Registered number. 00300002

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

HANSON QUARRY PRODUCTS EUROPE LIMITED

COMPANY INFORMATION

DIRECTORS	B Charleton J A Claydon M H F Colligan D H J Gauthier E A Gretton S R Harrison (appointed 1 September 2012) J P Morrish (resigned 1 September 2012) P J O'Shea P K Redmond D P Sharman (resigned 25 January 2013) S Pirinccioglu (resigned 31 August 2013) D J Clarke (appointed 12 September 2013)
COMPANY SECRETARY	R T V Tyson
COMPANY NUMBER	00300002
REGISTERED OFFICE	Hanson House 14 Castle Hill Maidenhead SL6 4JJ
AUDITOR	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX

HANSON QUARRY PRODUCTS EUROPE LIMITED

CONTENTS

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their report and the financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The Company's principal activity is the supply of materials and services to the construction industry

BUSINESS REVIEW

The Directors are satisfied with the financial position of the Company at the end of the year, in light of the current market conditions, and consider that it has weathered the worst of the economic downturn and believe it is well placed to take advantage of the improving economic conditions being seen in 2013 and hopefully beyond

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 and incorporates a number of statutory entities

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

RESULTS

The loss for the year, after taxation, amounted to £50,179,000 (2011 profit £42,159,000)

The directors do not recommend the payment of a dividend for the year (2011 £nil)

DEVELOPMENTS DURING THE YEAR

The Company continued to experience difficult trading conditions which saw a further contraction of the Company's key markets The Company again reacted to these unprecedented circumstances, reducing capacity where appropriate A charge of £6,817,000 (2011 £813,000) has been recognised in respect of restructuring costs and £12,165,000 (2011 £nil), of impairments on the Company's tangible fixed assets

FUTURE DEVELOPMENTS

While the UK economy and the construction industry in particular remain depressed, 2013 showed increased levels of production and early signs of a economic recovery, which it is hoped will continue into 2014 and beyond

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

PRINCIPAL RISKS AND UNCERTAINTIES

Market demand risk
The demand for many products produced by the Company is closely linked with economic conditions As a result, depressed economic conditions in the United Kingdom 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

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 government funding 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 The imposition of industry related taxes such as the aggregates levy and the climate change levy increase the costs of the Company and encourage imports of competing products and product substitution

Energy risk
The Company is a significant purchaser of energy and fuel for the processing and transport of its products The Company also purchases significant amounts of materials including bitumen for use in asphalt production and cement for use in premix concrete production The cost of these materials and the cost of energy and fuel fluctuates, sometimes by significant amounts Increases in the costs of these materials, or their lack of availability 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 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 whether by road, rail or river 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 potential exposure of the Company to loss in the event of non-performance by a counter party The Company controls this credit risk through credit approval limits and insurance where applicable

Transport Risk
Transport logistics play an important part in the Company's supply chain whether by road, rail or river Any material disruption to, or lack of availability, of such transport support could significantly impact operating costs

RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

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

DISABLED EMPLOYEES

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a disabled person

Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate

CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable donations of £77,976 (2011 £84,915)

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The Company actively looks to extend the payment profile to it's suppliers while maintaining constructive working relationships with it's suppliers

The Company provides purchase ledger services for other group undertakings so it is no longer possible to provide a meaningful analysis of the number of days purchases outstanding in creditors

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of this report

The Company forms part of the Hanson UK operating division of HeidelbergCement AG and is expected to continue to generate positive cash flows on its own account for the foreseeable future The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The Directors, having assessed the responses of the management of the Company's ultimate parent HeidelbergCement AG to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the HeidelbergCement AG group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the management of HeidelbergCement AG, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

DIRECTORS

The Directors who served during the year and to the date of this report were

B Charleton
J A Claydon
M H F Colligan
D H J Gauthier
E A Gretton
S R Harrison (appointed 1 September 2012)
J P Morrish (resigned 1 September 2012)
P J O'Shea
P K Redmond
D P Sharman (resigned 25 January 2013)
S Pirinccioglu (resigned 31 August 2013)
D J Clarke (appointed 12 September 2013)

