Company Registration No. 2182762

Castle Cement Limited

Report and Financial Statements
in respect of the year ended

31 December 2008

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COMPANIES HOUSE

Directors, officers and professional advisors

DIRECTORS

A M P Kern
P K W Lukas
Dr B Scheifele
Dr L Näger
P J O'Shea
C Leclercq
R D von Achten
J P Morrish
E A Gretton
D H J Gauthier

COMPANY SECRETARY

R T V Tyson

AUDITORS

Ernst & Young LLP
1 Bridewell Street
Bristol
BS1 2AA

REGISTERED OFFICE

Hanson House
14 Castle Hill
Maidenhead
SL6 4JJ

COMPANY NUMBER

2182762

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY
The Company's principal activity is the manufacture and sale of cement.

FINANCIAL RESULTS AND BUSINESS REVIEW
The results for the year are shown in the profit and loss account, on page 7. The Company made a profit before taxation of £21,524,000 (2007: £18,262,000).

An interim dividend of 21.43p (2007: 20.00p) per ordinary share, amounting to £15,000,000 (2007: £14,000,000) was paid during the year. The Directors do not recommend the payment of a final dividend (2007: £Nil)

The Directors have noted the results for the year, are satisfied with the Company's position at the year end and consider it is well placed to take advantage of opportunities as they arise in the future.

The Company forms part of the Hanson UK operating division of HeidelbergCement AG. The division is managed along operational lines rather than by statutory entity. The Hanson UK operating division incorporates a number of statutory entities.

Key performance indictors (KPI's) are managed at a divisional level. As a result, the Directors have taken the decision not to disclose performance against KPI's in individual subsidiary financial statements. Management assess divisional performance against a number of financial KPI's including turnover, profitability, sales volumes, average selling prices, and market share alongside other non financial KPI's such as health and safety records and levels of customer satisfaction. Group performance against KPI's is disclosed in the financial statements of HeidelbergCement AG.

DEVELOPMENTS DURING THE YEAR
Due to deteriorating market conditions in 2008, management implemented a number of productivity improvement and cost reduction measures to retain the Company's competitive advantage. This has led to restructuring costs of £3,986,000.

FUTURE DEVELOPMENTS
The acute downturn in the UK economy and the resultant slump in the construction industry is expected to continue to have a significant impact on the Company's activity in 2009. As a result the Company anticipates that volumes will decline further and that competition will intensify. There seems little likelihood of any significant improvement in the Company's core markets until at least 2010.

The Company has already taken the necessary actions, in cutting production capacity and reducing its overheads, to enable it to be well positioned to deal with these difficult times.

PRINCIPAL RISKS AND UNCERTAINTIES

- Market demand risk

The demand for many of the products produced by the Company is closely linked with economic conditions. As a result, depressed economic conditions in the United Kingdom could have an adverse effect on demand for and pricing of the Company's products which could result in reduced sales and profits.

Most of the markets in which the Company operates are extremely competitive. Local factors such as the number of competitors and production capacity, the proximity of natural resources, economic conditions and product demand exert further competitive pressure. The pricing policies of the Company's competitors in the markets in which it operates can have an adverse effect on the demand for and pricing of the Company's products. Consequently the Company's profitability may be affected.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- Seasonality risk

Extended periods of inclement weather, especially periods of heavy or sustained rainfall during peak construction periods can result in a material reduction in demand for the Company's products. It may also impact the Company's ability to produce products and consequently result in reduced revenues and profits.

- Regulatory risk

Government policy relating to the development of transport infrastructure and housing have a significant effect on demand for the Company's products and, as a result, the Company's profitability. Decreases in governmental funding or in the allocation of those funds for transport infrastructure and housing projects could reduce the funds available for spending on the Company's products, therefore potentially reducing sales and profits.

Changes in government policy or legislation relating to planning, the environment, health and safety and industry related taxes could significantly affect the Company's regulatory compliance and other operating costs. Numerous governmental approvals are required for the Company's operations. In the past the Company has been required to make significant capital expenditure to comply with planning, water, air and solid and hazardous waste regulations. The Company may be required to make similar expenditure in the future to ensure business continuity.

- Energy risk

The Company is a significant purchaser of energy and fuel for the processing and transport of its products. The cost of energy and fuel fluctuates, sometimes by significant amounts. Increases in these costs can significantly impact the Company's costs and disrupt its operations. The profitability of the Company could be adversely affected if the Company was not able to recoup such costs in the prices of its products. The Company also attempts to limit its exposure to these risks by entering into hedges where appropriate. Transport logistics play an important part in the Company's supply chain. Any material disruption to, or lack of availability, of such transport support could significantly impact operating costs and reduce profitability.

