Company Registration No. 4027738

SAPPHIRE ENERGY RECOVERY LIMITED

Report and Financial Statements

31 December 2011

SAPPHIRE ENERGY RECOVERY LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS

SAPPHIRE ENERGY RECOVERY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

F Colhoun
R Hodder
R Ramankutty

Secretary

Lafarge Secretaries (UK) Limited

Registered office

Granite House
Granite Way
Syston
Leicester
LE7 1LP

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

SAPPHIRE ENERGY RECOVERY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

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 £197,264 (2010 – £67,478)

The directors have not declared a dividend for the year ended 31 December 2011 (2010 - £nil)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Turnover increased in 2011 as a result of increased supply of alternative fuels and raw materials to cement manufacturers

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 due to improved working capital management

On 18 February 2011 Lafarge SA signed a binding agreement (subject to regulatory approval) with Anglo-American Finance (UK) Limited, owners of Tarmac, to combine the UK operations of Lafarge in cement, aggregates, ready-mixed concrete and asphalt & contracting into a new Joint Venture company (the "Joint Venture") The proposed Joint Venture was referred by the Office of Fair Trading to the Competition Commission who on 1 May 2012 published its final report into the proposed Joint Venture It concluded that a number of divestments of assets (remedies) will be required to be made in order to secure regulatory clearance A list of divestment assets has been published by the CC Pending regulatory approval the two companies continue to operate independently

As part of the above arrangements it was agreed that the Company would be contributed towards the proposed Joint Venture

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 £197,264 for the year (2010 £67,478) At 31 December 2011, the Company had net assets of £1,418,892 (2010 £1,221,628) The Company is reliant on its immediate parent company, Lafarge Cement UK Limited (formerly Lafarge Cement UK PLC), 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

PRINCIPAL RISKS AND UNCERTAINTIES

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

SAPPHIRE ENERGY RECOVERY LIMITED

DIRECTORS' REPORT

DIRECTORS

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

F Colhoun
R Hodder
R Ramankutty

The Articles of Association of the Company contain an indemnity in favour of all of the directors of the Company that, subject to law, indemnifies the directors from the assets of the Company against any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part)

CHARITABLE AND POLITICAL CONTRIBUTIONS

No charitable donations or political donations were made during 2011 (2010 - £nil)

AUDITOR

Each person 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 auditor is 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed No notice in accordance with section 488 of the Companies Act 2006 (which would operate to prevent the deemed reappointment of the auditor under s487(2) of that Act) has been or is expected to be received and accordingly the necessary conditions are in place for the deemed reappointment of the auditor to take place in absence of an Annual General Meeting

By Order of the Board

Ryan Hodder

R Hodder
Director
8 August 2012

SAPPHIRE ENERGY RECOVERY LIMITED

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 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 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 18 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 annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its 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, or
- the directors were not entitled to take advantage of the small company exemption in preparing the directors' report

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

8 August 2012

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2011

	Note	2011 £	2010 £
Turnover		**7,877,501**	5,660,132
Cost of sales		**(6,123,688)**	(3,900,040)
Gross profit		**1,753,813**	1,760,092
Administrative expenses		**(1,503,590)**	(1,675,663)
Operating Profit	3	**250,223**	84,429
Interest payable	4	**(4,634)**	(16,951)
Profit on ordinary activities before taxation		**245,589**	67,478
Tax charge on profit on ordinary activities	5	**(48,325)**	-
Profit for the financial year	12	**197,264**	67,478

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 2011

	Note	2011 £	2010 £
Fixed Assets			
Goodwill	6	**200,017**	280,009
Tangible assets	7	**1,383,560**	1,508,782
Current assets			
Stocks	8	**302,520**	396,308
Debtors	9	**1,765,429**	1,930,662
Cash at bank and in hand		**35,333**	440
		2,103,282	2,327,410
Creditors: amounts falling due within one year	10	**(2,267,967)**	(2,894,573)
Net current liabilities		**(164,685)**	(567,163)
Total assets less current liabilities		**1,418,892**	1,221,628
Net assets		**1,418,892**	1,221,628
Capital and reserves			
Called up share capital	11	**3,500,000**	3,500,000
Profit and loss account deficit	12	**(2,081,108)**	(2,278,372)
Total shareholder's funds	13	**1,418,892**	1,221,628

The financial statements of Sapphire Energy Recovery Limited, registered number 4027738, were approved by the Board of Directors and authorised for issue on 8 August 2012

Ryan Hodder

R Hodder
Director

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2011

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 £197,264 for the year (2010 £67,478) At 31 December 2011, the Company had net assets of £1,418,892 (2010 £1,221,628) The Company is reliant on its immediate parent company, Lafarge Cement UK Limited, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

