Company Registration No. 4027738

SAPPHIRE ENERGY RECOVERY LIMITED

Report and Financial Statements

31 December 2010

REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS

SAPPHIRE ENERGY RECOVERY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F Colhoun
R Hodder
R Ramankutty

SECRETARY

Lafarge Secretaries (UK) Limited

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

BANKERS

Barclays Bank plc

REGISTERED OFFICE

Granite House
Granite Way
Syston
Leicester
Leicestershire
LE7 1LP

SAPPHIRE ENERGY RECOVERY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES
The principal activity is to acquire used/scrap vehicle tyres from appropriate sources, for processing and onward disposal through environmentally sound facilities The business also sources alternative waste materials to be used in the manufacture of cement as either an alternative fuel or raw material

RESULTS AND DIVIDENDS
The profit and loss account is presented on page 7 The result for the period, after taxation, amounted to £67,478 (2009 – loss of £987,672)

The directors have not declared a dividend in the current year (2009 - £nil)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS
Turnover increased in 2010 as a result of increased supply of alternative fuels and raw materials to cement manufacturers

On 23 March 2010 the A ordinary shares and the B ordinary shares of £1 00 each were converted into ordinary shares of £1 00 each. On 25 March 2010 the share capital of the Company was increased to £3,500,000 by the creation of 2,500,000 ordinary £1 00 shares which were issued and allotted on the same day at par value

The balance sheet shows the Company's financial strength at the year end in terms of net assets There has been a significant decrease in the bank overdraft as a result of the £2,500,000 new share capital issued

GOING CONCERN
The directors have considered the appropriateness of adopting the going concern basis in the preparation of these financial statements The Company made a profit of £67,478 for the year (2009 loss of £987,672) At 31 December 2010, the Company had net assets of £1,221,628 (2009 net liabilities of £1,345,850) The Company is reliant on its immediate parent company, Lafarge Cement UK Ltd, for the provision of ongoing funding

After making enquiries, based on financial projections and confirmation of ongoing support from the immediate parent company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for not less than 12 months from approval of these financial statements Accordingly, the directors consider it is appropriate that the financial statements should be prepared on a going concern basis

CREDIT RISK
The Company's credit risk is primarily attributable to its trade debtors The amounts presented in the balance sheet are net of allowances for doubtful debts An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

LIQUIDITY RISK
The Company operates under the Lafarge Group cash pool arrangement and therefore liquidity is not deemed to be a risk

DIRECTORS AND THEIR INTERESTS
The directors who served throughout the year and up to the date of this report, except where otherwise stated were

F Colhoun
R W Cooper (resigned 30 September 2010)
R Hodder
R Ramankutty (appointed 30 September 2010)

No director had any interest in the share capital of the Company or any other UK group undertaking

SAPPHIRE ENERGY RECOVERY LIMITED

DIRECTORS' REPORT

CHARITABLE AND POLITICAL CONTRIBUTIONS

No charitable donations or political donations were made during 2010 (2009 - £nil)

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order 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 and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

By order of the board

F Colhoun
Director
Date 19 July 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

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) 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 accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPPHIRE ENERGY RECOVERY LIMITED

We have audited the financial statements of Sapphire Energy Recovery Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19 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 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

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 (APB'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

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 2010 and of its profit 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

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

Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, United Kingdom
21 July 2011

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2010

	Note	2010 £	2009 £
Turnover		5,660,132	4,238,907
Cost of sales		(3,900,040)	(3,954,288)
Gross profit		1,760,092	284,619
Administrative expenses		(1,675,663)	(1,266,974)
Operating Profit / (loss)	3	84,429	(982,355)
Interest payable	4	(16,951)	(40,764)
Profit / (Loss) on ordinary activities before taxation		67,478	(1,023,119)
Tax credit on loss on ordinary activities	5	-	35,447
Profit / (Loss) for the financial year	13	67,478	(987,672)

Turnover and operating profit are derived from the Company's continuing operations

There are no recognised gains or losses in either year other than the loss for that financial year Accordingly, no statement of total recognised gains or losses is presented