- Systems compliance risk

The implementation of software to improve the efficiency and effectiveness of various business processes is an important contributor to the Company's ongoing operations. Failure to design, select appropriate suppliers and implement such systems effectively could result in unplanned costs or reduced levels of customer satisfaction. This could adversely affect the Company's results and profitability.

- Credit risk

Credit risk is the risk of the Company suffering from the failure of a counterparty to settle a debt to the company. The Company limits financial credit risk by ensuring appropriate credit checks are carried out on new customers.

RESEARCH AND DEVELOPMENT

The Company is fully committed to research and development. It continually reviews the range of products it produces in order to meet the changing requirements of the market place. Research and development costs are written off in the year in which they are incurred. The Company jointly contributes to the overall funding of the British Cement Association which carries out research on behalf of the industry.

CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable contributions totalling £65,000 (2007: £66,000).

DIRECTORS

The Directors currently in office are shown on page 1.

The Directors who served during the year were as follows:

M A Eberlin	(resigned 13 June 2008)
I L Flavell	(resigned 13 June 2008)
A M P Kern	(resigned 1 February 2008 and reappointed 28 May 2008)
K A Schwind	(resigned 1 February 2008)
P K W Lukas	
Dr B Scheifele	
Dr L Näger	
P J O'Shea	(appointed 1 February 2008)
C Leclercq	(appointed 28 May 2008)
R D von Achten	(appointed 28 May 2008)
J P Morrish	(appointed 13 June 2008)
E A Gretton	(appointed 13 June 2008)

D H J Gauthier was appointed as a Director of the Company on 30 July 2009.

DIRECTORS' INDEMNITY

A fellow group undertaking has indemnified, by means of directors and officers' liability insurance, one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

EMPLOYEE INVOLVEMENT

The Company carries out its business through a regional structure, consisting of business units.

Each of these business units is encouraged to make its employees aware of the financial and economic factors affecting the performance of their employing unit. Such businesses evolve their own consultative policies. Methods of communication used include bulletins, intranet and management briefings. Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or national origin, sex or marital status. Full consideration is given to the employment, training and career development of disabled persons subject only to their aptitudes and abilities. The Company makes every effort to treat disabled persons equally with others.

Training for employees continues in line with the economic climate prevailing within each of the businesses. Courses and seminars are held particularly in the field of industry associated technology.

SUPPLIER PAYMENT PRACTICE

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2008, the Company had an average of 30 days (2007: 42 days) purchases outstanding in trade creditors.

EVENTS SINCE THE BALANCE SHEET DATE

HeidelbergCement AG entered into a re-financing agreement on 16 June 2009, which extended the repayment of its loan facility to 15 December 2011. Under the terms of this agreement HeidelbergCement AG has procured that certain of its subsidiaries, including Castle Cement Limited, will provide guarantees to the facility's arrangers.

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 of the profit or loss of the Company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that 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.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors who held office at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and that they have each taken all the steps that ought to have been taken as a Director of the Company to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Ernst & Young LLP, having confirmed their willingness to act, will continue in office as auditors to the Company.

By order of the board

R T V Tyson
Company Secretary

23 October 2009

INDEPENDENT AUDITOR'S REPORT

to the members of Castle Cement Limited

We have audited the Company's financial statements for the year ended 31 December 2008, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, 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 member 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 member 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 financial statements in accordance with applicable United Kingdom law and 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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 2008 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP, Registered Auditor
Bristol.

27th October 2009

CASTLE CEMENT LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000 (restated)
TURNOVER	2	198,210	215,389
Change in stocks of finished goods and in work in progress		5,213	(1,266)
Other operating income		26,276	11,416
		229,699	225,539
Raw materials and consumables		(56,097)	(61,586)
		173,602	163,953
Other external charges		(79,230)	(72,834)
Staff costs	8	(40,945)	(40,150)
Depreciation		(17,471)	(17,688)
Other operating charges		(5,677)	(5,204)
Other operating charges - exceptional items	4	(5,003)	(1,456)
OPERATING PROFIT	3	25,276	26,621
Profit/(loss) on disposal of tangible fixed assets		370	(3,962)
Interest receivable and similar income	5	75	26
Other finance income	6	298	754
Interest payable and similar charges	7	(4,495)	(5,177)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,524	18,262
Tax on profit on ordinary activities	10	643	(3,117)
PROFIT FOR THE FINANCIAL YEAR	19	22,167	15,145

All of the Company's results for the year arise from continuing operations.