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

Employees of the Company are members of the Lafarge UK Pension Plan (LUPP) LUPP operates for several of the Group's UK subsidiaries and as such, the Company is unable to identify its share of the underlying assets and liabilities of LUPP Accordingly, the Company accounts for the LUPP as a multi employer scheme under FRS 17, as if it were a defined contribution scheme

LUPP has defined benefits sections and a defined contribution section with the assets of the LUPP held separately from those of the Company or the group, in separate trustee administered funds The LUPP's assets are measured at fair value and Defined Benefit 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 LUPP liabilities The actuarial valuations are obtained at least annually and are updated at each balance sheet date

A summary of the assets and liabilities of the LUPP as at 31 December 2011 and 31 December 2010 is provided in note 16

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 is dealt with in the accounts of Lafarge SA, the ultimate parent company

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 No 1 (revised) as its cash flows are consolidated into the cash flow statement produced by the ultimate parent company

Related party transactions

The Company has taken advantage of the exemption granted in paragraph 3(c) of Financial reporting Standard No 8 'Related Party Disclosures' not to disclose transactions with wholly owned group undertakings

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration

Durmg the year the Company was charged £122,426 by Lafarge Cement UK Limited for the services of R Hodder (2010 £215,433) These charges included relocation expenses The other directors did not receive any remuneration for their services as directors to the Company (2010 - £nil)

Average number of persons employed	**2011 No.**	**2010 No.**
Production	**26**	27
Sales and distribution	**16**	12
Administration	**9**	11
	51	50

Staff costs during the year comprise:		
Wages and salaries	**1,617,387**	1,523,866
Social security costs	**158,729**	144,620
Pension costs	**93,560**	100,131
	1,869,675	1,768,617

3. OPERATING PROFIT

	2011 £	**2010 £**
Operating profit is stated after charging:		
Depreciation		
Owned assets	**202,200**	304,475
Amortisation of goodwill	**79,992**	79,992
Provision for impairment of fixed assets	**-**	187,900
Rentals under operating leases		
Hire of plant and machinery	**190,942**	71,915
Other operating leases	**221,904**	229,185
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**14,202**	11,000
Exchange (gains)/losses	**(39,627)**	13,527
Loss on disposal of fixed assets	**(1,129)**	-

4 INTEREST PAYABLE

	2011 £	**2010 £**
Interest payable on amounts due to group companies	**(4,634)**	(16,951)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

5 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax credit on profit on ordinary activities

	2011 £	2010 £
Current tax		
United Kingdom corporation tax at 26 5% (2010-28%)	**48,325**	-
Total current tax	**48,325**	-
Total Tax Charge	**48,325**	-

The Company has an unrecognised deferred tax asset of £144,999 (2010 £149,130) in relation to accelerated capital allowances of £76,761 (2010 £82,779) and other timing differences of £68,238 (2010 £66,351) which has not been recognised as there is insufficient information to support the recoverability of this asset in the future

(b) Factors affecting current tax charge 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 26 5% (2010 28%)

The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before taxation	**245,589**	67,478
Tax credit on profit on ordinary activities at standard rate	**65,081**	18,894
Effects of		
Depreciation in excess of capital allowances	**(26,192)**	103,349
Group relief surrendered	-	(138,206)
Short Term Timing Differences	**7,211**	(13,617)
Permanent differences	**2,225**	29,580
Total actual amount of current tax	**48,325**	-

For all years up to and including 31 December 2010, it has been the Lafarge UK Group's policy not to charge for any loss surrenders / claims for group relief between group companies However, for the year ended 31 December 2011 and subsequent years, group relief is to be surrendered for an amount equal to tax otherwise paid to HM Revenue & customs Therefore, in 2011 all losses surrendered as group relief are charged at a rate of 26 5%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(c) Factors that may affect future tax charge

The 2011 Budget introduced a reduction in the main rate of corporation tax from 27% to 26% effective 1 April 2011, and a further reduction from 26% to 25% effective 1 April 2012 The changes were substantively enacted on 29 March 2011 and 5 July 2011 respectively Since the reduction to 26% was effective 1 April 2011, a hybrid rate of current tax of 26 5% applies during the year ended 31 December 2011

Subsequently, the 2012 Budget introduced a further reduction in the main rate of corporation tax from 26% to 24% effective 1 April 2012 The change was substantively enacted on 29 March 2012 and supersedes the reduction to 25% announced previously in the 2011 Budget

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date Accordingly the reduction to 25% has been taken into account when measuring the unrecognised deferred tax asset at 31 December 2011

