

Company Registration No 1698861 (England & Wales)

Hanson Thermalite Limited

Report and Financial Statements

31 December 2006

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COMPANIES HOUSE

Hanson Thermalite Limited

Registered No 1698861

Directors

C Brown (Resigned 19 June 2006)
D J Szymanski
W J Trott
R R Gimmier
G Dransfield (Appointed 28 July 2006)

Secretary

A Lancaster (Resigned 28 July 2006)
P D Tunncliffe (Appointed 28 July 2006)

Auditors

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Bankers

Barclays Bank Plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

Registered Office

Hanson Thermalite Limited
Stewartby
Bedford
MK43 9LZ

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2006

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £4.9 million (2005: £9.9 million profit). A preference dividend payment of £nil was paid during the year (2005: £15 million). The directors do not propose to pay a final dividend (2005: £nil).

Principal activity and review of the business

The principal activity of the company is the manufacture and sale of aerated concrete products.

The Directors are satisfied with the progress of the business during the year and consider the state of affairs at the end of the year to be satisfactory.

The trade, assets and liabilities of the company were transferred into Hanson Building Products Limited on the 30 June 2006.

As a result of the above mentioned hive up it is not deemed necessary to disclose the new requirements for the business review under section 234ZZB of the Companies Act 1985.

Directors and their interests

The names of the present Directors of the Company and those who have served throughout the year appear on page 1.

The Directors' interests in the share capital of Hanson PLC have been disclosed in the financial statements of Hanson Building Products Limited.

Employees

The company is committed to maintaining employment policies that both encourage and reward the skills and commitment of its employees. Its policy of non-discrimination is designed to give full and fair consideration to all on an equal basis. This undertaking extends to the employment of disabled persons and to the support of those who become disabled during their service with the company.

Measures have been developed to encourage employee involvement. These extend from quality involvement programmes to health and safety disciplines and matters of environmental concern.

Research and development

The company is fully committed to research and development. It continually reviews the range of products it produces in order to meet the changing requirements of the market place. Research and development costs are written off in the year in which they are incurred.

Directors' report

Payment of suppliers

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

At 31 December 2006, the company had an average nil days purchases outstanding in trade creditors

Charitable Donations

During the year the company made charitable donations of £nil (2005 £nil)

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 handicapped or 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

Employee involvement

During the year the policy of providing employees with information about the company has been continued through circulars and employee briefings

Annual general meetings

Pursuant to the Elective Resolution of the company passed on 18 January 1994, the company has dispensed with the need to hold Annual General Meetings. Any member of the company is entitled to require the laying of the financial statements before a general meeting on giving due notice to that effect in accordance with Section 253 of the Companies Act 1985

Auditors and disclosure of information to auditors

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

This confirmation is given in accordance with the provisions of Section 234ZA of the Companies Act 1985

Auditors

Ernst & Young LLP continues in office as the company's auditors in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985

By order of the board

Director



Date 31 May 2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the shareholders of Hanson Thermalite Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion


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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
 - the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements


Ernst & Young LLP
Registered Auditor
Luton

Date

31 May 2007

Profit and loss account

for the year ended 31 December 2006

	<i>Notes</i>	<i>2006</i>	<i>2005</i>
		<i>£m</i>	<i>£m</i>
Turnover	2	25 5	56 1
Change in stocks of finished goods and in work in progress		(0 8)	(1 3)
		26 3	57 4
Raw materials and consumables		6 5	17 9
		19 8	39 5
Staff costs	4	5 3	13 3
Depreciation	3	0 8	1 5
Other operating charges		8 8	15 7
		14 9	30 5
Operating profit	3	4 9	9 0
Profit on disposal of business		-	1 3
		4 9	10 3
Interest payable - group		-	(0 1)
Dividends – preference dividends on non-equity shares		-	(15 0)
Profit on ordinary activities before taxation		4 9	(4 8)
Tax on profit on ordinary activities	6	-	(0 3)
Profit on ordinary activities after taxation		4 9	(5 1)

Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £4 9 million for the year ended 31 December 2006 (loss of £5 1 million in the year ended 31 December 2005)