There are no material differences between the profit on ordinary activities before taxation and profit for the year stated above and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2008

	2008 £'000	2007 £'000
Profit for the financial year	22,167	15,145
Actuarial (loss) / gain on defined benefit pension scheme	(25,333)	3,994
Movement on deferred tax relating to pension liability	7,093	(1,512)
Total gains and losses recognised for the year	3,927	17,627

CASTLE CEMENT LIMITED

BALANCE SHEET
at 31 December 2008

	Note	2008 £'000	2007 £'000 (restated)
FIXED ASSETS			
Intangible fixed assets	11	20,065	-
Tangible fixed assets	12	161,252	172,586
Investments	13	63,908	64,622
		245,225	237,208
CURRENT ASSETS			
Stock	14	30,258	22,297
Debtors	15	57,179	33,057
Cash at bank and in hand		10,748	6,262
		98,185	61,616
CREDITORS: Amounts falling due within one year	16	(173,559)	(162,841)
NET CURRENT LIABILITIES		(75,374)	(101,225)
TOTAL ASSETS LESS CURRENT LIABILITIES		169,851	135,983
PROVISIONS FOR LIABILITIES AND CHARGES	17	(59,384)	(31,579)
NET ASSETS EXCLUDING PENSION LIABILITY		110,467	104,404
DEFINED BENEFIT PENSION LIABILITY	23	(27,504)	(10,368)
NET ASSETS		82,963	94,036
CAPITAL AND RESERVES			
Called up share capital	18	70,000	70,000
Profit and loss account	19	12,963	24,036
EQUITY SHAREHOLDERS' FUNDS	19	82,963	94,036

The financial statements on pages 7 to 25 were approved by the Board of directors and signed on their behalf by:

C Leclercq
Director

23 October 2009

1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable UK Accounting Standards and on the going concern basis as the Company's ultimate parent company has committed to support the Company for the foreseeable future in order that it can meet its liabilities as they fall due.

b) Cash flow statement

In accordance with FRS 1 (revised), the Company has not prepared a cash flow statement as it is a wholly owned subsidiary undertaking in the group headed by HeidelbergCement AG.

c) Group accounts

No consolidated group accounts have been prepared because at 31 December 2008, the Company was a wholly owned subsidiary undertaking of HeidelbergCement AG (incorporated in Germany) and thus satisfies the conditions for exemption under Section 228 of the Companies Act 1985. These financial statements contain information about the Company as an individual undertaking, and not its group.

d) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date or, if appropriate, at the forward contract rate. All exchange differences are recognised in the profit and loss account.

e) Research and Development

Research and development expenditure is written off against profits as incurred.

f) Emission allowances

The Company, as a manufacturer of Cement is involved in the European Emission Trading Scheme ('EU ETS'), which aims to reduce greenhouse gas emissions. The second National Allocation Plan for the allocation of emissions allowances ('EUAs') spans a period of five years (2008-2012).

The Company's participation in the EU ETS, in which it has been allocated allowances for no consideration to emit a fixed tonnage of carbon dioxide in a fixed period of time, gives rise to an intangible asset for the allowances, a government grant and a liability for the obligation to deliver allowances equal to the emissions that have been made during the compliance period.

Emissions recorded as intangible assets are recognised when the Company is able to exercise control and are measured at market value on the date of initial recognition (in accordance with SSAP4 Accounting for Government Grants). The market value of the emissions allowances is measured according to the average price of the stock market of the European Union (European Union Allowances) provided by the ECX-European Climate Exchange (index used as benchmark price as this is the most liquid market and provides the most stable price signal). The allowances are not depreciated as their book value equals their residual value and therefore its depreciable basis is zero. If the market value of emission allowances falls significantly below the carrying amount, and the decrease is considered permanent, then an impairment charge is recognised for allowances which the Company will not use internally.

The liability to deliver allowances is recognised based on the actual emissions. This liability will be settled using the allowances available, measured at the carrying amount of those allowances, with any excess emissions being measured at the market value of the allowances at the period end.

In the profit and loss, the Company will expense emissions made at the market value of the allowances at their grant date, together with purchased emission rights at their purchase price. Such costs will be offset by the income from the original grant of allowances used at their fair value at the grant date, together with income from the sale of unused allowances.

The profit and loss will be neutral in respect of all allowances consumed that were within the original grant. Any net effect represents either the costs of purchasing additional allowances to cover excess emissions, the sale of unused allowances or impairment of allowances not required for internal use.