BALANCE SHEET
As at 31 December 2010

	Note	2010 £	2009 £
Fixed Assets			
Goodwill	6	280,009	360,001
Tangible assets	7	1,508,782	1,984,395
Current assets			
Stocks	8	396,308	376,950
Debtors	9	1,930,662	1,223,477
Cash at bank and in hand		440	487
		2,327,410	1,600,914
Creditors: amounts falling due within one year	10	(2,894,573)	(5,291,160)
Net current liabilities		(567,163)	(3,690,246)
Total assets less current liabilities		1,221,628	(1,345,850)
Provisions for liabilities	11	-	-
Net assets/(liabilities)		1,221,628	(1,345,850)
Capital and reserves			
Called up share capital	12	3,500,000	1,000,000
Profit and loss account deficit	13	(2,278,372)	(2,345,850)
Total shareholder's funds/(deficit)	14	1,221,628	(1,345,850)

The financial statements of Sapphire Energy Recovery Limited, registered number 4027738, were approved by the Board of Directors and authorised for issue on July 2011

F Colhoun
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding financial year

Basis of preparation

The financial statements are prepared under the historical cost convention

Going concern

The directors have considered the appropriateness of adopting the going concern basis in the preparation of these financial statements The Company made a profit of £67,478 for the year (2009 loss of £987,672) At 31 December 2010, the Company had net assets of £1,221,628 (2009 net liabilities of £1,345,850) The Company is reliant on its immediate parent company, Lafarge Cement UK Ltd, for the provision of ongoing funding

After making enquiries, based on financial projections and confirmation of ongoing support from the immediate parent company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for not less than 12 months from approval of these financial statements Accordingly, the directors consider it is appropriate that the financial statements should be prepared on a going concern basis

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment in the value

Depreciation is provided on cost in equal annual instalments over the estimated useful economic lives of the assets The rates of depreciation are as follows

Plant and machinery	5% to 33% per annum
Fixtures, fittings, tools and equipment	33% per annum

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 5 years Provision is made for any impairment

Stocks

Stocks are engineering spares and are stated at the lower of cost and net realisable value

Current taxation

UK Corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term

1. ACCOUNTING POLICIES (CONTINUED

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate 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 the profit and loss account

Pension costs

Prior to September 2003, employees of the Company were members of the Lafarge Redland Pension Scheme, a funded defined benefit scheme Since 1 October 2003 following the merger of the Lafarge UK Group's three major pension schemes the Lafarge Redland Pension Scheme (LRPS) is now part of the Lafarge UK Pension Plan (LUPP) Both LUPP and its predecessor LRPS operate for several of the Group's UK subsidiaries and as such, Sapphire Energy Recovery Limited is unable to identify its share of the underlying assets and liabilities of LUPP Accordingly, the Company accounts for the scheme as a multi employer scheme under FRS 17, as if it were a defined contribution scheme

LUPP is a defined benefit scheme with the assets of the scheme held separately from those of the Company or the group, in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date

A summary of the assets and liabilities of the LUPP Scheme as at 31 December 2010 and 31 December 2009 is provided for in note 17

The actual cost of providing pensions to the Company is charged to the profit and loss as incurred during the year Any surplus or deficit in the LUPP Scheme is dealt with in the accounts of Lafarge S A , the ultimate parent company (note 19)

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and Value Added Tax The turnover and pre-tax profit/loss, all of which arises in the United Kingdom, is attributable to the Company's principal activity

Cash flow statement

The Company has taken advantage of the exemption not to prepare a cash flow statement under Financial Reporting Standard 1 (revised) as its cash flows are consolidated into the cash flow statement produced by the ultimate parent company

2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration

During the year Sapphire Energy Recovery Limited were charged £215,433 by Lafarge Cement UK for the services of one of the Directors These charges included relocation expenses The other directors did not receive any remuneration for their services as directors to the Company (2009 - £nil)

	2010	2009
Average number of persons employed	**No.**	**No.**
Production	27	36
Sales and distribution	12	15
Administration	11	10
	50	61

