

Company Registration No. 00276562 (England and Wales)

**HARSCO INFRASTRUCTURE SERVICES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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# **HARSCO INFRASTRUCTURE SERVICES LIMITED**

## **COMPANY INFORMATION**

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### **Directors**

C C L Whistler  
H M Leclercq (Appointed 3 October 2011)  
C McGalpine  
J J Sweeney (Appointed 3 October 2011)  
M E Kimmel (Appointed 1 November 2011)  
G C Tilmouth (Appointed 9 July 2012)  
A J MacDonald

### **Company secretary**

J Mortimer

### **Company number**

00276562

### **Registered office**

Harsco House  
Regent Park  
299 Kingston Road  
Leatherhead  
Surrey  
KT22 7SG

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
First Point  
Buckingham Gate  
Gatwick  
RH6 0PP

### **Bankers**

National Westminster Bank plc  
St James' and Piccadilly Branch  
PO Box 2DG  
Piccadilly  
London  
W1A 2DG

### **Solicitors**

Freeth Cartwright LLP  
Churchill House  
Regent Road  
Stoke on Trent  
Staffordshire  
ST1 3RQ

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# HARSCO INFRASTRUCTURE SERVICES LIMITED

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# **HARSCO INFRASTRUCTURE SERVICES LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2011**

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The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2011

#### **Principal activities**

The principal activities of Harsco Infrastructure Services Limited are the supply and hire of a wide range of access and related products and services

#### **Review of the business**

The current economic climate within the Construction, Residential and Infrastructure markets in the UK has adversely affected Harsco Infrastructure Services Limited's results in the year resulting in a loss. In order to counter this, a large scale restructuring programme was implemented in 2010 and continued in 2011 which will permanently reduce the cost base of the business. In addition, June 2011 saw the completion of the sale of our non-core accommodation and event services businesses in the UK to the UK-based Wernick Group which will allow Harsco Infrastructure to focus its full resources on blue chip construction and industrial customers in order to return the company to profitability.

#### **Key performance indicators**

Harsco Infrastructure Services Limited manages the business operations on a divisional basis and monitors performance on a monthly basis against plans and forecasts with a particular focus on revenues, equipment utilisations and service margins. As previously stated the current economic climate within the construction, residential and infrastructure markets in the UK has adversely affected the company's results in the year resulting in a loss. In order to counter this, during the 4th Quarter of 2010 and continuing in 2011 a large scale restructuring programme was implemented which led to an exceptional charge of 2011 of £10,153k which will permanently reduce the cost base of the business for future years.

#### **Results and dividends**

The results for the year are set out on page 7.

The directors do not recommend the payment of a dividend (2010: £nil).

#### **Market value of land and buildings**

In the opinion of the directors there is no material difference between the market value of land and buildings and the current net book value.

#### **Future developments**

Following the restructuring programme and the sale of our non-core accommodation and event services businesses in the UK, Harsco Infrastructure expects to be able to focus its full resources on blue chip construction and industrial customers with a permanently reduced cost base and set the stage for profitable growth.

#### **Directors**

The following directors have held office since 1 January 2011:

|                |                             |
|----------------|-----------------------------|
| C C L Whistler |                             |
| H M Leclercq   | (Appointed 3 October 2011)  |
| C McGalpine    |                             |
| J J Sweeney    | (Appointed 3 October 2011)  |
| P B O'Kelly    | (Resigned 5 December 2011)  |
| M E Kimmel     | (Appointed 1 November 2011) |
| G C Tilmouth   | (Appointed 9 July 2012)     |
| R Burns        | (Resigned 3 October 2011)   |
| A J MacDonald  |                             |
| M R G Hoad     | (Resigned 1 November 2011)  |

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# HARSCO INFRASTRUCTURE SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### Donations

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| During the year the company made the following payments |               |               |
| Charitable donations                                    | 6             | 8             |

The company made no political donations during the year

Donations to charities were made during the year totalling £6,255 (2010 £8,376). The principal beneficiaries were organisations concerned with the arts, children and people willing to acquire knowledge and experience abroad.

### Employee involvement

It is the company's policy to provide employees with relevant information on matters of interest and concern to them on a regular basis. Such matters include developments within the company, health, safety, welfare and company performance. It also includes actions taken during the year to introduce, maintain or develop arrangements aimed at achieving a common awareness of all employees in relation to the financial and economic factors that affect the performance of the company. Communication is generally by means of house journals, news sheets and briefings.

Consultation both formal and informal takes place with employees whenever practicable, and where appropriate with their elected representatives, so that employees' views can be obtained and taken into account on matters likely to affect their interests.

### Disabled persons

It is the company's aim to afford equal opportunities to disabled persons with regard to entering employment and progress within the company. The company's policy is to give full and fair consideration to employment applications from disabled persons having regard to their particular aptitudes and abilities, where practical, to continue the employment of and arrange appropriate training for employees of the company who become disabled during their employment with the company, to encourage training, career development and where possible, to provide opportunities for promotion of disabled employees and to seek to comply with applicable current legislation.