1. ACCOUNTING POLICIES (continued)

g) Leasing commitments
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

h) Tangible fixed assets and depreciation
All fixed assets are initially stated at cost. Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised. Depreciation is provided on all tangible fixed assets, with the exception of assets in the course of construction and freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	20 years
Short leasehold property	over the lease term
Plant and machinery	between 5 and 20 years

Mineral depletion is provided based on the tonnage of material extracted during the year. No depreciation is provided on non mineral bearing freehold land.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

i) Fixed asset Investments
Investments are stated at cost less provision for impairment.

j) Stocks
Stocks are stated at the lower of cost and net realisable value, on a first in first out basis. Cost includes all raw materials, direct labour and expenses, and an appropriate proportion of production and other overheads. Full provision is made against slow moving or obsolete stocks based on historical experience and current market conditions.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

k) Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets (and similar fair value adjustments), or gains on disposal of fixed assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made when, on the basis of all the available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax when the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1. ACCOUNTING POLICIES (continued)

l) Pensions

The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the scheme assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on scheme assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of scheme assets of contributions received and benefits paid during the year. The difference between the expected return on scheme assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each scheme of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

m) Restoration

The Company aims to reinstate land following mineral extraction or industrial occupation to a beneficial use as soon as is reasonably practicable. This is done by consulting with interested parties to ensure that the after use is appropriate to both the needs of local people and the natural environment.

The Company makes a provision on a discounted basis to return a quarry site to a decontaminated, cleared and improved site and to make provision to restore the present extracted areas to currently anticipated after use. The unwinding of discounts relating to restoration are expensed to the profit and loss account and included in interest payable.

n) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of rectification, kiln repairs and rationalisation are charged against profits when required. The effect of the time value of money is not material and therefore the provisions are not discounted.

o) Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, including aggregates levy but excluding discounts, rebates, value added tax and other sales taxes or duty.

p) Interest bearing loans

All interest bearing loans and borrowings are initially recognised as net proceeds. After initial recognitions debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of debts in the period.

q) Prior year adjustment

The directors have reviewed the prior year comparatives and feel that it is appropriate to reclassify certain amounts in the profit and loss account and balance sheet. There has been no impact to the reported profit for the financial year or net assets as a result of these reclassifications.

r) Interest income

Revenue is recognised as interest accrues using the effective interest method.

2. TURNOVER

Turnover, pre-tax profit and net assets are attributable to the Company's one principal activity, that of the manufacture and sale of cement. All sales are made in the United Kingdom.

3. OPERATING PROFIT

Operating profit is stated after charging:

	2008 £'000	2007 £'000 (restated)
Operating lease rentals:		
- plant and machinery	4,169	4,508
- land and buildings	1,533	1,200
Depreciation of owned assets	17,471	17,688
Foreign exchange loss	3,278	137
Auditors' remuneration:		
- audit fees	74	70
- non audit fees – taxation services	17	62

4. EXCEPTIONAL ITEMS

	2008 £'000	2007 £'000 (restated)
Restructuring costs	3,986	-
Impairment of investments in subsidiary undertakings	714	-
Impairment for amounts due from group undertakings	303	1,456
	5,003	1,456

Due to deteriorating market conditions in 2008, management implemented a number of productivity improvement and cost reduction measures to ensure that the Company is able to retain its competitive advantage. This has led to the recognition of restructuring costs of £3,986,000.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £'000	2007 £'000
Interest receivable from group undertakings	4	26
Other interest receivable	71	-
	75	26

6. OTHER FINANCE INCOME

	2008 £'000	2007 £'000 (restated)
Expected return on pension scheme assets (Note 23)	11,045	9,976
Interest on pension scheme liabilities (Note 23)	(10,747)	(9,222)
	298	754

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Interest payable to group undertakings	4,158	4,682
Other interest payable	1	220
Unwinding discount on provisions (note 17)	336	275
	4,495	5,177

8. STAFF COSTS

	2008 £'000	2007 £'000 (restated)
Wages and salaries	31,413	30,228
Social security costs	2,556	2,627
Pension costs (note 23)	6,381	6,558
Welfare and employee amenities	595	737
	40,945	40,150

The average monthly number of employees during the year was as follows:

	2008 No.	2007 No.
Production	442	494
Distribution	429	503
Administration	78	100
	949	1,097

9. DIRECTORS' EMOLUMENTS

	2008 £'000	2007 £'000
Aggregate emoluments (including benefits in kind)	869	642
Compensation for loss of office	466	-
Pension contributions	-	-
	1,335	642

The aggregate emoluments (including benefits in kind) of the highest paid director were £132,376 (2007: £187,209). The Company contributed £Nil (2007: £Nil) to his pension during the year. His accrued pension at the year end was £Nil (2007: £Nil).