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 section 234 of 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 this report

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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 elected to prepare 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 judgments 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,
- 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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information

AUDITOR

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

This report was approved by the board on 27 September 2013 and signed on its behalf

B Charleton
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HANSON QUARRY PRODUCTS EUROPE LIMITED

We have audited the financial statements of Hanson Quarry Products Europe Limited for the year ended 31 December 2012, which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 29 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)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, 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

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 2012 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HANSON QUARRY PRODUCTS EUROPE LIMITED

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

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP, Statutory auditor

The Paragon
Counterslip
Bristol
BS1 6BX

30 September 2013

HANSON QUARRY PRODUCTS EUROPE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £000	2011 £000
TURNOVER	1,2	600,181	691,564
Cost of sales		(575,602)	(647,726)
GROSS PROFIT		24,579	43,838
Administrative expenses		(70,544)	(67,823)
Exceptional administrative expenses	8	(16,817)	(813)
Total administrative expenses		(87,361)	(68,636)
Other operating income	3	6,795	10,382
OPERATING LOSS	4	(55,987)	(14,416)
EXCEPTIONAL ITEMS			
Net profit on sale of tangible fixed assets		6,721	6,350
Other exceptional items	8	(17,434)	41,416
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(66,700)	33,350
Income from shares in group undertakings		13,925	3,750
Interest receivable and similar income	9	23	334
Interest payable and similar charges	10	(2,959)	(1,615)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(55,711)	35,819
Tax on (loss)/profit on ordinary activities	11	5,532	6,340
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	22	(50,179)	42,159

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 11 to 29 form part of these financial statements

HANSON QUARRY PRODUCTS EUROPE LIMITED
REGISTERED NUMBER: 00300002

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£000	2012 £000	£000	2011 £000
FIXED ASSETS					
Intangible assets	12		13,964		14,890
Tangible assets	13		497,783		528,109
Investments	14		2,293,917		2,299,151
			2,805,664		2,842,150
CURRENT ASSETS					
Stocks	15	37,651		39,909	
Debtors	16	45,576,511		48,897,027	
Cash at bank		7,282		11,306	
		45,621,444		48,948,242	
CREDITORS amounts falling due within one year	17	(8,740,437)		(12,053,163)	
NET CURRENT ASSETS			36,881,007		36,895,079
TOTAL ASSETS LESS CURRENT LIABILITIES			39,686,671		39,737,229
CREDITORS: amounts falling due after more than one year	18		(2,662)		(2,942)
PROVISIONS FOR LIABILITIES					
Deferred tax	19	(9,185)		(14,717)	
Other provisions	20	(33,244)		(27,811)	
			(42,429)		(42,528)
NET ASSETS			39,641,580		39,691,759
CAPITAL AND RESERVES					
Called up share capital	21		51,917		51,917
Share premium account	22		41,037,423		41,037,423
Revaluation reserve	22		210,893		215,841
Other reserves	22		4,650		4,650
Profit and loss account	22		(1,663,303)		(1,618,072)
SHAREHOLDERS' FUNDS	23		39,641,580		39,691,759

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2013

B Charleton
Director

The notes on pages 11 to 29 form part of these financial statements

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006 These financial statements therefore present information about the Company as an individual undertaking and not about its group

1.2 Going concern

The accounts have been prepared on a going concern basis as the Company is in a position to meet its obligations as they fall due

1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.4 Turnover

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

1.5 Income from investments

Income from investments includes dividends received from subsidiary undertakings and other investments and is recognised in the profit and loss account on a receivable basis

1.6 Interest income

Revenue is recognised as interest accrues using the effective interest method

1.7 Intangible fixed assets and amortisation

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Expenditure on computer software which is not deemed to be integral to the computer hardware is capitalised at cost and amortised on a straight line basis over its economic life