Balance sheet

at 31 December 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Tangible assets	7	-	33 5
		<u>-</u>	<u>33 5</u>
Current assets			
Stocks	8	-	6 8
Debtors	9	41 6	15 8
Cash at bank and in hand		-	-
		<u>41 6</u>	<u>22 6</u>
Creditors: amounts falling due within one year	10	-	(18 0)
		<u>41 6</u>	<u>4 6</u>
Net current assets due within one year		<u>41 6</u>	<u>38 1</u>
Total assets less current liabilities		<u>41 6</u>	<u>38 1</u>
Provision for liabilities and charges			
Deferred taxation	11	-	0 9
Other provisions	11	-	0 4
		<u>41 6</u>	<u>36 8</u>
Capital and reserves			
Called up share capital	12	5 7	5 7
Profit and loss account	13	35 9	21 2
Revaluation reserve	13	-	9 9
		<u>41 6</u>	<u>36 8</u>
Equity and non equity shareholders' funds	13	<u>41 6</u>	<u>36 8</u>

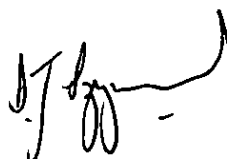
Approved by the Board on

31 May 2007

Director



Director



Notes to the financial statements

at 31 December 2006

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards

Cash flow statement

In accordance with FRS1 (revised), the company has not prepared a cash flow statement as it is a wholly owned subsidiary undertaking within the Hanson PLC group

Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings have subsequently been revalued as at 7 March 2005 with the revaluation being taken to a revaluation reserve

The transitional rules of FRS 15 have been adopted for land and buildings which permits the retention of the carrying value at the prevailing revalued amount. Upon acquisition of the business by Hanson Building Products Limited the tangible fixed assets were revalued. No further revaluations will be made in respect of these land and buildings

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows

Freehold buildings	-	over 50 years
Kilns and fixed plant	-	over 5 to 25 years
Mobile plant	-	over 5 years
Motor vehicles	-	over 4 to 5 years

An amount equal to the excess of the annual depreciation charge on revalued 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 in years if events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the financial statements

at 31 December 2006

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows

- | | |
|-------------------------------------|---|
| Raw materials and goods for resale | - purchase cost on a first-in, first-out basis |
| Work in progress and finished goods | - cost of direct materials and labour plus attributable overheads based on a normal level of activity |

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

Restoration

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

Our accounting policy is to make a provision on a discounted basis to return a factory site to a decontaminated, cleared and improved site and to make a provision to restore the present extracted areas to currently anticipated afteruse.

Operating lease commitments

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

Research and development

Research and development expenditure is written off as incurred.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange ruling at the date of transaction. Assets and liabilities are translated at rates ruling at the balance sheet date. All exchange differences are shown in the profit and loss account.

Notes to the financial statements

at 31 December 2006

1. Accounting policies (continued)

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 at that date 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 (and similar fair value adjustments) of fixed assets, or gains on disposals of fixed assets that have been rolled over into replacement 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 where, 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 over into replacement assets and charged to tax only where 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 years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties

The turnover, pre-tax profit and net assets are attributable to the one continuing activity, the manufacture and sale of aerated concrete products are wholly derived from within the United Kingdom

3. Operating profit

This is stated after charging/(crediting)

	2006	2005
	£m	£m
Operating lease rentals - land and buildings	-	0.1
- plant and machinery	0.3	0.3
Depreciation of owned fixed assets	0.8	1.5
	<u>0.1</u>	<u>1.9</u>

The Company's audit fee for 2006 was borne by Hanson Building Products Limited

Notes to the financial statements

at 31 December 2006

4. Staff costs

	2006	2005
	£m	£m
Wages and salaries	4.4	11.2
Social security costs	0.5	1.1
Pension costs	0.4	1.0
	<u>5.3</u>	<u>13.3</u>

The average number of employees during the year was 312 (2005 308)

5. Share-based payments

Sharesave Scheme

Hanson Thermalite Limited participates in a UK HM Revenue & Customs approved savings related Sharesave Scheme available to all UK employees. Options are granted at a discount of up to 20% of the market price at the date of invitation to participate over three, five or seven year savings contracts and options are exercisable during the six month period following completion of the savings contract. Options are valued using a Black-Scholes model.

During 2006, options were granted over 9,570 shares which will ordinarily be exercisable at an exercise price of 611 0p per share during the period to 30 November 2009 for the three year savings contract, 1 June to 30 November 2011 for the five year savings contract, and 1 June to 30 November 2013 for the seven year savings contract. The weighted average fair value of each share under option granted is £1.81 (2005 £1.34).

The following table illustrates the number and weighted average exercise prices of, and movement in, shares under option during the year in the Sharesave Scheme.