	No.	No.
Number of directors accruing benefits under defined benefit pension schemes is:	1	4

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Charge for the year

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax on profit for the year	-	7,764
Adjustment in respect of previous years	-	(4,128)
Total current tax	-	3,636
Deferred Tax:		
Origination and reversal of timing differences	(1,117)	(2,068)
Effect of changes in tax rate on opening liability	-	(1,979)
Adjustment in respect of prior years	45	2,786
Reversal of provision on Industrial Buildings Allowances	-	361
Pension timing differences	429	381
Total deferred tax	(643)	(519)
Tax on profit on ordinary activities	(643)	3,117

(b) Tax included in the statement of total recognised gains and losses

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax	-	-
Deferred Tax:		
Actuarial loss on pension scheme	6,664	(1,893)
Pension timing differences	429	381
Total tax included in the statement of total recognised gains and losses	7,093	(1,512)

(c) Factors affecting the tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008	2007
Profit on ordinary activities before tax	21,524	18,262
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	6,134	5,478
Effect of:		
Permanent differences		
Expenses not deductible for tax purposes	404	485
Over provision in respect of prior years	-	(4,128)
Group relief claimed for no payment	(7,229)	-
Tax relief in respect of Industrial building allowances	(124)	-
Timing differences		
Other timing differences	(770)	761
Pension timing difference	-	(390)
Depreciation in excess of capital allowances	1,585	1,430
Current tax charge for the year	-	3,636

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(d) Factors affecting future tax charges

The standard rate of corporation tax in the UK changed from 30% to 28% with effective from 1 April 2008. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

No provision has been made for deferred tax on the sale of assets where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the assets were sold without it being possible to claim rollover relief or offset existing capital losses.

11. INTANGIBLE FIXED ASSET

	Emission allowances £'000
Cost and net book value:	
At 1 January 2008	-
Additions	51,004
Disposals	(30,939)
At 31 December 2008	20,065

12. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost:				
At 1 January 2008	54,256	1,268	355,901	411,425
Additions	232	-	7,034	7,266
Disposals	(41)	-	(3,690)	(3,731)
Transfer to restoration provision	(76)	-	-	(76)
At 31 December 2008	54,371	1,268	359,245	414,884
Depreciation:				
At 1 January 2008	29,466	1,268	208,105	238,839
Charge for the year	844	-	16,627	17,471
Disposals	(38)	-	(2,640)	(2,678)
At 31 December 2008	30,272	1,268	222,092	253,632
Net book value:				
At 31 December 2008	24,099	-	137,153	161,252
At 31 December 2007	24,790	-	147,796	172,586

Plant and machinery cost includes £8,818,000 (2007: £8,818,000) in respect of capitalised interest and total cost includes £6,520,000 (2007: £25,222,000) in respect of assets in the course of construction.

Tangible fixed assets include £6,328,211 (2007: £7,070,000) in respect of non-depreciable land.

13. INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost:	
At 1 January 2008 and 31 December 2008	64,622
Provisions for impairment:	
At 1 January 2008	-
Impairment in the year	714
At 31 December 2008	714
Net book value:	
At 31 December 2008	63,908
At 31 December 2007	64,622

The investments in which the Company directly held more than 20% of the nominal value of any class of share capital are as follows:

Name of Company	Proportion of voting rights held	Class of shares held	Nature of Business
Scancem Energy and Recovery Limited	100%	Ordinary shares	Investment holding company
Minster Quarries Limited	100%	Ordinary shares	Investment holding company
Castle Building Products Limited	100%	Ordinary shares	Dormant
Castle Cement (Ketton) Limited	100%	Ordinary shares	Dormant
Castle Cement (Ribblesdale) Limited	100% 100%	Ordinary shares Deferred shares	Dormant
Castle Lime Limited	100%	Ordinary shares	Dormant
Mantle & Llay Limited	100%	Ordinary shares	Dormant
Tunnel Cement Limited	100%	Ordinary shares	Dormant

All of the above companies are registered in England and Wales.

The Company has presented information above relating to principal subsidiaries only, as full compliance with schedule 5 paragraph 15 of the Companies Act 1985 would result in a statement of excessive length.

The Company is a wholly-owned subsidiary undertaking of a body incorporated in the European Union and advantage has been taken of S228 of the Companies Act 1985 in that consolidated accounts have not been prepared. The accounts present information about the Company as an individual undertaking.

14. STOCKS

	2008 £'000	2007 £'000
Raw materials and consumables	6,787	3,456
Work in progress	9,588	4,212
Finished goods and goods for resale	3,368	4,039
Spares and consumable stores	10,515	10,590
	30,258	22,297

The replacement cost of stocks is not materially different to the amounts recorded above.