Options to acquire freehold / leasehold mineral bearing land are capitalised and amortised over the period of the option Upon exercise any remaining unamortised balance will be treated as the asset acquisition cost

The carrying value of intangible fixed assets is reviewed for impairment at the end of the first full year of acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

1. ACCOUNTING POLICIES (continued)

1.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation and accumulated impairment losses Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold property	-	up to 50 years
L/Term Leasehold Property	-	over the life of the lease
S/Term Leasehold Property	-	over the life of the lease
Plant and machinery	-	4 - 30 years

An amount equal to the excess of the annual depreciation charge on re-valued assets over the notional historical cost depreciation charge on these assets is transferred annually from the revaluation reserve to the profit and loss reserve

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

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

1.9 Revaluation of tangible fixed assets

Certain mineral bearing land has subsequently been revalued as at 1 July 1989, with the revaluation being taken to a revaluation reserve The transition rules of FRS 15 have been adopted for mineral bearing land, which permits the retention of the carrying value at the prevailing revalued amount No further revaluations will be made in respect of this mineral bearing land

1 10 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.11 Government grants

Government and similar grants received for the acquisition of assets are recognised only when there is reasonable assurance that they will be received and any conditions attached to them have been fulfilled The grant is held in the balance sheet within deferred income and released to the profit and loss account over the periods necessary to match the related depreciation charges or other expenses of the asset as they are incurred

1.12 Leasing commitments

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

1.13 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

1. ACCOUNTING POLICIES (continued)

1.14 Long-term contracts

Long term contracts are assessed on a contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses Turnover is shown excluding value added taxes and is ascertained by reference to cost incurred, plus profit attributable to the state of completion less foreseeable losses

The amount by which recorded turnover is in excess of payments on account has been classified as amounts recoverable on contracts and disclosed separately within debtors

The balance of payments on account in excess of amounts matched with turnover has been classified as payments on account and disclosed within creditors

1.15 Deferred taxation

Deferred tax 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 available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled into replacement assets and charged to tax only when the replacement assets are sold

- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 16 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

1.17 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's accounting policy is to make 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

1. **ACCOUNTING POLICIES (continued)**

1.18 Interest bearing loans

All interest bearing loans and borrowings are initially recognised as net proceeds After initial recognition 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

1.19 Financial instruments

The Company occasionally uses derivative financial instruments to hedge fuel price risks The Company has not adopted fair value accounting and does not use derivative financial instruments for speculative purposes

1.20 Research and development

Expenditure on research and development is written off against profits in the period in which it is incurred

1.21 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.22 Pensions

The Company participates in the Hanson Industrial Pension Scheme and the Castle Pension Scheme, which are of the funded defined benefit type Funds are held externally under the supervision of the corporate trustees Based on the advice from the Scheme's actuaries, the Directors are unable to split the Scheme's assets and liabilities between the various Hanson sponsoring companies Accordingly, contributions to the Scheme are expensed as the liability for payment arises Further details are given in note 25 to these accounts

The Company also participates in the Hanson Industrial Pension Scheme (Defined Contribution Section) Company contributions are expensed to the profit and loss account as incurred

2. TURNOVER

Turnover, pre tax profits / (loss) and net assets are attributable to the one continuing activity of the supply of building materials and services to the construction industry

All turnover arose within the United Kingdom

3. OTHER OPERATING INCOME

	2012 £000	2011 £000
Other operating income	5,232	8,271
Net rents receivable	1,563	2,111
	6,795	10,382

4. OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2012 £000	2011 £000
Amortisation - intangible fixed assets	2,557	2,229
Depreciation of tangible fixed assets		
- owned by the company	27,440	30,412
Auditor's remuneration	561	655
Auditor's remuneration - non-audit	30	182
Operating lease rentals		
- plant and machinery	2,444	442
- other operating leases	9,902	10,265
Difference on foreign exchange	(16)	172
Government grants and similar income	(215)	(215)

