Aggregate Industries UK Limited

Directors' report and financial statements

For the year ended 31st December 2006
Registered number 0245717

Directors' report and financial statements

Contents

Directors' report

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

Principal activities

The principal activity of the company is the exploitation of land and mineral reserves principally for the supply of heavy building materials for construction activities

Business review and future developments

The company's profit and loss account and balance sheet appear on pages 7 and 9 respectively The company's key financial and other performance indicators during the year were as follows

	2006	2005	Change
	£000	£000	%
Turnover	921,613	882,294	4 5
EBITDA	116,418	97,488	19 4
Net Assets	468,819	541,624	(13 4)
LTIFR *	9 34	10 59	(11 8)

* LTIFR is the number of lost time incidents per 1 million hours worked

Turnover from ongoing operations of £921 6m represents a 4 5% increase compared with 2005 In general, volumes were largely consistent year on year with the increase in turnover mainly attributable to increased prices The price increases were primarily required to recover raw material and energy cost increases in order to maintain margins

EBITDA of £116 4m increased by 19 4% compared to the prior year The increase of £18 9m is largely due to the £22 9m of exceptional costs incurred in 2005 as a result of the acquisition by Holcim No such exceptional costs were incurred in 2006

Aggregate Products and Ready-Mixed Concrete had good years with strong price growth in both businesses contributing to the EBITDA increase The Contracting business delivered a consistent secure contribution, however the Asphalt business suffered from lower levels of demand and this, coupled with margin pressures from cost increases in hydrocarbons and energy, resulted in a decline in the Asphalt EBITDA The Building Materials business suffered from a continuation of the softer demand for hard landscaping products for domestic use which was experienced in the second half of 2005 As a consequence the Building Materials performance was below that achieved in 2005

Net assets have reduced by £72 8m to £468 8m due to the £24 5m profit after tax being offset by dividend payments of £77 5m and a net downward adjustment to revaluation of fixed assets of £19 8m

The 11 8% reduction in lost time incidents per 1 million hours worked demonstrates that the company continued to make good progress towards the achievement of its safety objectives with all divisions improving on 2005

Future developments

The largest single acquisition in the year related to Foster Yeoman Limited whereby their shares were purchased by Aggregate Industries Holdings Limited on 7 September 2006 The investment in Foster Yeoman Limited was subsequently transferred to Aggregate Industries UK Limited on 29 December 2006 As at 1 January 2007, management and accounting functions of Foster Yeoman Limited were integrated with the Aggregate Industries UK Limited business for trading purposes Following the acquisition, a rationalisation programme was implemented resulting in operational and commercial synergies which are forecast to enhance earnings significantly in the future

Directors' report *(continued)*

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as Economic risks, Competitive risks, Legislative risks, Weather Risks, Energy Costs and Financial Instrument Risks

Economic Risks

Demand for our products is closely linked to general economic conditions in the regions in which we operate Depressed economic conditions could have a detrimental impact on demand for, and pricing of, our products which could result in reduced sales and profits

Competitive Risks

Significant major contracts with various customers, including local authorities and national agencies are subject to periodic competitive tender Renewal of these contracts is uncertain and based on financial and performance criteria

In addition, there exists the risk of competitors entering into the market or expanding existing market shares through price cutting and "loss leader" products

Legislative Risks

Building materials and construction products are produced to locally and nationally imposed standards Failure to comply with the standards could materially affect the company's ability to operate

National and local government policies with regard to the development of infrastructure and housing have a significant effect on demand for our products Reductions in government funding for construction projects could reduce spending on our products and potentially reduce our sales and profits

Changes in government policy or legislation relating to planning and the environment could affect our operating costs and our ability to increase or replace our permitted reserves

Weather Risks

Periods of inclement weather can reduce the demand for our products or our ability to produce our products and thereby could potentially reduce our sales and profits

Energy Costs

Aggregate Industries UK Limited is a significant consumer of energy and hydro-carbon related products for use in production and distribution of its products Increases in the costs of these materials can significantly impact the production costs of our products and if we are not able to recover such costs through the prices of our products this could reduce our profits

Financial Instrument Risks

The company faces credit, liquidity and cash flow risks

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures

Credit risks, or the risk of counterparties defaulting, are constantly monitored Counterparties to financial instruments consist of a large number of major financial institutions The company does not expect any counterparties to fail to meet their obligations, given their high credit ratings In addition, the company has no significant concentration of credit risk with any single counterparty or group of counterparties