# **HARSCO INFRASTRUCTURE SERVICES LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **Principal risks and uncertainties**

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate cash flow risk

#### Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring that the company has sufficient liquid resources to meet the operating needs of the business. In order to mitigate liquidity risk the company operates bank accounts that are pooled with the bank accounts of various of its fellow group entities

#### Interest rate cash flow risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans, which earn interest at the bank base rate plus 1%. In order to mitigate interest rate cash flow risk the company operates bank accounts that are pooled with the bank accounts of various of its fellow group entities resulting in a lower overall interest charge for the whole group

#### Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. The amount of any exposure to any individual counterparty is subject to a limit which is reassessed annually by the board. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary. Credit risk is therefore mitigated by the company not offering credit terms to customers who fail the credit verification procedure and by not extending further credit to customers who have reached their credit limit subject to any legal restrictions

#### Economic risk

The company is exposed to risks associated with the construction industry and the UK economy as a whole. In order to mitigate this risk the company operates across all sections of the access market including the Industrial, Commercial and Construction markets. We also offer a range of services including equipment rental, product sales and contracting

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

### Going Concern

The company's result in 2011 was a direct result of the continuing poor market conditions in the United Kingdom construction sector and the overall impact of recession within the United Kingdom economy. The difficulties faced by the construction sector resulted in significant reductions in available margins as pricing became highly competitive. In the light of these circumstances the directors have considered the going concern position of the company. Harsco Infrastructure Group Limited, one of the company's intermediate parents, has indicated that the necessary finance will continue to be available to enable the company to continue to trade for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution proposing that they be reappointed will be proposed at the annual general meeting.

On behalf of the board



C McGalpine

Director

25/9/12

# **HARSCO INFRASTRUCTURE SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF HARSCO INFRASTRUCTURE SERVICES LIMITED**

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We have audited the financial statements of Harsco Infrastructure Services Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# HARSCO INFRASTRUCTURE SERVICES LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF HARSCO INFRASTRUCTURE SERVICES LIMITED

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Christopher Maidment (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

Gatwick

26 September 2012

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

|  | Notes | 2011<br>£'000 | 2010<br>£'000 |
|--|-------|---------------|---------------|
| Turnover   | 2     | 85,582        | 107,571       |
| Cost of sales                                      |       | (80,190)      | (80,311)      |
| <b>Gross profit</b>                                |       | 5,392         | 27,260        |
| Distribution costs                                 |       | (18,548)      | (21,757)      |
| Administrative expenses                            |       | (38,172)      | (37,385)      |
| Other operating income                             |       | 16,310        | 9,807         |
| <b>Operating loss</b>                              | 3     | (35,018)      | (22,075)      |
| Loss on sale of fixed assets                       |       | -             | (4,645)       |
| Profit on disposal of business                     |       | 2,795         | -             |
|  |       | 2,795         | -             |
| <b>Loss on ordinary activities before interest</b> |       | (32,223)      | (26,720)      |
| Other interest receivable and similar income       | 5     | 18            | 34            |
| Interest payable and similar charges               | 6     | (266)         | (204)         |
| <b>Loss on ordinary activities before taxation</b> |       | (32,471)      | (26,890)      |
| Tax on loss on ordinary activities                 | 7     | 7,463         | 10,528        |
| <b>Loss for the financial year</b>                 | 18    | (25,008)      | (16,362)      |

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

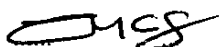
# HARSCO INFRASTRUCTURE SERVICES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2011

|  | Notes | 2011<br>£'000   | 2010<br>£'000   |
|--|-------|-----------------|-----------------|
| <b>Fixed assets</b>  |       |                 |                 |
| Intangible assets  | 8     | 6,421           | 6,807           |
| Tangible assets  | 9     | 38,633          | 50,360          |
| Investments  | 10    | 1,180           | 1,180           |
|  |       | <u>46,234</u>   | <u>58,347</u>   |
| <b>Current assets</b>  |       |                 |                 |
| Assets held for sale   |       | -               | 12,016          |
| Stocks   | 11    | 2,144           | 4,788           |
| Debtors  | 12    | 30,031          | 29,658          |
| Cash at bank and in hand                                       |       | 5,973           | 4,233           |
|  |       | <u>38,148</u>   | <u>50,695</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 13    | <u>(23,007)</u> | <u>(24,731)</u> |
| <b>Net current assets</b>                                      |       | <u>15,141</u>   | <u>25,964</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>61,375</u>   | <u>84,311</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | 14    | (8,604)         | (3,538)         |
| <b>Provisions for liabilities</b>                              | 15    | (10,041)        | (9,047)         |
| Deferred tax liability   | 15    | -               | (3,988)         |
| <b>Net assets</b>  |       | <u>42,730</u>   | <u>67,738</u>   |
| <b>Capital and reserves</b>                                    |       |                 |                 |
| Called up share capital  | 17    | 68,260          | 68,260          |
| Profit and loss account  | 18    | (25,530)        | (522)           |
| <b>Total shareholders' funds</b>                               | 19    | <u>42,730</u>   | <u>67,738</u>   |