Fees for audit services include costs incurred on behalf of other group undertakings It is not practicable to ascertain what proportion of such fees relate to other group undertakings

5. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

	2012 £000	2011 £000
Wages and salaries	67,911	73,941
Social security costs	7,276	6,863
Other pension costs	12,575	10,843
	87,762	91,647

The average monthly number of employees, including the Directors, during the year was as follows

	No.	No
	1,937	1,988

Included within staff costs above is a charge of £248,000 (2011 £47,000) in relation to the HeidelbergCement AG Long Term Incentive Plan (LTIP)

6. DIRECTORS' REMUNERATION

	2012 £000	2011 £000
Emoluments	2,375	2,424
Company pension contributions to defined contribution pension schemes	101	27

During the year retirement benefits were accruing to 1 Director (2011 - 1) in respect of defined benefit pension schemes

The highest paid Director received remuneration of £1,069,000 (2011 - £1,283,000)

The total accrued pension provision of the highest paid Director at 31 December 2012 amounted to £125,000 (2011 - £125,000)

7. SHARE-BASED PAYMENTS

Sharesave Scheme

Following the acquisition by Lehigh UK Limited in 2007, options under the Hanson Sharesave Schemes ceased to be exercisable on 23 March 2008, but participants could continue to hold their options and, subject to the rules of the scheme, exercise those options on the maturity of the related savings contract The share price of Hanson PLC (now Hanson Limited) was £11 00 at the date of the acquisition and all options exercised following the acquisition will assume a notional share price of £11 00 and any gains after deducting the exercise price will be settled in cash Accordingly, the scheme no longer requires disclosure under FRS 20 as it is no longer equity settled nor is the settlement dependent on a share price

8. EXCEPTIONAL ITEMS

	2012 £000	2011 £000
Restructuring costs	(6,817)	(508)
Contract value reassessment	(10,000)	-
Other	-	(305)
Impairment of tangible fixed assets	(12,165)	-
Impairment of investments	(10,000)	-
Reversal of impairment of investments	4,766	41,416
Impairment of intangible fixed assets	(36)	-
	(34,252)	40,603

In 2011, a wholly owned subsidiary saw a exceptional gain in its net asset base due to a reversal of an impairment loss in its own subsidiary companies and this led to a partial reversal of an impairment of the Company's investment In 2012, the net assets of the underlying companies increased further leading to another impairment reversal

Following the receipt of a dividend from a subsidiary an impairment has been recognised to reduce the investment carrying value to the net assets of the subsidiary

Due to a further deterioration of market conditions in 2012, management implemented additional 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 £6,817,000 (2011 £813,000) and a impairment of assets at specific sites of £12,165,000 (2011 £nil)

The Company was involved in a dispute in regards to the recoverable value on a significant contract and has recognised a provision of £10,000,000 (2011 £nil)

9. INTEREST RECEIVABLE

	2012 £000	2011 £000
Interest receivable from group companies	22	141
Other interest receivable	1	193
	23	334

10. INTEREST PAYABLE

	2012 £000	2011 £000
Other interest payable	396	135
Unwinding of discount on provisions	2,563	1,480
	2,959	1,615

11. TAXATION

	2012 £000	2011 £000
Analysis of tax charge in the year		
Deferred tax		
Effect of decreased tax rate on opening liability	(805)	(871)
Prior year credit	(4,662)	(9,305)
Current year (credit) / charge	(65)	3,836
Total deferred tax (see note 19)	(5,532)	(6,340)
Tax on (loss)/profit on ordinary activities	(5,532)	(6,340)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24 5% (2011 - 26 5%) The differences are explained below