	2006		2005	
	Number Outstanding	Weighted Average Exercise Price Pence	Number Outstanding	Weighted Average Exercise Price Pence
Outstanding as at 1 January	170.6	395.0	182.1	395.0
Granted during the year	9.6	611.0	—	—
Forfeited during the year	(19.1)	426.6	(7.8)	395.0
Expired during the year	(10.8)	395.0	(3.3)	395.0
Exercised during the year	(1.3)	395.0	(0.4)	395.0
Transfer to HBP Limited	(148.9)	404.8	—	—
	<u>—</u>	<u>—</u>	<u>170.6</u>	<u>395.0</u>
Outstanding at 31 December	—	—	—	—
Exercisable at 31 December	—	—	—	—

Notes to the financial statements

at 31 December 2006

5. Share-based payments (continued)

Range of exercise prices for the Sharesave Scheme (pence per share)

	<i>Options Outstanding</i>		
	<i>Number Outstanding</i>	<i>Weighted Average Remaining Contract Life</i>	<i>Weighted Average Exercise Price Pence</i>
2005			
318 0p-323 0p	—	—	—
323 1p-428 0p	170 6	4 8	395 0
	<u>170 6</u>	<u>4 8</u>	<u>395 0</u>

There were no options outstanding at the end of the year due to the transfer to Hanson Building Products Limited

The following tables show the assumptions used to fair value the equity settled options granted in the Sharesave Scheme

	<i>2006 Sharesave 3 year</i>	<i>2006 Sharesave 5 year</i>	<i>2006 Sharesave 7 year</i>
Dividend yield (%)	3 3	3 3	3 3
Expected volatility (%)	19 6	23 0	25 5
Risk-free interest rate (%)	4 6	4 6	4 6
Expected life of option (years)	3 4	5 4	7 4
Share price at award/grant (pence)	737 0	737 0	737 0
Exercise price (pence)	611 0	611 0	611 0

	<i>2005 Sharesave 3 year</i>	<i>2005 Sharesave 5 year</i>	<i>2005 Sharesave 7 year</i>
Dividend yield (%)	4 3	4 3	4 3
Expected volatility (%)	24 0	26 9	29 1
Risk-free interest rate (%)	4 8	4 9	5 0
Expected life of option (years)	3 4	5 4	7 4
Share price at award/grant (pence)	498 0	498 0	498 0
Exercise price (pence)	395 0	395 0	395 0

The weighted average share price during the year is 697 4p (2005 544 0p)

Notes to the financial statements

at 31 December 2006

5. Share-based payments (continued)

The expected volatility for Hanson has been calculated using historical data over a term commensurate with the expected life of each award/option. The expected volatility figures used in the valuations were calculated based on the following principles:

- Historic weekly volatility over periods of increasing length ending on the date of each grant/award were determined
- The volatility figures above were used to calculate a weighted average volatility for the term commensurate with the expected term of the award/option being valued

6. Tax on profit on ordinary activities

	2006 £m	2005 £m
UK corporation tax		
Current tax on income for the year	-	0.5
Prior year adjustment	-	(0.1)
	<u>-</u>	<u>0.4</u>
Deferred taxation		
Origination and reversal of timing differences (note 11)	-	(0.1)
	<u>-</u>	<u>0.3</u>
	<u><u>-</u></u>	<u><u>0.7</u></u>

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £m	2005 £m
Profit on ordinary activities before tax	4.9	10.2
Profit on ordinary activities multiplied by standard rate of corporation tax In the UK of 30% (2005: 30%)	<u>1.5</u>	<u>3.0</u>
Effects of:		
Expenses not deductible for tax purposes	-	0.2
Non-taxable gain on group disposal	-	(0.4)
Short term timing differences	-	0.1
Capital allowances in excess of depreciation	0.2	(0.2)
Prior year adjustment	-	(0.1)
Losses received for no consideration	(1.7)	(2.3)
Current tax charge for the year	<u>-</u>	<u>0.3</u>