Approved by the Board and authorised for issue on 25/1/12



C McGalpine  
Director

Company Registration No 00276562

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and the Companies Act 2006

The company's result in 2011 was a direct result of the continuing poor market conditions in the United Kingdom construction sector and the overall impact of recession within the United Kingdom economy. The difficulties faced by the construction sector resulted in significant reductions in available margins as pricing became highly competitive. In the light of these circumstances the directors have considered the going concern position of the company. Harsco Infrastructure Group Limited, one of the company's intermediate parents, has indicated that the necessary finance will continue to be available to enable the company to continue to trade for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### 1.3 Turnover

Turnover, which excludes value added tax, comprises income earned in the United Kingdom from the provision of access and related products and services. Sales income is recognised upon the transfer of goods. Hire income is recognised over the period of the lease. Contract income is recognised over the period of the contract subject to the provisions contained therein. Turnover is recognised on an accruals basis.

#### 1.4 Goodwill

Acquired goodwill is calculated as the surplus of fair value of purchase consideration over fair value attributed to the net assets of subsidiary undertakings acquired. It is written off in equal instalments over its estimated useful economic life of up to twenty years. If there are indications of an impairment a review is undertaken to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

#### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at historic purchase cost less accumulated depreciation and impairments. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|                                |  |
|--------------------------------|--|
| Land and buildings Freehold    | Straight line over 50 years for freehold buildings but none on freehold land                 |
| Land and buildings Leasehold   | Straight line over the lower of 50 years or the life of the lease but none on leasehold land |
| Plant and machinery            | Straight line over between 3 and 20 years  |
| Fixtures, fittings & equipment | Straight line over 3 to 5 years  |
| Motor vehicles                 | Straight line over 3 to 10 years   |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

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### 1 Accounting policies

(continued)

#### 1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

#### 1.7 Investments

Fixed asset investments are stated at cost less provision for impairment. If there are indications of an impairment a review is undertaken to determine if there has been an impairment in value, which would result in the inability of the investment to support the carrying amount. When it is determined that the carrying value exceeds the value of the investment, the excess is written off to the profit and loss account.

#### 1.8 Stock

Stock is valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Provisions are made to value slow moving, obsolete and defective stock at net realisable value.

#### 1.9 Pensions

The company operates a defined contribution scheme for the benefit of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable are charged to the profit and loss account in the year they are payable.

The company participates in a contributory defined benefit pension scheme which is accounted for in accordance with Financial Reporting Standard Number 17 'Retirement Benefits'. The scheme funds are administered by trustees and are independent of the company's finances. The Harsco pension scheme has a defined benefit section. However, the contributions paid by the company are accounted for as if the scheme were a defined contribution scheme, due to the company being unable to identify its share of the underlying assets and liabilities in the scheme.

#### 1.10 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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

#### 1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.12 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Harsco Corporation, a company incorporated in the United States of America, and is included in the consolidated accounts of that company.

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 1 Accounting policies

(continued)

#### 1 13 Provisions

Provisions for property, insurance, contract losses and redundancy are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated

Property provisions are made for dilapidations. The provision for dilapidation is based on estimated dilapidation costs incurred over the period of the tenancy

The insurance provision relates to the company's liability for known outstanding claims and incurred but not yet reported claims for bodily injury and damage sustained by third parties arising from the company's activities. The liability arises under the insurance policy deductibles, which apply to the company's Employers' Liability and Public/Products Liability policies of insurance

The contract loss provision is provided immediately to the extent of future losses expected to arise in completing the contract. The redundancy provision is provided on terminations incurred but not yet settled which are normally settled over the following year

#### 1 14 Share-based payment transactions

The company has issued restricted stock units to certain directors and employees. These must be measured at fair value and recognised as an expense in the profit and loss account. The fair value of the shares is the market value at the time of the grant. The fair value will be charged as an expense in the profit and loss account over the vesting period. Upon vesting the shares are automatically allocated to the recipients with no cash alternative

#### 1 15 Assets held for sale

Assets held for sale are valued at the lower of cost and net realisable value

### 2 Turnover

| Class of business | Turnover      |                |
|-------------------|---------------|----------------|
|                   | 2011          | 2010           |
|                   | £'000         | £'000          |
| Sales             | 17,868        | 27,120         |
| Equipment hire    | 17,995        | 27,195         |
| Contracts         | 49,719        | 53,256         |
|                   | <u>85,582</u> | <u>107,571</u> |

The total turnover of the company for the year has been derived from its principal activities as shown above, wholly undertaken in the United Kingdom