	2012 £000	2011 £000
(Loss)/profit on ordinary activities before tax	(55,711)	35,819
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 - 26 5%)	(13,649)	9,492
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	3,789	(7,423)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	313	246
Capital allowances for year in excess of depreciation	(1,687)	(4,917)
Short term timing difference leading to an increase (decrease) in taxation	1,756	853
Capital gains	(16)	(462)
Dividends from UK companies	(3,412)	(994)
Tax deduction arising from exercise of employee options	(65)	(130)
Group relief	(287,797)	(327,363)
Transfer pricing adjustments	300,768	330,698
Current tax charge for the year	-	-

Factors that may affect future tax charges

Announcements were made after the balance sheet date about changes in the corporation tax rates that will have an effect on future tax charges of the Company The change that has been announced is a reduction on 1 April 2014 from 23% to 21% and on 1 April 2015 to 20% The impact of the reduction to 21% on the deferred tax balance is that the total liability would be reduced by £799,000 with the corresponding reduction to the tax charge (or credit) in the Profit and Loss account The impact of the further 1% reduction to 20% would amount to £400,000

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

12. INTANGIBLE FIXED ASSETS

	Computer software £000	Other intangible assets £000	Goodwill £000	Total £000
Cost				
At 1 January 2012	8,502	2,344	21,914	32,760
Additions	1,667	-	-	1,667
At 31 December 2012	10,169	2,344	21,914	34,427
Amortisation				
At 1 January 2012	4,171	2,267	11,432	17,870
Charge for the year	1,501	15	1,041	2,557
Impairment charge	-	36	-	36
At 31 December 2012	5,672	2,318	12,473	20,463
Net book value				
At 31 December 2012	4,497	26	9,441	13,964
At 31 December 2011	4,331	77	10,482	14,890

Other intangible assets include options to purchase or lease mineral bearing land

13. TANGIBLE FIXED ASSETS

	Property and mineral resources £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 January 2012	539,746	531,111	1,070,857
Additions	2,285	7,241	9,526
Disposals	(7,808)	(17,825)	(25,633)
Transfer between classes	83	(83)	-
At 31 December 2012	534,306	520,444	1,054,750
Depreciation			
At 1 January 2012	181,831	360,917	542,748
Charge for the year	5,645	21,795	27,440
Transfers intra group	-	(267)	(267)
On disposals	(7,449)	(17,670)	(25,119)
Transfer between classes	3	(3)	-
Impairment charge	5,872	6,293	12,165
At 31 December 2012	185,902	371,065	556,967
Net book value			
At 31 December 2012	348,404	149,379	497,783
At 31 December 2011	357,915	170,194	528,109

Analysis of property and mineral resources at net book value·

	2012 £000	2011 £000
Freehold land and buildings	293,252	300,783
Leasehold property - short	55,152	57,132
Total	348,404	357,915

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the carrying values of the Company's assets at 31 December 2012 have been compared to their recoverable amounts, represented by their value in use to the Company

The historical cost of mineral bearing land shown at valuation amounts to £153 4m as at 31 December 2012 (2011 £155 0m) and the accumulated depreciation thereon would have been £66 1m (2011 £63 9m)

Mineral bearing land was revalued internally, on an open market value for existing use basis, on 1 July 1989 by a professionally qualified surveyor

The net book value of assets held at valuation was £306 7m as at 31 December 2012 (2011 £316 3m)

Total cost and valuation as at 31 December 2012 was £460 0m (2011 £461 7m) Accumulated depreciation at 31 December 2012 was £153 3m (2011 £145 3m)

14. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000	Investments in joint ventures £000	Other investments £000	Total £000
Cost or valuation				
At 1 January and 31 December 2012	2,296,019	23,000	100	2,319,119
Impairment				
At 1 January 2012	19,868	-	100	19,968
Charge for the year	10,000	-	-	10,000
Reversal of impairment losses	(4,766)	-	-	(4,766)
At 1 January and 31 December 2012	25,102	-	100	25,202
Net book value				
At 31 December 2012	2,270,917	23,000	-	2,293,917
At 31 December 2011	2,276,151	23,000	-	2,299,151