15. DEBTORS

	2008 £'000	2007 £'000
Due within one year:		
Trade debtors	15,391	21,401
Amounts due from group undertakings	39,211	5,976
Corporation tax	-	2,745
Other debtors	1,021	2,175
Prepayments and accrued income	1,556	760
	57,179	33,057

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. CREDITORS: amounts falling due within one year

	2008 £'000	2007 £'000 (restated)
Trade creditors	7,070	16,571
Amounts due to group undertakings	149,476	131,822
Corporation tax	2,301	-
Other taxes and social security costs	3,634	4,325
Accruals and deferred income	11,078	10,123
	173,559	162,841

Amounts due to group undertakings are unsecured and have no fixed date of repayment. Included within amounts due to group undertakings is £87,206,000 (2007: £67,249,000) which attracts interest. All other balances do not attract interest.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Emission allowances £'000	Restoration provisions £'000	Deferred tax £'000	Total £'000
At 1 January 2008	-	5,593	25,986	31,579
Released in the year	-	(61)	(1,072)	(1,133)
Other movement in provision arisen in the year	28,678	(76)	-	28,602
Unwinding of discount	-	336	-	336
At 31 December 2008	28,678	5,792	24,914	59,384

Restoration provisions relate mainly to the costs of restoring quarries and other sites after use as required by legal or other constructive requirements. Restoration and environmental provisions will be utilised as and when mineral reserves at the Company's quarries are extinguished, in some cases this will be in excess of 50 years.

Provisions for terminal restoration have been discounted at 6.51% (2007: 6.56%) per annum on current prices and where appropriate have been established after taking account of the advice of suitably qualified and experienced consultants and after establishing the costs in line with current practice and standards. All amounts greater than 12 months are discounted.

A provision is recognised for the obligation to deliver the allowances equal to the emissions that have been made. The provision is measured as an estimate of expenditure required to settle the obligation at the balance sheet date.

In respect of deferred tax the amounts provided in the financial statements are comprised of:

	2008 £'000	2007 £'000
Accelerated capital allowances	25,984	27,479
Other timing differences	(1,070)	(1,493)
	24,914	25,986

Deferred taxation relating to the defined benefit pension liability is disclosed in note 23.

18. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
200,000,000 ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid:		
70,000,000 ordinary shares of £1 each	70,000	70,000

19. MOVEMENT ON RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	70,000	20,409	90,409
Profit for the financial year	-	15,145	15,145
Dividend paid	-	(14,000)	(14,000)
Actuarial gain on pension scheme	-	3,994	3,994
Movement on deferred tax relating to pension liability	-	(1,512)	(1,512)
At 31 December 2007	70,000	24,036	94,036
Profit for the financial year	-	22,167	22,167
Dividend paid	-	(15,000)	(15,000)
Actuarial loss on pension scheme	-	(25,333)	(25,333)
Movement on deferred tax relating to pension liability	-	7,093	7,093
At 31 December 2008	70,000	12,963	82,963

20. DIVIDENDS

	2008 £'000	2007 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Interim for 2007: 20.00p	-	14,000
Interim for 2008: 21.43p	15,000	-
	15,000	14,000

21. CAPITAL COMMITMENTS

Capital commitments at 31 December 2008, for which no provision has been made in the financial statements, were as follows:

	2008 £'000	2007 £'000
Contracted	597	5,276

22. OPERATING LEASE COMMITMENTS

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

Leases expiring	2008 Land and buildings £'000	2008 Other £'000	2007 Land and buildings £'000	2007 Other £'000
Within one year	64	353	204	1,435
In the second to fifth years	-	2,647	160	1,932
Over five years	767	87	48	-
	831	3,087	412	3,367

23. PENSION COMMITMENTS

During the year the Company participated in two funded defined benefit pension schemes, The Castle Pension Scheme ("the Main Scheme") and The Castle Supplementary Pension Scheme ("the Supplementary Scheme") , and relevant employees are eligible for benefits based on final pensionable pay.

These are independently administered schemes and funds are held externally.

The current service cost for the year is £6,381,000 (2007: £6,558,000 - restated), which represents a charge in respect of the defined benefit schemes.

The Main Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The results of the most recent valuations, relating to the Company's share of the assets in the scheme, which were conducted at 31 March 2008 and have been updated by Mercer Human Resource Consultancy to take account of the requirements of FRS17 in order to assess the liabilities as at 31 December 2008 and 31 December 2007. Scheme assets are stated at their market value at respective balance sheet dates.

The Supplementary Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The results of the most recent valuations, relating to the Company's share of the assets in the scheme, which were conducted at 31 March 2007 and have been updated by Mercer Human Resource Consultancy to take account of the requirements of FRS17 in order to assess the liabilities as at 31 December 2008 and 31 December 2007. Scheme assets are stated at their market value at the respective balance sheet dates.