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the company The company also manages liquidity risk via revolving credit facilities and long term debt with the support of its ultimate parent company

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on variable rate debt

Results and dividends

The profit for the year, after taxation, amounted to £24 5 million *(2005 £15 6 million)* Interim dividends totalling £77 5 million *(2005 £0 2 million)* have been paid The directors do not recommend payment of a final dividend

Acquisitions

The company acquired various trade and assets during the year for a total consideration of £1 4 million, as shown in note 22

In addition, the company acquired further interests in subsidiary undertakings for a total consideration of £304 7 million, as shown in note 13

Transfer of trade

During the year, three subsidiary companies transferred their trade and net assets to the company The consideration is included in the total of £1 4m referred to above

Employment policies

The company has continued to keep employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company It will continue to ensure that employees are encouraged to participate in the effective running of the company

The company continues to adopt a policy of non-discrimination in the employment of disabled persons Their training and career development are consistent with the company's general policies and procedures relating to those activities In addition, where an employee becomes disabled, every effort is made to ensure continuity of employment or to offer suitable employment with appropriate retraining if necessary

Directors and directors' interests

The directors who served during the year and subsequently were as follows

P R Barltrop	(resigned 31 December 2006)
G W Bolsover	
H Armitage	(appointed 1 May 2006)
R Cunningham	(appointed 1 May 2006)
J Bowater	(appointed 29 June 2006)
J Retallack	(appointed 29 June 2006)

J Retallack is also a director of the parent undertaking, Aggregate Industries Holdings Limited

At the year end, no directors had any interest in the shares of the company or any group company

Payment to suppliers

The company's general policy is to adhere to the terms of payment agreed with its suppliers At 31 December 2006 the company had an average of 61 days purchases outstanding in trade creditors as calculated in accordance with the requirements of company law

Disclosure to auditors

The directors are not aware that there is any relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' report *(continued)*

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

Mary Ford

Mrs M Ford
Secretary

Bardon Hall
Copt Oak Road
Markfield
Leicestershire
LE67 9PJ

Date 8 November 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records that 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 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 AUDITOR'S REPORT TO THE MEMBERS OF AGGREGATE INDUSTRIES UK LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise of the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 27 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

Ernst & Young LLP
Registered auditor
Birmingham
Date 8 November 2007

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Turnover	2	**921,613**	882,294
Cost of sales		**(604,407)**	(577,566)
Gross profit		**317,206**	304,728
Distribution costs		**(181,306)**	(173,097)
Administrative expenses		**(76,955)**	(70,298)
Other operating income		**1,035**	924
Operating Profit		**59,980**	62,257
Exceptional costs	3	-	(22,944)
Profit before interest and taxation		**59,980**	39,313
Other interest receivable and similar income	4	**2,885**	7,630
Net income from fixed asset investments	5	-	-
Interest payable and similar charges	6	**(19,797)**	(21,982)
Profit on ordinary activities before taxation	7	**43,068**	24,961
Tax on profit on ordinary activities	8	**(18,557)**	(9,323)
Profit on ordinary activities after taxation	20	**24,511**	15,638

Operating profit for both years relates entirely to continuing activities

Statement of total recognised gains and losses
for the year ended 31 December 2006

	2006 £000	2005 £000
Profit for the year	**24,511**	15,638
Unrealised (loss) / surplus on the revaluation of fixed assets	**(19,782)**	418,368
	4,729	434,006

Note of historical cost profits and losses

for the year ended 31 December 2006

	2006 £000	2005 £000
Reported profit on ordinary activities before taxation	**43,068**	24,961
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**34,898**	12,400
Historical cost profit or ordinary activities before taxation	**77,966**	37,361
Historical cost profit for the year after taxation	**59,409**	28,038

Balance sheet
at 31 December 2006

	Note	2006		2005	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*11*		**46,045**		49,189
Tangible assets	*12*		**889,342**		920,914
Investments	*13*		**471,086**		167,192
			1,406,473		1,137,295
Current assets					
Stocks	*14*	**82,302**		68,105	
Debtors	*15*	**163,900**		179,808	
Cash at bank and in hand		**61,317**		1,823	
		307,519		249,736	
Creditors· Amounts falling due within one year	*16*	**(246,748)**		(210,668)	
Net current assets			**60,771**		39,068
Total assets less current liabilities			**1,467,244**		1,176,363
Creditors Amounts falling due after more than one year	*17*		**(950,089)**		(588,890)
Provisions for liabilities and charges	*18*		**(48,336)**		(45,849)
Net assets			**468,819**		541,624
Capital and reserves					
Called up share capital	*19*		**100**		100
Share premium	*20*		**32,791**		32,791
Revaluation reserve	*20*		**392,526**		416,322
Profit and loss account	*20*		**43,402**		92,411
Shareholders' funds - equity interests	*21*		**468,819**		541,624