Subsidiary undertakings

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	Class of share	Holding	Business	Registered office
Hanson Building Materials Europe Limited	A ordinary	100 %	Investment holding company	England and Wales
	B ordinary	100 %		
Cumbrian Industrials Limited	Ordinary	100 %	Building, civil engineering and road maintenance	England and Wales
	Deferred	100 %		
Midland Quarry Products Limited	B ordinary	100 %	Aggregates and asphalt	England and Wales
	B preference	100 %		
Nationwide Premixed Limited	A ordinary	100 %	Builders merchant	England and Wales
Habfield Limited	Ordinary	100 %	Dormant	England and Wales
Joyce Green Aggregates Limited	Ordinary	50 %	Aggregates	England and Wales

The Directors of the Company are of the opinion that the number of subsidiary undertakings in respect of which the Company is required to disclose information under section 409 of the Companies Act 2006 is such that it would result in information of excessive length Advantage has been taken of section 410 of the Companies Act 2006 in that the information is only given relating to directly owned securities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

15. STOCKS

	2012 £000	2011 £000
Raw materials	7,346	7,476
Finished goods and goods for resale	30,305	32,433
	37,651	39,909

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

16. DEBTORS

	2012 £000	2011 £000
Due after more than one year		
Other debtors	6,272	1,365
Due within one year		
Trade debtors	55,560	116,022
Amounts owed by group undertakings	45,457,975	48,709,180
Other debtors	12,257	3,293
Prepayments and accrued income	42,128	65,671
Amounts recoverable on long term contracts	2,319	1,496
	45,576,511	48,897,027

Amounts owed by group undertakings includes a balance of £110,944,000 (2011 £9,489,000) which accrues interest at LIBOR, all other amounts are unsecured, interest free, have no fixed date of repayment and are repayable on demand

Amounts recoverable on contracts comprise

	2012 £000	2011 £000
Recorded contract turnover	49,873	24,566
Less payments on account	(47,554)	(23,070)
Total	2,319	1,496

17. CREDITORS

Amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	61,611	80,803
Amounts owed to group undertakings	8,607,121	11,921,134
Amounts owed to joint ventures	4,150	3,925
Social security and other taxes	12,265	11,286
Other creditors	37,281	19,394
Accruals and deferred income	18,009	16,621
	8,740,437	12,053,163

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

18. CREDITORS.

Amounts falling due after more than one year

	2012 £000	2011 £000
Other creditors	2,662	2,942

Creditors falling due after one year include amounts falling due as follows.

	2012 £000	2011 £000
- between one to five years	1,300	1,365
- after five years	1,362	1,577
Total	2,662	2,942

19. DEFERRED TAXATION

	2012 £000	2011 £000
At beginning of year	14,717	21,057
Released during year	(5,532)	(6,340)
At end of year	9,185	14,717

The provision for deferred taxation is made up as follows

	2012 £000	2011 £000
Accelerated capital allowances	13,666	18,631
Tax losses carried forward	(4,481)	(3,914)
	9,185	14,717

20. PROVISIONS

	Other £000	Restoration & environmental £000	Total £000
At 1 January 2012	6,380	21,431	27,811
Additions	7,388	2,742	10,130
Amounts used	(4,416)	(1,790)	(6,206)
Amounts reversed	(705)	(349)	(1,054)
Discounted adjustments	143	2,420	2,563
At 31 December 2012	8,790	24,454	33,244

Other

Other provisions include amounts committed in respect of redundancy and other restructuring costs and provisions for rectification works where instances of defective supply have been notified

Restoration & environmental

Restoration and environmental 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 3 4% (2011 5 7%) 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

21. SHARE CAPITAL

	2012 £000	2011 £000
Allotted, called up and fully paid		
103,833,567 ordinary shares of £0 50 each	51,917	51,917

