,508) | (14,967) | (35,475) |
| Transfer to profit and loss account | 1,098 | (1,098) | - |
| Deficit for the year | - | (2,307) | (2,307) |
| At end of year | <u>(19,410)</u> | <u>(18,372)</u> | <u>(37,782)</u> |

17 Pension contributions

Following the acquisition of the business and assets of the design and project management arm of the former Property Services Agency from HM Government, a scheme was established by deed on 1 December 1992 for employees of the company in the United Kingdom at that date.

The scheme is of the defined benefit type and is funded, with the assets of the scheme being held in trustee administered funds. At the date of the first actuarial valuation, 1 December 1992, the resources of the scheme were deemed likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. A valuation of the scheme will be undertaken by independent qualified actuaries every three years, and the actuary has recommended a valuation as at 31 December 1995 which is currently being undertaken. The 1 December 1992 actuarial valuation assumes a return on investment of 2% per annum higher than the rate of annual salary increases and a minimum of 4% higher than the rate of annual pension increases.

On the recommendation of the actuary, employers contributions were 16% of members' aggregate pensionable pay until 30 November 1993 and 16.2% thereafter.

The above scheme is closed to staff who have commenced employment with the company since 1 December 1992. They are invited, if eligible, to join the Tarmac PLC pension schemes. These are of the defined benefit type and are for the benefit of all relevant employees of Tarmac PLC and its UK subsidiary and associated undertakings ("the group"). The assets of the schemes are held in trustee administered funds separate from those of the group. Details of the latest actuarial valuation of the principal schemes are given in the group's consolidated financial statements. The contributions to the schemes made by the company represent the regular cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Tarmac PLC.

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Notes (continued)

18 Commitments

- (a) The company had no capital commitments at 31 December 1997 (1996: £Nil).
- (b) Amounts payable during the year following the balance sheet date in respect of non-cancellable operating leases are as follows:

| | Land and buildings £'000 | 1997 Other assets £'000 | Land and buildings £'000 | 1996 Other assets £'000 |
|------------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| On operating leases which expire: | | | | |
| Within one year | 74 | 0 | 672 | 7 |
| Within two to five years inclusive | 0 | 51 | 55 | 51 |
| | <u>74</u> | <u>51</u> | <u>727</u> | <u>58</u> |

19 Parent undertakings

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Tarmac PLC. Tarmac PLC is also the ultimate controlling party.

The immediate controlling party is Tarmac Professional Services Limited.

The results of the company are included in the group financial statements of Tarmac PLC.

The financial statements of the ultimate parent company are available from the Secretary, Tarmac PLC, Hilton Hill, Hilton Lane, Essington, Wolverhampton, WV11 2BQ