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

| <b>3 Operating loss</b>                 | <b>2011</b>  | <b>2010</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Operating loss is stated after charging |              |              |
| Amortisation of intangible assets       | 386          | 385          |
| Depreciation of tangible assets         | 12,079       | 12,705       |
| Loss on disposal of tangible assets     | 351          | -            |
| Loss on foreign exchange transactions   | -            | 59           |
| Operating lease rentals                 |              |              |
| - Plant and machinery                   | 4,394        | 4,859        |
| - Other assets                          | 1,946        | 2,006        |
| and after crediting                     |              |              |
| Profit on disposal of tangible assets   | -            | (49)         |
| Profit on foreign exchange transactions | (12)         | -            |

Depreciation includes an impairment charge of £4,439,000 (2010 £2,471,000)

### Auditors' remuneration

|  |            |            |
|--|------------|------------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 252        | 140        |
| Services relating to taxation  | 50         | 153        |
|  | <u>302</u> | <u>293</u> |

### 4 Exceptional costs

During 2010 and 2011 the company undertook a large scale restructuring programme to permanently reduce the cost base of the business and return the company to profitability. The exceptional costs relating to this restructuring have been summarised below -

|                                 | <b>2011</b>   | <b>2010</b>  |
|---------------------------------|---------------|--------------|
|                                 | <b>£'000</b>  | <b>£'000</b> |
| Redundancy                      | 3,798         | 2,706        |
| Tangible fixed asset impairment | 4,439         | 2,471        |
| Stock impairment                | 557           | -            |
| Property costs                  | 1,010         | 1,530        |
| Transport costs                 | 179           | 1,233        |
| Other                           | 170           | 537          |
|                                 | <u>10,153</u> | <u>8,477</u> |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

| 5 | Other interest receivable and similar income | 2011       | 2010       |
|---|--|------------|------------|
|   |  | £'000      | £'000      |
|   | Interest from group undertakings             | -          | 7          |
|   | Bank interest                                | 13         | 27         |
|   | Other interest                               | 5          | -          |
|   |  | <u>18</u>  | <u>34</u>  |
|   |  |            |            |
| 6 | Interest payable and similar charges         | 2011       | 2010       |
|   |  | £'000      | £'000      |
|   | On amounts payable to group companies        | 120        | 21         |
|   | On bank loans and overdrafts                 | 146        | 182        |
|   | Other interest                               | -          | 1          |
|   |  | <u>266</u> | <u>204</u> |



# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

| 7 Taxation  | 2011<br>£'000   | 2010<br>£'000   |
|---|-----------------|-----------------|
| <b>Current year tax</b>   |                 |                 |
| U K corporation tax   | (3,473)         | (2,586)         |
| Adjustment for prior years  | (2)             | 48              |
| <b>Total current tax</b>  | <u>(3,475)</u>  | <u>(2,538)</u>  |
| <b>Deferred tax</b>   |                 |                 |
| Origination and reversal of timing differences  | (3,415)         | (7,742)         |
| Deferred tax adjustments arising in previous periods  | (573)           | (248)           |
|   | <u>(3,988)</u>  | <u>(7,990)</u>  |
|   | <u>(7,463)</u>  | <u>(10,528)</u> |
| <b>Factors affecting the tax credit for the year</b>  |                 |                 |
| Loss on ordinary activities before taxation   | <u>(32,471)</u> | <u>(26,890)</u> |
| Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.50% (2010 - 28.00%) | <u>(8,605)</u>  | <u>(7,529)</u>  |
| Effects of  |                 |                 |
| Non deductible expenses   | (70)            | 373             |
| Depreciation add back   | 2,730           | 4,570           |
| Adjustments in respect of prior years   | (2)             | 48              |
| Unrelievable losses   | 2,472           | -               |
|   | <u>5,130</u>    | <u>4,991</u>    |
| <b>Current tax credit for the year</b>  | <u>(3,475)</u>  | <u>(2,538)</u>  |

The March 2011 UK Budget Statement announced an additional 1% reduction in the main UK corporation tax rate to 26% taking effect from 1 April 2011. The remaining proposed reductions of the main rate of corporation tax were expected to be 1% per year to 23% by 1 April 2014. The UK Government in the 2012 budget announced an additional 1% reduction from 1 April 2012 to 24% (rather than 25%) this was substantively enacted in March 2012 post the balance sheet and therefore has not been included in these financial statements. The further reductions of 1% are expected to be enacted separately each year, ultimately reducing the rate to 22% from 1 April 2014 and as they have not been substantively enacted at the balance sheet date they too, are not included in these financial statements.