22. RESERVES

	Share premium account £000	Revaluation reserve £000	Capital reserve £000	Profit and loss account £000
At 1 January 2012	41,037,423	215,841	4,650	(1,618,072)
Loss for the year	-	-	-	(50,179)
Transfer between Revaluation reserve and P/L account	-	(4,948)	-	4,948
At 31 December 2012	41,037,423	210,893	4,650	(1,663,303)

The capital reserve represents amounts received from Hanson Trustees Limited for the purpose of paying future liabilities relating to the closure of employee share schemes

23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	2011 £000
Opening shareholders' funds	39,691,759	39,649,600
(Loss)/profit for the year	(50,179)	42,159
Closing shareholders' funds	39,641,580	39,691,759

24 CAPITAL COMMITMENTS

At 31 December 2012 the Company had capital commitments as follows

	2012 £000	2011 £000
Contracted for but not provided in these financial statements	1,201	3,296

25. PENSION COMMITMENTS

Hanson Industrial Pension Scheme

Dunng the year, the Company partıcıpated ın the Hanson Industnal Pensıon Scheme ("the Scheme") and relevant employees are elıgıble for benefits under thıs funded Scheme, whıch ıs, ın the maın, of the defined benefit type Funds are held externally under the supervısıon of the corporate trustee The Company partıcıpates ın the Scheme along wıth several other UK based companıes formıng part of the HeıdelbergCement AG group It ıs not possıble to ıdentıfy the Company's share of the Scheme's assets and lıabılıtıes on a consıstent and reasonable basıs Therefore, ın accordance wıth FRS 17, the Scheme ıs treated as a defined contnbutıon scheme wıth contnbutıons expensed to the profit and loss account when they become payable

The valuatıon of the Scheme has been based on the most recent actuanal valuatıon at 31 December 2009 and was updated by the Scheme Actuary, AON Hewıtt, to take account of the requırements of FRS17 ın order to assess the lıabılıtıes of the Scheme at 31 December 2012 and 31 December 2011 The Scheme was closed to future accrual ın September 2010 Scheme assets are stated at theır market values at the respectıve balance sheet dates

The assets and lıabılıtıes of the scheme at 31 December are

	2012 £000	2011 £000
Scheme assets at faır value		
Equıtıes	452,289	404,471
Propertıes	122,626	125,044
Debt secuntıes	-	134,991
LDI	647,652	571,226
Hedge funds	88,771	82,416
Insured pensıons	17,550	19,893
Cash / currency	128,733	86,679
Faır value of scheme assets	1,457,621	1,424,720
Present value of scheme lıabılıtıes	(1,406,680)	(1,372,304)
Defined benefit scheme asset	50,941	52,416
Related deferred tax lıabılıty	(11,716)	(13,628)
Net asset	39,225	38,788

The pensıon scheme has not ınvested ın any of the Group's own financıal ınstruments nor ın propertıes or other assets used by the Group

25. PENSION COMMITMENTS (continued)

The main actuarial assumptions used in the valuation are set out below

	2012 %	2011 %
Rate of salary increases	4 0	4 1
Rate of increase in pension payments	2 9	3 0
Discount rate	4 5	4 7
RPI inflation assumption	3 0	3 1
CPI inflation assumption	2 3	2 2
Expected return on scheme assets		
Equities	7 2	6 8
Property	5 7	5 3
Debt securities	2 7	2 8
LDI	2 7	2 8
Hedge funds	5 3	6 0
Insured pension	4 5	4 7
Cash / currency	3 1	3 3

The mortality assumptions are based on recent actual mortality experience of members within the Scheme with an allowance for future improvements The assumptions mean that a member currently aged 65 is expected to live on average for a further 22 2 years if they are male (2011 21 9 years) and for a further 24 4 years if they are female (2011 23 7 years)

For a member who retires in 2033 (2011 2031) at the age of 65 the assumptions are that they will live on average for a further 23 9 years after retirement if they are male (2011 24 1 years) and for a further 26 3 years after retirement if they are female (2011 26 1 years)