Notes to the financial statements

at 31 December 2006

7. Tangible assets

	<i>Freehold & leasehold property £m</i>	<i>Plant, vehicles & equipment £m</i>	<i>Total £m</i>
Cost			
At 1 January 2006	30.4	24.2	54.6
Additions	-	0.3	0.3
Transfer to assets held for resale	(0.2)	(0.1)	(0.3)
Transfer to Hanson Building Products Limited	(30.2)	(24.3)	(54.6)
At 31 December 2006	-	-	-
Accumulated depreciation			
At 1 January 2006	8.0	13.1	21.1
Charge for the year	-	0.7	0.7
Transfer to assets held for resale	-	(0.1)	(0.1)
Transfer to Hanson Building Products Limited	(8.0)	(13.7)	(21.7)
At 31 December 2006	-	-	-
Net book values			
At 31 December 2006	-	-	-
At 1 January 2006	22.4	11.1	33.5

The net book values shown include the following

Assets under construction which have not been depreciated in the year
Included in Plant, vehicles and equipment

2006
£m

2005
£m

- 3.5

Capital commitments

Contracts placed but not provided for in the accounts

- 0.1

Notes to the financial statements

at 31 December 2006

8. Stocks

	2006 £m	2005 £m
Raw materials and consumables	-	1 5
Work in progress	-	0 1
Finished goods	-	5 2
	<u>-</u>	<u>6 8</u>
	<u>-</u>	<u>6 8</u>

9. Debtors

	2006 £m	2005 £m
Amounts falling due within one year		
Trade debtors	-	6 1
Amounts owed by group undertakings	41 6	9 3
Prepayments and accrued income	-	0 4
	<u>41 6</u>	<u>15 8</u>
	<u>41 6</u>	<u>15 8</u>

10. Creditors: amounts falling due within one year

	2006 £m	2005 £m
Trade creditors	-	4 6
Amounts owed to group undertakings	-	8 9
Taxation payable	-	0 2
Other creditors	-	3 0
Accruals and deferred income	-	1 3
	<u>-</u>	<u>18 0</u>
	<u>-</u>	<u>18 0</u>

Notes to the financial statements

at 31 December 2006

11. Provisions for liabilities and charges

	2006 £m	2005 £m
Deferred tax	-	0.9
Other provisions - Restoration	-	0.4
	<u>-</u>	<u>1.3</u>

An analysis of the deferred tax liability is as follows

Capital allowances in excess of depreciation	1.0	1.0
Other timing differences	(0.1)	(0.1)
Transfer to Hanson Building Products Limited	(0.9)	-
	<u>-</u>	<u>0.9</u>

	Deferred tax £m	Other Provision £m	Total £m
Movement in provision was as follows			
At 1 January 2006	0.9	0.4	1.3
Profit and loss charge/(credit) – current year	(0.5)	-	(0.5)
– prior year	0.5	-	0.5
Transfer to Hanson Building Products Limited	(0.9)	(0.4)	(1.3)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2006	-	-	-

12. Share capital

	2006 £m	2005 £m
Authorised		
81,106,002 ordinary shares of 7p each	5.7	5.7
	<u>5.7</u>	<u>5.7</u>
Issued and fully paid		
80,760,171 ordinary shares of 7p each	5.7	5.7
	<u>5.7</u>	<u>5.7</u>

Notes to the financial statements

at 31 December 2006

13. Reconciliation of movements in shareholder's funds

	<i>Share Capital £m</i>	<i>Revaluation Reserve £m</i>	<i>Profit and loss account £m</i>	<i>Total £m</i>
At 1 January 2006	5 7	9 9	21 1	36 7
Retained profit for the year	-	-	4 9	4 9
Transfer	-	(9 9)	9 9	-
At 31 December 2006	<u>5 7</u>	<u>-</u>	<u>35 9</u>	<u>41 6</u>

14. Operating lease commitments

	<i>Land and buildings</i>		<i>Plant, vehicles and equipment</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Rentals payable during the coming year	-	0 1	-	0 3
Leases expiring between one and five years	<u>-</u>	<u>0 1</u>	<u>-</u>	<u>0 3</u>

Notes to the financial statements

at 31 December 2006

15. Pension scheme

The company's employees participate in the Hanson Industrial Products defined contribution scheme, operated by Hanson PLC, the ultimate parent of Hanson Building Products Limited. The pension cost profit and loss charge amounted to £0.4 million (2005: £1.0 million).

16. Related party transactions

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are members of the Hanson PLC group.

17. Ultimate parent company

The Company regarded by the Directors as the ultimate parent company is Hanson Building Products Limited, which is incorporated in the United Kingdom and registered in England and Wales.

The financial statements of Hanson Building Products Limited are available from their Registered Office at Stewartby, Bedford, MK43 9LZ.