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **8 Intangible fixed assets**

|   | <b>Goodwill<br/>£'000</b> |
|---|---------------------------|
| <b>Cost</b>                             |                           |
| At 1 January 2011 & at 31 December 2011 | 7,698                     |
| <b>Amortisation</b>                     |                           |
| At 1 January 2011                       | 891                       |
| Charge for the year                     | 386                       |
| At 31 December 2011                     | 1,277                     |
| <b>Net book value</b>                   |                           |
| At 31 December 2011                     | 6,421                     |
| At 31 December 2010                     | 6,807                     |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 9 Tangible fixed assets

|                                 | Land and<br>buildings<br>Freehold<br>£'000 | Land and<br>buildings<br>Leasehold<br>£'000 | Plant and<br>machinery<br>£'000 | Fixtures,<br>fittings &<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---------------------------------|--|---|---------------------------------|---|----------------------------|----------------|
| <b>Cost</b>                     |  |   |                                 |   |                            |                |
| At 1 January 2011               | 6,827                                      | 4,978                                       | 98,624                          | 2,857   | 543                        | 113,829        |
| Additions                       | 48   | 149   | 4,760                           | 15  | -                          | 4,972          |
| Disposals                       | (279)                                      | (145)                                       | (11,397)                        | (60)  | (276)                      | (12,157)       |
| At 31 December 2011             | 6,596                                      | 4,982                                       | 91,987                          | 2,812   | 267                        | 106,644        |
| <b>Accumulated depreciation</b> |  |   |                                 |   |                            |                |
| At 1 January 2011               | 1,588                                      | 3,388                                       | 56,065                          | 2,092   | 336                        | 63,469         |
| On disposals                    | (273)                                      | (99)  | (6,841)                         | (59)  | (265)                      | (7,537)        |
| Charge for the year             | 125  | 254   | 11,418                          | 199   | 83                         | 12,079         |
| At 31 December 2011             | 1,440                                      | 3,543                                       | 60,642                          | 2,232   | 154                        | 68,011         |
| <b>Net book value</b>           |  |   |                                 |   |                            |                |
| At 31 December 2011             | 5,156                                      | 1,439                                       | 31,345                          | 580   | 113                        | 38,633         |
| At 31 December 2010             | 5,239                                      | 1,590                                       | 42,559                          | 765   | 207                        | 50,360         |

The net book value of leasehold properties comprises

|                 | 2011<br>£'000 | 2010<br>£'000 |
|-----------------|---------------|---------------|
| Long leasehold  | 592           | 608           |
| Short leasehold | 847           | 982           |
|                 | 1,439         | 1,590         |

Included within the depreciation charge is an impairment of £4,439,000

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 10 Fixed asset investments

|   | Shares in subsidiary undertakings<br>£'000 |
|---|--|
| <b>Cost</b>                             |  |
| At 1 January 2011 & at 31 December 2011 | 1,729                                      |
| <b>Provisions for impairment</b>        |  |
| At 1 January 2011 & at 31 December 2011 | 549  |
| <b>Net book value</b>                   |  |
| At 31 December 2011                     | 1,180                                      |
| At 31 December 2010                     | 1,180                                      |

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

| Company             | Principal activity | Country of registration or incorporation | Shares held<br>Class | %   |
|---------------------|--------------------|--|----------------------|-----|
| SGB Buckley Limited | Dormant            | England and Wales                        | Ordinary             | 100 |

The directors consider the value of the investments to be supported by their underlying assets

| 11 Stocks                           | 2011<br>£'000 | 2010<br>£'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables       | 69            | 139           |
| Finished goods and goods for resale | 2,075         | 4,649         |
|                                     | 2,144         | 4,788         |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

| <b>12 Debtors</b>                  | <b>2011</b>   | <b>2010</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>£'000</b>  | <b>£'000</b>  |
| Trade debtors                      | 18,874        | 23,689        |
| Amounts owed by group undertakings | 5,094         | 1,174         |
| Corporation tax                    | 3,473         | 2,091         |
| Other debtors                      | 341           | 400           |
| Prepayments and accrued income     | 2,249         | 2,304         |
|                                    | <u>30,031</u> | <u>29,658</u> |

Amounts owed by group undertakings are unsecured, bear no interest (2010 0% to 0.53%) and have no fixed date of repayment

| <b>13 Creditors amounts falling due within one year</b> | <b>2011</b>   | <b>2010</b>   |
|---|---------------|---------------|
|   | <b>£'000</b>  | <b>£'000</b>  |
| Bank loans and overdrafts                               | -             | 5,645         |
| Trade creditors   | 7,795         | 9,762         |
| Amounts owed to group undertakings                      | 10,788        | 4,680         |
| Taxes and social security costs                         | 2,667         | 2,582         |
| Other creditors   | 553           | 524           |
| Accruals and deferred income                            | 1,204         | 1,538         |
|   | <u>23,007</u> | <u>24,731</u> |

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest at 0% to 1.70% per annum (2010 0% to 1.23%)

The bank overdraft is unsecured, repayable on demand and bears interest at 1.5% (2010 1.5%) above the base rate

| <b>14 Creditors: amounts falling due after more than one year</b> | <b>2011</b>  | <b>2010</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Amounts owed to group undertakings                                | <u>8,604</u> | <u>3,538</u> |

The amounts owed to group undertakings of £8.6 million (2010 £3.54 million), whilst having no fixed repayment terms, are not expected to be repaid within the foreseeable future and hence are shown as falling due after one year. No interest was payable on the amounts owed in the year or the comparative year.

