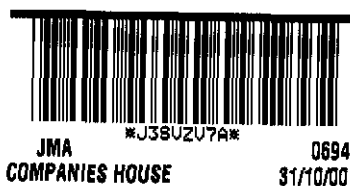


TPS Consult Limited

**Directors' report and financial
statements**

Registered number 2574820

For the year ended 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.

Principal activities

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

Business review

Turnover for the year amounted to £17,160,000 (1998: £16,741,000) and loss on ordinary activities before taxation was £599,000 (1998: £2,593,000).

The directors anticipate that the company will continue its present role during 2000.

On 29 July 1999, the ownership of the company was transferred to Carillion plc.

Dividend

The directors do not propose the payment of a dividend for the year (1998: £Nil).

Directors and directors' interests

The directors serving during the year were:

SG Jessup
 BS Engstrom
 G Pearson

The directors who held office at the end of the financial year and their families, other than those whose interests are disclosed in the financial statements of the ultimate holding company, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc, and Tarmac plc up to the date of demerger:

Number of shares	At 31 December 1999		At 1 January 1999		Share option movements in year		
	Shares	Share options	Shares	Share options	granted	exercised	lapsed
BS Engstrom							
Carillion plc	41,478	137,940	n/a	n/a	137,940	n/a	n/a
Tarmac plc	n/a	n/a	Nil	180,000	n/a	180,000	n/a
G Pearson							
Carillion plc	7,921	26,788	n/a	n/a	26,788	n/a	n/a
Tarmac plc	n/a	n/a	Nil	37,267	n/a	26,066	11,201
SG Jessup							
Carillion plc	7,267	29,040	n/a	n/a	29,040	n/a	n/a
Tarmac plc	n/a	n/a	Nil	140,000	n/a	Nil	Nil

At 31 December 1999 no director had any beneficial interest in the share or loan capital of any subsidiary of Carillion plc.

European Economic and Monetary Union

The Group recognises the importance of the Euro, particularly for its businesses operating in France and Ireland which introduced the Euro on 1 January 1999. The introduction of the Euro has had little impact on the Group's internal systems and procedures. The related financial costs are not material to the Group.

Directors' report (continued)

Year 2000

The Group undertook a comprehensive internal programme to ensure that all computer dependant systems continued to operate with the Year 2000 date change. Initial indications are that no major systems problems arose and that the Group's operations were unaffected as a result. Although the risk of problems now arising is low, vigilance is maintained and processes and procedures are in place to detect and rectify quickly any issues which may arise. The Group estimates that the total cost of modifying hardware and systems was approximately £3.6 million of which just over £1 million was incurred in 1999.

Demerger from Tarmac

On 29 July 1999 Tarmac Construction Services was demerged from Tarmac plc. This resulted in the listing of Carillion plc on the London Stock Exchange on 30 July 1999.

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 Carillion's financial performance and includes information on significant activities which are taking place. This report is supplemented by a regular publication, Spectrum, which provides information on activities throughout the Carillion Group.

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

The company 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.

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.

Directors' report *(continued)*

Statement of directors' responsibilities

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

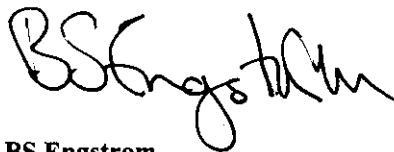
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare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

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

Auditor

A resolution will be proposed to re-appoint KPMG Audit Plc as auditor of the company at the forthcoming annual general meeting.

Approved by the Board and signed on its behalf by:



BS Engstrom
Director

Birch Street
Wolverhampton
WV1 4HY

14 March 2000



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Report of the auditor to the members of TPS Consult Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We 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 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 1999 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

14 March 2000

Profit and loss account

for the year ended 31 December 1999

	<i>Note</i>	1999 £'000	1998 £'000
Turnover	2	17,160	16,741
Cost of sales		(12,533)	(12,000)
		<hr/>	<hr/>
Gross profit		4,627	4,741
Administrative expenses		(5,486)	(6,733)
		<hr/>	<hr/>
Loss on ordinary activities before interest		(859)	(1,992)
Other interest receivable		28	-
Interest received from group undertakings		232	(601)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(599)	(2,593)
Taxation on loss on ordinary activities	6	(147)	(693)
		<hr/>	<hr/>
Loss for the financial year	15	(746)	(3,286)
		<hr/> <hr/>	<hr/> <hr/>

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.

Balance sheet
at 31 December 1999

	Note	1999 £'000	£'000	1998 £'000	£'000
Fixed assets					
Tangible assets	7	366		520	
Investments	8	-		-	
			366		520
Current assets					
Stocks	9	2		36	
Debtors	10	13,966		16,776	
Cash at bank and in hand		14		103	
		13,982		16,915	
Creditors: amounts falling due within one year	11	(11,790)		(14,135)	
Net current assets			2,192		2,780
Net assets			2,558		3,300
Capital and reserves					
Called up share capital	13		44,368		44,368
Profit and loss account	15		(41,810)		(41,068)
Equity shareholders' funds	14		2,558		3,300

These financial statements were approved by the board of directors on 14 March 2000 and signed on its behalf by:



BS Engstrom
Director

Notes

(forming part of the financial statements)

1 Principal accounting policies

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

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards 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 Carillion plc, the company's parent undertaking.

Cash flow statement

In accordance with Financial Reporting Standard Number 1 "Cash Flow Statements" the company is exempt from the requirement to prepare a cashflow statement on the grounds that Carillion 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 Number 8 "Related Party Disclosures" and has not disclosed details of transactions with entities that are part of the Carillion plc Group or with investees of that group qualifying as related parties.