Further changes have been proposed to reduce the tax rate by one per cent per annum from 24% to 22% by 1 April 2014 As these future rate reductions were not substantively enacted at the balance sheet date (nor have they yet been substantively enacted) they have not been included in the deferred tax figures at 31 December 2011

6. GOODWILL

	Goodwill Total £
Cost	
At 1 January 2011 and 31 December 2011	**400,000**
Accumulated amortisation	
At 1 January 2011	119,991
Charge for the year	79,992
At 31 December 2011	**199,983**
Net book value	
At 31 December 2011	**200,017**
At 31 December 2010	280,009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

7 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 1 January 2011	3,346,846	143,594	3,490,440
Additions	237,380	-	237,380
Disposals	(272,921)	-	(272,921)
At 31 December 2011	**3,311,305**	**143,594**	**3,454,899**
Accumulated depreciation			
At 1 January 2011	1,887,887	93,771	1,981,657
Charge for the year	185,243	16,957	202,200
Disposals	(112,520)	-	(112,520)
At 31 December 2011	**1,960,610**	**110,728**	**2,071,338**
Net book value			
At 31 December 2011	**1,333,737**	**49,823**	**1,383,560**
At 31 December 2010	1,458,959	49,823	1,508,782

8 STOCKS

	2011 £	2010 £
Tyres	**19,451**	15,955
Engineering spares	**283,069**	380,353
	302,520	396,308

9. DEBTORS

Amounts due within one year	2011 £	2010 £
Trade debtors	**697,382**	706,810
Amounts owed by parent undertakings (note 15)	**941,168**	1,103,517
Other debtors and prepayments	**126,779**	120,335
	1,765,429	1,930,662

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Bank overdraft	-	1,132,771
Trade creditors	**958,707**	514,422
Amounts owed to parent undertaking (note 15)	**815,802**	530,935
Amounts owed for Group Relief claimed	**48,325**	-
Other creditors	-	110,403
Accruals and deferred income	**445,133**	606,042
	2,267,967	2,894,573

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

11. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Called up, allotted and fully paid		
3,500,000 (2010 – 3,500,000) ordinary shares of £1 each	**3,500,000**	3,500,000
	3,500,000	3,500,000

The shares rank pari passu in all respects

12. RESERVES

	Profit and loss account £
Balance at 1 January 2011	(2,278,372)
Profit for the financial year	197,264
Balance at 31 December 2011	**(2,081,108)**

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Increase in share capital	-	2,500,000
Profit for the financial year	**197,264**	67,478
Net increase in shareholder's funds	**197,264**	2,567,478
Opening shareholder's funds / (deficit)	**1,221,628**	(1,345,850)
Closing shareholder's funds	**1,418,892**	1,221,628

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

14. FINANCIAL COMMITMENTS

Operatıng lease commitments

At 31 December 2011 the Company was commıtted to makıng the followıng payments durıng the next year ın respect of operatıng leases

	Land and buildings 2011 £	Other 2011 £	Land and buıldings 2010 £	Other 2010 £
Leases whıch expıre				
Less than one year	**-**	**19,572**	-	8,799
Wıthın one to two years	**-**	**5,741**	-	79,282
Wıthın two to five years	**105,668**	**10,638**	105,668	16,379
Over five years	**213,000**	**-**	213,500	-

15. RELATED PARTY TRANSACTIONS

Durıng the year the followıng transactıons took place wıth related partıes

	Sales 2011 £	Purchases 2011 £	Sales 2010 £	Purchases 2010 £
Lafarge Cement UK Lımıted	**3,422,670**	**2,612,431**	2,434,621	1,967,951
Lafarge Aggregates Lımıted	**-**	**3,171**	-	2,318

	Debtors 2011 £	Balances at year end Credıtors 2011 £	Debtors 2010 £	Creditors 2010 £
Lafarge Cement UK Lımıted	**3,422,670**	**815,802**	1,103,517	530,453
Mıchelın Tyres PLC	**-**	**-**	-	483

Lafarge Cement UK Lımıted ıs a related party by vırtue of ıts 100% shareholdıng ın the Company Mıchelın Tyres PLC prevıously owned 25% of the Company whıch was sold to Lafarge Cement UK Lımıted on 23 December 2008 Glacıer ARM Lımıted and Lafarge Aggregates Lımıted are subsıdıary undertakıngs of the Lafarge S A group, a French group lısted on the Parıs Stock Exchange of whıch Lafarge Cement UK Lımıted ıs also a subsıdıary All transactıons are ın the normal course of busıness