Staff costs during the year comprise:		
Wages and salaries	1,523,866	1,679,530
Social security costs	144,620	163,633
Pension costs	100,131	108,485
	1,768,617	1,951,648

3 OPERATING PROFIT/ LOSS

	2010 £	2009 £
Operating profit/loss is stated after charging:		
Depreciation		
Owned assets	304,475	390,053
Amortisation of goodwill	79,992	39,999
Provision for impairment of fixed assets	187,900	-
Rentals under operating leases		
Hire of plant and machinery	71,915	128,843
Other operating leases	229,185	200,759
Fees payable to the Company's auditors for the audit of the Company's annual accounts	11,000	15,000
Exchange (gains)/losses	13,527	67,070
Loss on disposal of fixed assets	-	5,719

4. INTEREST PAYABLE

	2010 £	2009 £
Interest payable on amounts due to group companies	(16,951)	(40,764)

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

(a) Tax credit on loss on ordinary activities

	2010 £	2009 £
Current tax		
United Kingdom corporation tax at 28% (2009-28%) based on the profit for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax		-
Deferred tax (note 11)		
Timing differences, origination and reversal	-	35,447
Adjustments in respect of prior periods	-	-
Total deferred tax	-	35,447
Total Tax Credit	-	35,447

(b) Factors affecting current tax credit for the year

The tax assessed for the year is different to that resulting from applying the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before taxation	67,478	(1,023,119)
Tax credit on loss on ordinary activities at standard rate	18,894	286,473
Effects of		
Depreciation in excess of capital allowances	103,349	(94,809)
Group relief surrendered	(138,206)	(269,945)
Short Term Timing Differences	(13,617)	113,091
Permanent differences	29,580	(34,810)
Prior Year Adjustment	-	-
Total actual amount of current tax	-	-

(c) Factors that may affect future tax charge

The Emergency Budget for 2010 introduced a reduction in the rate of corporation tax from 28% to 27% from 1 April 2011 This legislation was substantively enacted on 21 July 2010 and was expected to impact the company's current tax charge from 1 April 2011

Subsequently, the Budget for 2011 has introduced further reductions in the rate of corporation tax from 27% to 26% from 1 April 2011 and from 26% to 25% from 1 April 2012 This legislation was substantively enacted on 29 March 2011 and 5 July 2011 respectively, and will impact the company's current tax charge from 1 April 2011 and 1 April 2012

6. GOODWILL

	Goodwill Total £
Cost	
At 1 January 2010	400,000
Additions	-
At 31 December 2010	400,000
Accumulated amortisation	
At 1 January 2010	39,999
Charge for the year	79,992
At 31 December 2010	119,991
Net book value	
At 31 December 2010	280,009
At 31 December 2009	360,001

7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 1 January 2010	3,415,645	143,594	3,559,239
Additions	16,762	-	16,762
Disposals	(85,561)	-	(85,561)
At 31 December 2010	3,346,846	143,594	3,490,440
Accumulated depreciation			
At 1 January 2010	1,499,298	75,546	1,574,844
Charge for the year	286,250	18,225	304,475
Disposals	(85,561)	-	(85,561)
Provision for impairment	187,900	-	187,900
At 31 December 2010	1,887,887	93,771	1,981,657
Net book value			
At 31 December 2010	1,458,959	49,823	1,508,782
At 31 December 2009	1,916,347	68,048	1,984,395

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

8 STOCKS

	2010 £	2009 £
Tyres	15,955	-
Engineering spares	380,353	376,950
	396,308	376,950

9. DEBTORS

Amounts due within one year	2010 £	2009 £
Trade debtors	706,810	669,897
Amounts owed by parent undertakings (note 16)	1,103,517	348,157
Other debtors and prepayments	120,335	205,423
	1,930,662	1,223,477

10. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Bank overdraft	1,132,771	3,721,105
Trade creditors	514,422	507,769
Amounts owed to parent undertaking (note 16)	530,935	752,964
Other creditors	110,403	107,873
Accruals and deferred income	606,042	201,449
	2,894,573	5,291,160