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 15 Provisions for liabilities

|                             | Deferred tax<br>liability<br>£'000 | Property<br>£'000 | Insurance<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|-----------------------------|------------------------------------|-------------------|--------------------|----------------|----------------|
| Balance at 1 January 2011   | 3,988                              | 1,926             | 5,429              | 1,692          | 13,035         |
| Charge for the year         | (3,988)                            | 30                | 1,600              | 4,505          | 2,147          |
| Utilised                    | -                                  | (1,086)           | (949)              | (3,106)        | (5,141)        |
| Balance at 31 December 2011 | -                                  | 870               | 6,080              | 3,091          | 10,041         |

The property provision relates to a provision for dilapidations. The provision for dilapidation is based on estimated dilapidation costs incurred over the period of the tenancy.

The insurance provision relates to HarSCO Infrastructure Services Limited's liability for known outstanding claims and incurred but not yet reported claims for bodily injury and damage sustained by third parties arising from the company's activities. The liability arises under the insurance policy deductibles, which apply to the company's Employers' liability and Public/Products Liability policies of insurance.

Other provisions relate to severance pay and loss making contracts. The provisions in respect of these will be utilised over the next year.

#### Deferred tax is provided as follows:

|                                | 2011<br>£'000 | 2010<br>£'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | -             | 4,013         |
| Other timing differences       | -             | (25)          |
|                                | -             | 3,988         |

# **HARSCO INFRASTRUCTURE SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **16 Pension and other post-retirement benefit commitments**

Harsco Infrastructure Services Limited ("the Company") is a participating employer of the Harsco Pension Scheme ("the Scheme") Harsco Investment Limited is the principal employer All participating employers taken together are referred to as the "Group" The Scheme comprises ten sections seven defined benefit sections relating to Harsco Metals subsidiaries ("the Harsco Metals section of the Scheme"), two defined benefit sections relating to Harsco Infrastructure subsidiaries ("the Harsco Infrastructure section of the Scheme") and one combined defined contribution section

In 2002 the defined benefit sections of the Scheme were closed to new entrants and new employees were admitted to the defined contribution section of the pension scheme With effect from 1 January 2004, existing members did not accrue any further service in their sections of the defined benefit scheme and were transferred to the defined contribution section for future service

Company contributions to the defined contribution section of the Harsco Pension Scheme are 8% (2010 8%) of the relevant payroll, which amounts to £1,107,075 (2010 £1,173,302) Two percent of the contribution relates to the cost of life insurance and administration costs of the defined contribution scheme, six percent is invested for the benefit of the members At 31 December 2011 contributions of £106,551 (2010 £94,376) were outstanding

The contributions paid by the company to the defined benefit section of the Scheme are accounted for as if it was a defined contribution scheme, due to the company being unable to identify its share of the underlying assets and liabilities in the Scheme The cost of contributions to the defined benefit section of the Scheme amount to £8,656,521 (2010 £4,937,830), representing normal contributions of £8,656,621 (2010 £4,937,830) At 31 December 2011 contributions of £428,206 (2010 £412,729) were outstanding Additional contributions will continue in line with the schedule of contributions agreed with the company and trustees of the pension scheme

An actuarial valuation, based on the projected unit method, of the Harsco Pension Scheme was undertaken on 31 December 2011 and a deficit of £140,445,000 (2010 £92,054,000) was identified

#### **Pension disclosures under Financial Reporting Standard Number 17 (FRS17) - "Retirement Benefits"**

In accordance with the provisions of FRS 17 "Retirement Benefits", the company is required to provide disclosure of the full actuarial valuation However the deficit and the related pension costs are not recognised in these financial statements as the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis

The details of the Harsco Pension Scheme are included in these accounts to meet the obligations of FRS 17 and represent the Group position regarding the scheme The obligations disclosed are for the Group as a whole to meet and not this entity alone

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 16 Pension and other post-retirement benefit commitments

(continued)

##### The major assumptions used by the actuary were

|   | 2011<br>% | 2010<br>% |
|---|-----------|-----------|
| Rate of increase in pensions in payment | 2.95      | 3.35      |
| Discount rate                           | 4.70      | 5.40      |
| Inflation - RPI assumption              | 2.95      | 3.35      |
| Inflation - CPI assumption              | 2.45      | 2.85      |

|  | 2011<br>Years | 2010<br>Years |
|--|---------------|---------------|
| Further life expectancy of male member aged 65 (current life expectancy)     | 22.8          | 22.7          |
| Further life expectancy of female member aged 65 (current life expectancy)   | 23.9          | 23.8          |
| Further life expectancy of male member aged 45 (life expectancy at age 65)   | 24.6          | 24.5          |
| Further life expectancy of female member aged 45 (life expectancy at age 65) | 25.8          | 25.7          |

##### Expected rate of return and contributions

The overall expected rate of return was developed by considering 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 expected future returns for each asset class. The expected return for each asset class was then weighted based on the target class allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