Included wıthın amounts owed to group undertakıngs ıs £nıl (2010 £nıl) due to Lafarge group companıes ın accordance wıth group bankıng arrangements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

16. PENSION ARRANGEMENTS

The Company participates in the Lafarge UK Pension Plan (LUPP), the assets and liabilities of which are held independently from the group The LUPP also has a Defined Contribution Section. Up until 31 October 2011 the Company had employees who were active members of either the LUPP's Defined Benefit Sections or Defined Contribution Section From 1 November 2011, following a consultation period, all active members of the Defined Benefit Sections ceased active membership of those sections and became active members of the Defined Contribution Section The Company is unable to identify its share of the underlying assets and liabilities of the Defined Benefit Sections and accordingly accounts for them as if it were a defined contribution scheme

The pension cost and funding arrangements of the Defined Benefit Sections 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 2011 for the purposes of the Lafarge S A financial statements

Contributions to the LUPP for the year were £93,560 (2010 £100,131) The contributions for the year include £1,000 (2010 £nil) in respect of an additional amount paid into the LUPP following agreement between the Company's ultimate parent company Lafarge S A and the Trustee of the LUPP

The employer contributions for the next twelve months vary depending on a member's length of service and chosen contribution rate as set out in the table below

	Member (% of pensionable Pay)	Employer (% of pensionable Pay)
Up to 3 years' service	3 or 5	3 or 5
Over 3 years' service	3 or 5	6 or 10
Over 10 years' service	3 or 5 or 6	6 or 10 or 12

For certain senior employees the employer contribution is 18% of Pensionable Pay In addition to these contributions the employer contributes 1% of Pensionable Pay to the LUPP in respect of expenses

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

16. PENSION ARRANGEMENTS (CONTINUED)

The assets in the LUPP based on the IAS 19 valuation and the expected rates of return at 31 December 2011 were

	2011	2011	2010	2010
	Long term rate of return expected*	**Value £m**	**Long term rate of return expected**	**Value £m**
Equities	**7 6 – 8 0%**	**1,083.3**	8 8%	1,213 8
Bonds	**3 4 – 4 8%**	**1 069.1**	4 4%	922 5
Property	**6.9%**	**113.8**	8 6%	94 8
Other	**6.1 – 6.9%**	**104.3**	4 1%	80 9
Total market value of assets		**2,370.5**		2,312 0
Present value of plan liabilities		**(2,402.7)**		(2,315 0)
Deficit in the plan before tax		**(32.2)**		(3 0)

* An overall long-term expected rate of return of 7% was used based on the expected returns of the various asset classes held in the LUPP Defined Benefit Sections' investment portfolio

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

	2011	2010
Discount rate	**4.70%**	5 40%
Rate of increase in salaries	**n/a**	4 90%
Rate of increase in deferred pensions linked to RPI	**2 80%**	3 20%
Rate of increase in deferred pensions linked to CPI	**1.9%**	-
Rate of increase in pensions in payment*	**2 70%**	3 20%
Inflation assumptions – RPI	**2 80%**	3 40%
Inflation assumptions – CPI	**1 90%**	2 70%

*in excess of any Guaranteed Minimum Pension 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 LUPP's investments and, therefore the overall LUPP deficit at any one point in time can be adversely affected by shorter-term fluctuations in stock market prices However, the LUPP's investments are, by their nature, long term investments and therefore the group will continue to pay the contributions agreed with the Trustee in accordance with statutory requirements, in order to meet the Defined Benefit liabilities of the LUPP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2011

17. 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 Limited, 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 Limited may be obtained from the Company Secretary, Lafarge Cement UK Limited, Granite House, Granite Way, Syston, Leicestershire LE7 1PL

18. POST BALANCE SHEET EVENTS

Lafarge UK Pension Plan

On 26 January 2012 the Company gave notice to Lafarge UK Pension Trustees Limited (the 'Trustee') in accordance with Regulation 9(4) of the Occupational Pension Schemes (Employer Debt) Regulations 2005 that an employment cessation event in relation to the Lafarge UK Pension Plan (the 'Plan') shall be treated as having occurred on 1 November 2011 Consequently the Company ceased to participate as an employer in the defined benefit sections of the Plan

Following the issue of the above notice and payment of £1,000 to the Trustee, the Company's defined benefit liabilities were apportioned to Lafarge International Holdings Limited and the Company had no further liabilities under the defined benefit sections of the Plan

Joint Venture

On 1 May 2012 the Competition Commission published its final report into the proposed Joint Venture between Lafarge SA and Anglo-American plc It concluded that a number of divestments of assets (remedies) will be required to be made in order to secure regulatory clearance A list of divestment assets has been published by the Competition Commission