Cash Pooling

The Company operates as part of the Lafarge SA Group cash pooling arrangement Each company participating in the cash pooling arrangement has a memorandum balance, with the true balance at bank being the sum of all of the memorandum balances While the overall balance at bank in the cash pool is usually maintained as a positive cash balance, there are points in time during which the overall balance may temporarily fall into an overdraft position The nature of the cash pooling arrangement increases the risk to the Company of withdrawing cash balances in full on demand, in the event of other Lafarge SA Group companies having overdraft positions The directors do not consider that this presents a material risk to the Company regarding the availability of cash balances to continue operations under the normal course of business

11. PROVISIONS FOR LIABILITIES

	2010 £	2009 £
Deferred taxation provision		
At 1 January	-	35,447
(Credit) / Charge to profit and loss account (note 5)	-	(35,447)
At 31 December	-	-

11. PROVISIONS FOR LIABILITIES (CONTINUED)

The deferred taxation (asset) / liability, which is included in the accounts, is in respect of

	2010 £	2009 £
Accelerated capital albwances	-	-
Closing Liability	-	-

The Company has an unrecognised deferred tax asset of £149,130 (2009 £229,606) in relation to accelerated capital allowances of £82,779 (2009 £147,181) and other timing differences of £66,351 (2008 £82,425) which has not been recognised as there is insufficient information to support the recoverability of this asset in the future

12. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Called up, allotted and fully paid		
3,500,000 (2009 – Nil) ordinary shares of £1 each	3,500,000	-
Nil (2009 – 750,000) 'A' ordinary shares of £1 each	-	750,000
Nil (2009 – 250,000) 'B' ordinary shares of £1 each	-	250,000
	3,500,000	1,000,000

The shares rank pari passu in all respects

On 23 March 2010 the A ordinary shares and the B ordinary shares of £1 00 each were converted into ordinary shares of £1 00 each and on 25 March 2010 the share capital of the Company was increased to £3,500,000 by the creation of 2,500,000 ordinary £1 00 shares which were issued and allotted on the same day at par value

13. RESERVES

	Profit and loss account £
Balance at 1 January 2010	(2,345,850)
Profit for the financial year	67,478
Balance at 31 December 2010	(2,278,372)

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT) / FUNDS

	2010 £	2009 £
Increase in share capital	2,500,000	-
Profit/(Loss) for the financial year	67,478	(987,672)
Net increase/(decrease) in shareholder's funds	2,567,478	(987,672)
Opening shareholder's (deficit) / funds	(1,345,850)	(358,178)
Closing shareholder's (deficit)/funds	1,221,628	(1,345,850)

15. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 December 2010 the Company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings 2010 £	Other 2010 £	Land and buildings 2009 £	Other 2009 £
Leases which expire				
Less than one year	-	8,799	144,583	6,185
Within one to two years	-	79,282	-	56,279
Within two to five years	105,668	16,379	110,066	46,972
Over five years	213,500	-	-	-

16. RELATED PARTY TRANSACTIONS

During the year the following transactions took place with related parties

	Sales 2010 £	Purchases 2010 £	Sales 2009 £	Purchases 2009 £
Lafarge Cement UK PLC	2,434,621	1,967,951	498,759	2,039,949
Glacier ARM Limited	-	-	6,297	-
Lafarge Aggregates Limited	-	2,318	-	-

	Balances at year end			
	Debtors 2010 £	Creditors 2010 £	Debtors 2009 £	Creditors 2009 £
Lafarge Cement UK PLC	1,103,517	530,453	348,157	752,964
Michelin Tyres PLC	-	483	-	-

Lafarge Cement UK Ltd is a related party by virtue of its 100% shareholding in the Company Michelin Tyres PLC previously owned 25% of the Company which was sold to Lafarge Cement UK Ltd on 23 December 2008 Glacier ARM Limited and Lafarge Aggregates Limited are subsidiary undertakings of the Lafarge S A group, a French group listed on the Paris Stock Exchange of which Lafarge Cement UK Ltd is also a subsidiary All transactions are in the normal course of business