The following assumptions have been applied in respect of both defined benefit schemes:

	Main Scheme			Supplementary Scheme		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Main assumptions:	%	%	%	%	%	%
Discount rate	5.7	5.9	5.0	5.7	5.9	5.0
Rate of compensation increase	3.8	4.4	3.8	3.8	4.4	3.8
Rate of price inflation	2.8	3.4	2.8	2.8	3.4	2.8
Rate of Pension increases	2.8	3.4	2.8	2.8	3.4	2.8
Expected rate of return on scheme assets:						
Equities	7.4	7.3	7.0	7.4	7.3	7.0
Bonds	4.3	5.3	4.9	4.2	5.3	4.9
Properties	6.9	6.8	4.9	-	-	-
Other	3.9	-	-	-	-	-
Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligation for:						
Current active and deferred members	21.3	18.2	18.2	22.7	22.7	22.7
Current pensioner members	20.3	17.8	17.8	22.3	22.3	22.3

23. PENSION COMMITMENTS (continued)

The assets and liabilities of the schemes at 31 December 2008 are:

	Main Scheme £'000	Supplementary scheme £'000	Total £'000
Scheme assets at fair value			
Equities	58,548	700	59,248
Bonds	82,824	2,800	85,624
Other	1,428	-	1,428
Fair value of scheme assets	142,800	3,500	146,300
Present value of scheme liabilities	(179,600)	(4,900)	(184,500)
Pension liability before deferred tax	(36,800)	(1,400)	(38,200)
Related deferred tax asset	10,304	392	10,696
Net pension liability	(26,496)	(1,008)	(27,504)

The assets and liabilities of the schemes at 31 December 2007 were:

	Main Scheme £'000	Supplementary scheme £'000	Total £'000
Scheme assets at fair value			
Equities	81,389	2,170	83,559
Bonds	75,576	1,230	76,806
Property	9,135	-	9,135
Fair value of scheme assets	166,100	3,400	169,500
Present value of scheme liabilities	(178,900)	(5,000)	(183,900)
Pension liability before deferred tax	(12,800)	(1,600)	(14,400)
Related deferred tax asset	3,584	448	4,032
Net pension liability	(9,216)	(1,152)	(10,368)

The Pension schemes have not invested in any of the Company's own financial instruments nor in properties or other assets used by it.

To develop the existing long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the Scheme's asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

23. PENSION COMMITMENTS (continued)

The amount recognised in the Profit and Loss account and in the Statement of Total Recognised Gains and Losses ("STRGL") for the year ended 31 December 2008 are analysed as follows:

Recognised in the Profit and Loss account	**Main Scheme £'000**	**Supplementary Scheme £'000**	**Total £'000**
Current service cost	6,210	171	6,381
Total operating charge	6,210	171	6,381
Expected return on scheme assets	(10,812)	(233)	(11,045)
Interest on pension liabilities	10,453	294	10,747
Total other finance cost / (income)	(359)	61	(298)
Total recognised in the Profit and Loss account	5,851	232	6,083
Taken to the STRGL			
Actual return on scheme assets	(45,399)	(740)	(46,139)
Less: Expected return on scheme assets	10,812	233	11,045
Actual return less expected return on assets	(34,587)	(507)	(35,094)
Other actuarial gains and losses	9,329	432	9,761
Actuarial gains and losses recognised in the STRGL	(25,258)	(75)	(25,333)

The amount recognised in the Profit and Loss account and in the Statement of Total Recognised Gains and Losses ("STRGL") for the year ended 31 December 2007, was analysed as follows:

Recognised in the Profit and Loss account	**Main Scheme £'000**	**Supplementary Scheme £'000**	**Total £'000**
Current service cost	6,395	163	6,558
Total operating charge	6,395	163	6,558
Expected return on scheme assets	(9,783)	(193)	(9,976)
Interest on pension liabilities	9,045	177	9,222
Total other finance cost / (income)	(738)	(16)	(754)
Total recognised in the Profit and Loss account	5,657	147	5,804
Taken to the STRGL			
Actual return on scheme assets	(16,192)	(353)	(16,545)
Less: Expected return on scheme assets	9,783	193	9,976
Actual return less expected return on assets	(6,409)	(160)	(6,569)
Other actuarial gains and losses	11,843	(1,280)	10,563
Actuarial gains and losses recognised in the STRGL	5,434	(1,440)	3,994

23. PENSION COMMITMENTS (continued)

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below:

Main Scheme

	Change in assumption	Impact on Scheme liabilities
Rate of salary increase	Increase / decrease 1%	Increase 5% / decrease 5%
Discount rate	Increase / decrease 1%	Decrease 18% / increase 18%
Inflation assumption	Increase / decrease 1%	Increase 18% / decrease 18%
Mortality	Increase / decrease 1 year	Increase 3% / decrease 3%

Supplementary Scheme

	Change in assumption	Impact on Scheme liabilities
Rate of salary increase	Increase / decrease 1%	Increase 4% / decrease 4%
Discount rate	Increase / decrease 1%	Decrease 16% / increase 16%
Inflation assumption	Increase / decrease 1%	Increase 20% / decrease 20%
Mortality	Increase / decrease 1 year	Increase 2% / decrease 2%

Further contributions of £1,606,800 p.a. (2007: £1,552,500 p.a.), in addition to the employer's regular contribution of 17.5% of pensionable earnings are being made to the Main Scheme. The deficit in the Main Scheme is expected to be eliminated by 2017.