##### The long term expected rates of return are as follows

|          | 2011<br>% | 2010<br>% |
|----------|-----------|-----------|
| Equities | 5.80      | 7.18      |
| Bonds    | 4.70      | 5.42      |
| Gilts    | 2.80      | 4.18      |
| Cash     | 0.50      | 0.50      |
|          | 5.04      | 6.30      |



# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 16 Pension and other post-retirement benefit commitments

(continued)

The values of the assets in the scheme are as follows:

|                                     | 2011<br>£'000 | 2010<br>£'000 |
|-------------------------------------|---------------|---------------|
| Equities                            | 208,856       | 225,611       |
| Bonds                               | 126,383       | 116,145       |
| Gilts                               | 47,600        | 40,186        |
| Cash                                | 1,653         | 1,880         |
| Total market value of assets        | 384,492       | 383,822       |
| Present value of scheme liabilities | (524,937)     | (475,876)     |
| Net pension liability               | (140,445)     | (92,054)      |

#### Analysis of the pension expense

|                                | 2011<br>£'000 | 2010<br>£'000 |
|--------------------------------|---------------|---------------|
| Interest cost                  | 25,135        | 25,968        |
| Expected return on plan assets | (23,622)      | (21,836)      |
| Total operating charge         | 1,513         | 4,132         |

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

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Opening present value of defined benefit obligation | 475,876       | 466,936       |
| Interest cost                                       | 25,135        | 25,968        |
| Actuarial losses                                    | 44,738        | 5,698         |
| Benefits paid                                       | (20,812)      | (22,726)      |
| Closing present value of defined benefit obligation | 524,937       | 475,876       |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 16 Pension and other post-retirement benefit commitments

(continued)

Changes in fair value of plan assets are as follows

|                                   | 2011<br>£'000 | 2010<br>£'000 |
|-----------------------------------|---------------|---------------|
| Opening fair value of plan assets | 383,822       | 351,888       |
| Expected return                   | 23,622        | 21,836        |
| Actuarial gains/(losses)          | (17,259)      | 25,046        |
| Contributions by employer         | 15,119        | 7,778         |
| Benefits paid                     | (20,812)      | (22,726)      |
| Closing fair value of plan assets | 384,492       | 383,822       |
| Actual return on scheme assets    | 6,363         | 46,882        |

History of experience gains and losses

|  | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 | 2007<br>£'000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Defined benefit obligation   | (524,937)     | (475,876)     | (466,936)     | (404,113)     | (440,633)     |
| Plan assets  | 384,492       | 383,822       | 351,888       | 326,313       | 400,354       |
| Deficit  | (140,445)     | (92,054)      | (115,048)     | (77,800)      | (40,279)      |
| Difference between the expected and actual return on scheme assets<br>amount (£'000) | (17,259)      | 25,046        | 15,164        | (88,044)      | (7,147)       |
| percentage of scheme assets (%)  | (4)%          | 7%            | 4%            | (27)%         | (2)%          |
| Experience gains and losses on scheme liabilities<br>amount (£'000)                  | (3,518)       | (22,907)      | 24,434        | (19,938)      | (5,666)       |
| percentage of scheme assets (%)  | (1)%          | (5)%          | 5%            | (5)%          | (1)%          |
| Total amount not recognised in<br>statement of recognised gains and<br>losses        | (61,997)      | 19,348        | (44,218)      | (44,254)      | (6,204)       |
| Cumulative amount not recognised<br>in statement of recognised gains<br>and losses   | (213,254)     | (151,257)     | (170,605)     | (126,387)     | (120,183)     |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

|  |              |                                |
|--|--------------|--------------------------------|
| <b>17 Share capital</b>                                      | <b>2011</b>  | <b>2010</b>                    |
|  | <b>£'000</b> | <b>£'000</b>                   |
| <b>Authorised</b>  |              |                                |
| 80,000,000 (2010 80,000,000) Ordinary shares of £1 each      | 80,000       | 80,000                         |
| <b>Allotted and fully paid</b>                               |              |                                |
| 68,260,110 (2010 68,260,110) Ordinary shares of £1 each      | 68,260       | 68,260                         |
| <b>18 Statement of movements on profit and loss account</b>  |              | <b>Profit and loss account</b> |
|  |              | <b>£'000</b>                   |
| Balance at 1 January 2011                                    |              | (522)                          |
| Loss for the financial year                                  |              | (25,008)                       |
| Balance at 31 December 2011                                  |              | (25,530)                       |
| <b>19 Reconciliation of movements in shareholders' funds</b> | <b>2011</b>  | <b>2010</b>                    |
|  | <b>£'000</b> | <b>£'000</b>                   |
| Loss for the financial year                                  | (25,008)     | (16,362)                       |
| Opening shareholders' funds                                  | 67,738       | 84,100                         |
| Closing shareholders' funds                                  | 42,730       | 67,738                         |

## 20 Contingent liabilities

The company has unlimited cross guarantees in favour of certain Harsco companies in the United Kingdom, as part of a cash pooling arrangement. This arrangement is underwritten by Harsco Corporation. At 31 December 2011 the contingent liability was £9,741,556 (2010 £nil).