Included within amounts owed to group undertakings is £nil (2009 £nil) due to Lafarge group companies in accordance with group banking arrangements

17. PENSION ARRANGEMENTS

Since 30 September 2003 the Company has participated in the Lafarge UK Pension Plan (LUPP) Prior to this date the Company was a member of the Lafarge Redland Pension Scheme (LRPS) This scheme is now part of LUPP LUPP is, and LRPS was, a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme

The pension cost and funding arrangements are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method An IAS 19 valuation for the LUPP has been performed for the year ended 31 December 2009 for the purposes of the Lafarge S A financial statements These have been updated from the preliminary results of an actuarial valuation as at 30 June 2009

Contributions to the scheme for the year were £100,131 (2009 - £108,485) and the agreed employer contribution rate for the next twelve months is 20% (2009 – 20%)
The assets in the scheme are based on the bid price and the expected rates of return at 31 December 2010 and 31 December 2009 were

	2010 Long term rate of return expected	2010 Value £m	2009 Long term rate of return expected	2009 Value £m
Equities	8 8%	1,213 8	8 6%	1,225 2
Bonds	4 4%	922 5	4 8%	796 9
Property	8 6%	94 8	7 0%	76 7
Other	4 1%	80 9	4 0%	32 0
Total market value of assets		2,312 0		2,130 8
Present value of plan liabilities		(2,315 0)		(2,237 4)
(Deficit) / Surplus in plan before tax		(3 0)		(106 6)

The figures shown above were calculated on the basis of the following assumptions

	2010	2009
Discount rate LUPP	5 40%	5 7%
Rate of increase in salaries	4 90%	5 0%
Rate of increase in deferred pensions	3 20%	3 5%
Rate of increase in pensions in payment*	3 20%	3 5%
Inflation assumption	3 40%	
Inflation assumption – CPI	2 70%	3 5%

* in excess of any guaranteed minimum pension (GMP) element

In the current year, the 'base' mortality rates adopted are in line with the SAPS 'all' tables with a 'scaling factor' of 85% for males and 95% for females applied Future improvements in life expectancy are assumed to be in line with the CMI 2009 Core Projection Model with a long term rate of improvement of 1% p a for men and women

The 'base' mortality rates used in 2009 were in line with the PA80 series tables (projected to calendar year 2009) with an age rating of -1 5 years applied Future improvements in life expectancy were in line with the "medium cohort" projections from 2006

The market value of the scheme's investments and, therefore the overall scheme deficit at any one point in time can be adversely affected by shorter-term fluctuations in stock market prices However, the scheme's investments are, by their nature, long term investments and therefore the group will continue to pay the

17 PENSION ARRANGEMENTS (CONTINUED)

contributions recommended by the scheme's actuary in accordance with statutory requirements, in order to meet the future liabilities of the scheme

18. POST BALANCE SHEET EVENT

Lafarge S A signed a binding agreement on 18 February 2011 (subject to regulatory approval) with Anglo-American plc, who owns Tarmac Ltd, to combine the UK operations in cement, aggregates, ready-mixed concrete and asphalt & contracting by forming a 50/50 joint venture company Lafarge Plasterboard UK and Tarmac Building Products are not involved in this agreement Pending regulatory approval, the two companies continue to operate independently

19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

Lafarge S A , a company registered in France, is the largest undertaking to consolidate the accounts of the Company Lafarge S A is regarded by the directors as being the Company's ultimate parent company and controlling entity

Copies of the accounts of Lafarge S A may be obtained from the Stockholder Relations Department, 61, rue des Belles Feuilles, 75116 Paris France

Lafarge Cement UK Ltd, a company registered in England and Wales and incorporated in Great Britain, is the immediate parent undertaking and the smallest group undertaking to consolidate the results of the Company

Copies of the Group accounts of Lafarge Cement UK Ltd may be obtained from the Company Secretary, Lafarge Cement UK Ltd, Granite House, Granite Way, Syston, Leicestershire LE7 1PL