Further contributions of £315,000 p.a. (2007: £173,000 p.a.), in addition to the employer's regular contribution of 25.0% of pensionable earnings are being made to the Supplementary Scheme. The deficit in the Supplementary Scheme is expected to be eliminated by 2015.

Contributions to be paid during 2009 are expected to be £6,062,000 for the main scheme and £514,000 for the supplementary scheme.

Changes in the present value of the defined benefit obligations are analysed as follows:

	Main Scheme £'000	Supplementary Scheme £'000	Total £'000
As at 1 January 2007	180,112	3,517	183,629
Current service cost	6,395	163	6,558
Interest cost	9,045	177	9,222
Contributions by scheme participants	1,785	-	1,785
Actuarial (gains) / losses	(11,843)	1,280	(10,563)
Benefits paid	(6,594)	(137)	(6,731)
As at 31 December 2007 and 1 January 2008	178,900	5,000	183,900
Current service cost	6,210	171	6,381
Interest cost	10,453	294	10,747
Contributions by scheme participants	1,847	-	1,847
Actuarial (gains) / losses	(9,329)	(432)	(9,761)
Benefits paid	(8,481)	(133)	(8,614)
As at 31 December 2008	179,600	4,900	184,500

23. PENSION COMMITMENTS (continued)

Changes in the fair value of plan assets are analysed as follows:

	Main Scheme £'000	Supplementary Scheme £'000	Total £'000
As at 1 January 2007	160,681	3,197	163,878
Expected return on scheme assets	9,783	193	9,976
Actuarial gains / (losses)	(6,409)	(160)	(6,569)
Employer contributions	6,854	307	7,161
Contributions by scheme participants	1,785	-	1,785
Benefits paid	(6,594)	(137)	(6,731)
As at 31 December 2007 and 1 January 2008	166,100	3,400	169,500
Expected return on scheme assets	10,812	233	11,045
Actuarial gains / (losses)	(34,587)	(507)	(35,094)
Employer contributions	7,109	507	7,616
Contributions by scheme participants	1,847	-	1,847
Benefits paid	(8,481)	(133)	(8,614)
As at 31 December 2008	142,800	3,500	146,300

History of experience gains and losses in respect of the Main scheme:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Fair value of scheme assets	142,800	166,100	160,681	147,200	126,300
Present value of defined benefit obligation	(179,600)	(178,900)	(180,112)	(168,500)	(128,500)
Deficit in the scheme	(36,800)	(12,800)	(19,431)	(21,300)	(2,200)
Experience adjustments arising on scheme liabilities	(3,129)	-	(1,015)	5,291	1,201
	(2%)	-	(1%)	3%	1%
Experience adjustments arising on scheme assets	(34,587)	(6,409)	4,883	13,552	2,654
	(24%)	(4%)	3%	9%	2%

History of experience gains and losses in respect of the Supplementary scheme:

	2008 £'000	2007 £'000	2006 £'000
Fair value of scheme assets	3,500	3,400	3,197
Present value of defined benefit obligation	(4,900)	(5,000)	(3,517)
Deficit in the scheme	(1,400)	(1,600)	(320)
Experience adjustments arising on scheme liabilities	(507)	(160)	111
	(14%)	(5%)	3%
Experience adjustments arising on scheme assets	-	934	34
	-	19%	1%

24. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the 90% owned subsidiary exemption afforded by FRS8: Related Party Disclosures, and has not disclosed information regarding transactions with other group companies, in the group headed by HeidelbergCement AG.

25. PARENT UNDERTAKING

The Company's immediate parent undertaking is HeidelbergCement UK Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is HeidelbergCement AG, a company incorporated in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by HeidelbergCement AG. Copies of the consolidated financial statements of HeidelbergCement AG may be obtained from Berliner Strasse 6, D-69120 Heidelberg, Germany.

26. EVENTS SINCE THE BALANCE SHEET DATE

HeidelbergCement AG entered into a re-financing agreement on 16 June 2009, which extended the repayment of its loan facility to 15 December 2011. Under the terms of this agreement HeidelbergCement AG has procured that certain of its subsidiaries, including Castle Cement Limited, will provide guarantees to the facility's arrangers.