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.

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.

Notes (continued)

1 Principal accounting policies (continued)

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.

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:

	1999 £'000	1998 £'000
United Kingdom	14,586	14,385
Europe	2,175	359
Other	399	1,997
	<hr/> 17,160 <hr/>	<hr/> 16,741 <hr/>

3 Loss on ordinary activities before taxation

	1999 £'000	1998 £'000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	244	240
Auditors' remuneration:		
Audit	19	26
Operating leases:		
Hire of plant and machinery	-	187
Hire of cars	209	187
Hire of other assets	194	187
	<hr/> 466 <hr/>	<hr/> 500 <hr/>

Notes (continued)

4 Directors remuneration

	1999 £	1998 £
Directors' emoluments	115,452	137,712
	Number	Number
Number of directors who are members of defined benefit pension schemes	3	2

5 Staff numbers and costs

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

	1999 Number	1998 Number
Technical staff	202	206
Administration staff	51	64
	253	270

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	7,413	6,897
Social security costs	746	616
Other pension costs	814	928
	8,973	8,441

6 Taxation on loss on ordinary activities

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

	1999 £'000	1998 £'000
Group relief based on the loss for the year	419	746
Deferred tax	(566)	252
Adjustment in respect of prior years	-	(1,691)
	(147)	(693)

The movement on deferred tax is shown in note 12.

Notes (continued)

7 Tangible fixed assets

	Plant, machinery and vehicles £'000
<i>Cost</i>	
At beginning of year	2,407
Additions	90
Disposals	(595)
	<hr/>
At end of year	1,902
	<hr/>
<i>Depreciation</i>	
At beginning of year	1,887
Charge in year	244
Disposals	(595)
	<hr/>
At end of year	1,536
	<hr/>
<i>Net book value</i>	
At 31 December 1999	366
	<hr/>
At 31 December 1998	520
	<hr/>

8 Investments

The company holds 100% of the ordinary share capital of the companies 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
 Carillion Facilities Management Services Limited

9 Stocks

	1999 £'000	1998 £'000
Work in progress	2	36
	<hr/>	<hr/>

Notes (continued)

10 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Trade debtors	2,157	1,568
Amounts recoverable on contracts	2,451	2,386
Amounts owed by group undertakings	8,387	2,597
Amounts owed by associated undertakings	-	4
Group relief receivable	419	9,184
Other debtors	53	134
Prepayments and accrued income	324	162
	<hr/>	<hr/>
	13,791	16,035
Amounts falling due after more than one year:		
Deferred tax (note 12)	175	741
	<hr/>	<hr/>
	13,966	16,776
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Payments received on account - long term contracts	1,213	509
Trade creditors	614	917
Amounts owed to group undertakings	7,792	9,788
Amounts owed to associated undertakings	1	-
Other tax and social security	260	285
Other creditors	416	690
Accruals and deferred income	1,494	1,946
	<hr/>	<hr/>
	11,790	14,135
	<hr/>	<hr/>

12 Deferred taxation

The assets recognised in respect of deferred taxation are set out below:

	1999 £'000	1998 £'000
Accelerated capital allowances	170	662
Other timing differences	5	79
	<hr/>	<hr/>
	175	741
	<hr/>	<hr/>

There is an unrecognised deferred taxation asset of £446,000 at the year end, relating to accelerated capital allowances (1998: £135,133).

Notes (continued)

12 Deferred taxation (continued)

The movement on the deferred taxation asset, which is disclosed within other debtors, is as follows:

	£'000
At beginning of year	741
Transfer to profit and loss account	(566)
	<hr/>
At end of year	175
	<hr/>

13 Share capital

	1999 £'000	1998 £'000
<i>Authorised, allotted, called up and fully paid:</i>		
44,368,002 ordinary shares of £1 each	44,368	44,368
	<hr/>	<hr/>

14 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Loss for the financial year	(746)	(3,286)
Currency adjustments	4	-
Opening shareholders' funds	3,300	6,586
	<hr/>	<hr/>
Closing shareholders' funds	2,558	3,300
	<hr/>	<hr/>

15 Profit and loss account reserve

	Profit and loss account £'000
At beginning of year	(41,068)
Loss for the year	(746)
Exchange adjustment	4
	<hr/>
At end of year	(41,810)
	<hr/>

16 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.

Notes (continued)

16 Pension contributions (continued)

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 most recent actuarial valuation, 31 December 1997, 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. The surplus held in the scheme at that date was £434,000. 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 2000. The 31 December 1997 actuarial valuation assumes a return on investment of 7% per annum, and annual salary increases a minimum of 2% higher than the rate of annual pension increases.

On the recommendation of the actuary, employers contributions were 14.1% of members' aggregate pensionable pay with effect from 1 January 1998.

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 Carillion plc pension schemes. These are of the defined benefit type and are for the benefit of all relevant employees of Carillion 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 Carillion plc.

17 Commitments

The annual commitments under non-cancellable operating leases was as follows:

	1999 Land and buildings £'000	Other assets £'000	1998 Land and buildings £'000	Other assets £'000
On operating leases which expire:				
Within one year	1	22	7	-
Within two to five years inclusive	184	134	194	-
	<hr/>	<hr/>	<hr/>	<hr/>
	185	156	201	-
	<hr/>	<hr/>	<hr/>	<hr/>

18 Controlling and parent companies

The company's immediate controlling company is Carillion plc, its immediate parent company, incorporated in Great Britain.

Copies of the group financial statements of Carillion plc are available from 24 Birch Street, Wolverhampton, WV1 4HY.