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 21 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

|                               | Land and buildings |              | Other        |              |
|-------------------------------|--------------------|--------------|--------------|--------------|
|                               | 2011               | 2010         | 2011         | 2010         |
|                               | £'000              | £'000        | £'000        | £'000        |
| Operating leases which expire |                    |              |              |              |
| Within one year               | 77                 | 103          | 27           | 329          |
| Between two and five years    | 957                | 457          | 1,551        | 754          |
| In over five years            | 1,630              | 2,509        | -            | -            |
|                               | <u>2,664</u>       | <u>3,069</u> | <u>1,578</u> | <u>1,083</u> |

The other financial commitments includes £547,000 (2010 £nil) that are subsequently recharged to other fellow subsidiaries within the Harsco Group

#### 22 Directors' emoluments

|   | 2011         | 2010       |
|---|--------------|------------|
|   | £'000        | £'000      |
| Emoluments for qualifying services                      | 606          | 739        |
| Amounts receivable under long term incentive schemes    | 200          | 60         |
| Company pension contributions to money purchase schemes | 45           | 41         |
| Compensation for loss of office                         | 303          | 32         |
|   | <u>1,154</u> | <u>872</u> |

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2010 - 4)

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 3 (2010 - 2)

The number of directors who exercised share options during the year was 2 (2010 - 1)

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 5 (2010 - 2)

|  | 2011       | 2010       |
|--|------------|------------|
|  | £'000      | £'000      |
| Emoluments disclosed above include the following amounts paid to the highest paid director |            |            |
| Emoluments for qualifying services   | 255        | 231        |
| Long term incentive schemes  | 110        | -          |
| Company pension contributions to money purchase schemes                                    | 19         | 13         |
| Compensation for loss of office  | 303        | -          |
|  | <u>777</u> | <u>254</u> |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 23 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

|                               | 2011<br>Number | 2010<br>Number |
|-------------------------------|----------------|----------------|
| Direct labour and operatives  | 1,114          | 1,092          |
| Managerial and administrative | 432            | 595            |
|                               | <u>1,546</u>   | <u>1,687</u>   |

#### Employment costs

|                              | 2011<br>£'000 | 2010<br>£'000 |
|------------------------------|---------------|---------------|
| Wages and salaries           | 51,833        | 51,516        |
| Social security costs        | 5,264         | 5,794         |
| Other pension costs          | 9,764         | 6,111         |
| Costs of share option scheme | 434           | 240           |
| Redundancy                   | 3,798         | 2,738         |
|                              | <u>71,093</u> | <u>66,399</u> |

# HARSCO INFRASTRUCTURE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 24 Share-based payment transactions

During the year ended 31 December 2011, the company had two share-based payment arrangements, which are described below

| Type of arrangement | Restricted<br>Stock Units | Stock<br>Options<br>Scheme |
|---------------------|---------------------------|----------------------------|
| Date of grant       | 22 September<br>2010      | 21 January<br>2002         |
| Number granted      | 38,350                    | 8,000                      |
| Contractual life    | 3 years                   | 10 years                   |
| Vesting conditions  | 3 years pro-<br>rata      | 2 years                    |

Further details of the share option plans are as follows

|                            | Number of<br>options<br>2011 | Weighted<br>average<br>exercise price<br>2011<br>£ | Number of<br>options<br>2010 | Weighted<br>average<br>exercise price<br>2010<br>£ |
|----------------------------|------------------------------|--|------------------------------|--|
| At 1 January               | 46,350                       | 15 92  | 37,400                       | 16 20  |
| Granted                    | 15,000                       | 20 02  | 26,000                       | 14 71  |
| Forfeited                  | (47,733)                     | 17 25  | -                            | -  |
| Exercised                  | (11,850)                     | 14 55  | (17,050)                     | 14 45  |
| Outstanding at 31 December | <u>1,767</u>                 | <u>18 13</u>                                       | <u>46,350</u>                | <u>15 92</u>                                       |

The options outstanding at 31 December 2011 have exercise prices of £18 13, and a weighted average remaining contractual life of 0 08 years

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Expense arising from share and share option plans | <u>434</u>    | <u>240</u>    |

#### 25 Control

The immediate parent company is Harsco (UK) Group Limited, a company registered in England and Wales, and the ultimate parent company and controlling party is Harsco Corporation, a company registered in the United States of America

Harsco Corporation is the parent of the largest and smallest group to consolidate these accounts. Copies of group financial statements can be obtained from Harsco Corporation, 350 Poplar Church Road, Camp Hill, Pennsylvania 17001, U S A

# **HARSCO INFRASTRUCTURE SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2011***

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### **26 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 "Related Party Disclosures" from the requirement to disclose transactions with group companies. The company is a wholly owned subsidiary and is included in the consolidated financial statements of the ultimate parent company, Harsco Corporation, whose accounts are publicly available.