A building block approach is used to determine the long-term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class has been set by directors following discussions with their advisors The overall expected rate of return on assets is then derived by aggregating the expected return on each asset class over the actual asset allocation for the pension scheme at the beginning of the period

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

	Change in assumption	*Impact on scheme liabilities*
Rate of salary increases	Increase / decrease 1%	Nil
Discount rate	Increase / decrease 1%	Decrease 15% / increase 19%
Inflation assumption	Increase / decrease 1%	Increase 12% / decrease 12%
Mortality	Increase / decrease 1 year	Increase 4% / decrease 4%

Currently the schedule of contributions sets out that the employer will pay deficit repair contributions of £13 8 million in 2013

25. PENSIONS (continued)

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

	2012 £000	2011 £000
Opening defined benefit obligation	1,372,304	1,238,520
Current service cost	3,500	3,888
Interest cost	63,172	62,879
Actuarial losses	28,355	159,317
Benefits paid	(60,651)	(59,000)
Past service cost	-	(33,300)
Closing defined benefit obligation	1,406,680	1,372,304

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

	2012 £000	2011 £000
Opening fair value of scheme assets	1,424,720	1,322,190
Expected return on scheme assets	58,966	72,122
Actuarial gains	16,302	75,397
Contributions by the employer	18,284	14,011
Benefits paid	(60,651)	(59,000)
Closing fair value of scheme assets	1,457,621	1,424,720

Amounts for the current and previous four years

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	1,457,621	1,424,720	1,322,190	1,214,730	1,188,300
Defined benefit obligation	(1,406,680)	(1,372,304)	(1,238,520)	(1,226,362)	(1,109,100)
Surplus (deficit) in scheme	50,941	52,416	83,670	(11,632)	79,200
Experience gains (losses) on scheme assets	16,302	75,397	73,715	2,776	(63,917)
Experience gains (losses) on scheme liabilities *	(10,836)	(15,338)	30,585	2,848	(1,900)

* This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used

The Company also participates in the Hanson Industrial Pension Scheme (Defined Contribution Section) The charge to the profit and loss account in respect of this scheme was £3,307,000 (2011 £3,916,000)

At the year end, there were unpaid defined benefit pension contributions of £74,000 (2011 £119,000) and unpaid defined contribution pension contributions of £1,308,000 (2011 £1,295,000) included in creditors

26. OPERATING LEASE COMMITMENTS

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2012	2011	2012	2011
	£000	£000	£000	£000
Expiry date				
Within 1 year	372	231	12	-
Between 2 and 5 years	1,888	2,248	2,749	2,218
After more than 5 years	7,015	6,998	-	-
Total	9,275	9,477	2,761	2,218

27. CONTINGENT LIABILITIES

Guarantees relating to performance bonds on certain construction supply contracts and financial commitments of haulage contractors made in the normal course of business, which are not expected to crystallise

	2012	2011
	£000	£000
Guarantees	10,587	9,237

HeidelbergCement AG entered into a syndicated credit agreement in April 2010 Under the terms of this agreement, HeidelbergCement AG has procured that certain group undertakings, including Hanson Quarry Products Europe Limited provide a guarantee to the facility arranger which would allow them to seek recovery of amounts outstanding upon any default of HeidelbergCement AG As at 31 December 2012, the amounts drawn under this loan agreement totalled €261million and this is the maximum value of the Company's contingent liability

28 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS8 Related Party Transactions, not to disclose transactions with wholly owned subsidiaries in the group headed by HeidelbergCement AG

The Company enters into transactions to sell and purchase building products from its participating and joint venture interests These transactions are carried out at normal commercial terms There were no other material related party transactions which need disclosure

29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is UDS (No 10), a company registered in England and Wales The Company's ultimate parent undertaking is HeidelbergCement AG, a company registered 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