These financial statements were approved by the board of directors on 8 November 2007 and were signed on its behalf by

J Bowater
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable Accounting Standards

Group financial statements and a cash flow statement have not been prepared as permitted by Section 228(1) of the Companies Act 1985 and FRS1 respectively, as the company is a wholly owned subsidiary of a company incorporated in Great Britain

The financial statements present information about the company as an individual undertaking and not about its group

Following the implementation of FRS 25 'Financial Instruments Presentation and Disclosure', dividends are no longer presented in the profit and loss account, but are dealt with in the notes to the accounts and through the Reserves and Reconciliation of Shareholders' Funds notes (see notes 20 and 21)

Joint ventures

Joint ventures are entities in which the company has a long term investment and which are jointly controlled by the company and one or more other ventures

Goodwill

Goodwill on acquisition, being the excess of the purchase consideration over the fair value of the separable net assets acquired, is capitalised and amortised over its estimated useful economic life up to 20 years

Intangible Fixed Assets

Concessions, patents, licences and trademarks purchased separately from a business are capitalised at their cost and are amortised to nil by equal annual instalments over their useful economic lives

Mineral reserves

Mineral reserves are valued at directors' valuation Depreciation is charged over their estimated remaining lives on the basis of tonnage extracted

Restoration Costs

The amount recognised as a restoration provision is the estimated present value of future liabilities for eventual restoration costs A corresponding tangible fixed asset of an amount equivalent to the provision is also created and subsequently depreciated over the remaining useful economic life of the relevant asset to which it relates

Tangible fixed assets

The cost of tangible fixed assets, less their estimated residual values, is written off by equal annual instalments over their expected useful lives as follows

Short leasehold land and buildings	-	over the life of the lease
Freehold land	-	nil
Freehold buildings	-	20 – 50 years
Plant, equipment and vehicles	-	3 – 20 years

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

Investments are stated at cost less provision for impairment

Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised The capital element of the related rental obligations is included in creditors The interest element of the rental obligation is charged to the profit and loss account so as to produce a constant periodic rate of charge Rentals in respect of all other leases are charged to the profit and loss account as incurred

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value

Cost comprises the actual cost of raw materials and an appropriate proportion of labour in the case of work in progress and labour and overheads in the case of finished goods Provision is made for any obsolete or slow moving items

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate

Revenue based government grants are credited to the profit and loss account so as to match them with the expenditure to which they are intended to contribute

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured Any expenditure carried forward is amortised in line with the expected future revenues from the related project

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pension costs

The company participates in both a defined benefit pension scheme, as well as a money purchase scheme

Contributions to the money purchase scheme are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

The company participates in a defined benefit pension scheme, a funded UK wide pension scheme providing benefits based on final pensionable pay Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 "Retirement Benefits", the scheme is being accounted for by the company as if the scheme was a defined contribution pension scheme with all contributions charged directly to the profit and loss account

Notes *(continued)*

2 Turnover

Turnover comprises the invoice value of goods and services supplied by the company, exclusive of VAT Other than an insignificant amount, all sales are made in the United Kingdom

3 Exceptional costs

In the prior year the following exceptional costs arising as a result of the acquisition by Holcim were charged against income No such exceptional costs were incurred during the year ended 31 December 2006

	2006	2005
	£000	£000
Fair value adjustments	-	21,708
Consequential costs	-	1,236
	-	22,944

4 Other income and interest receivable

	2006	2005
	£000	£000
Other interest receivable	**36**	68
Inter group interest receivable	**221**	229
Dividends received	**2,628**	7,333
	2,885	7,630

5 Net income from fixed asset investments

	2006	2005
	£000	£000
Amounts written off investments	-	(42)
Returns from fixed asset investments	-	42
	-	-

6 Interest payable and similar charges

	2006	2005
	£000	£000
Unwinding of discount	**94**	414
Finance lease and hire purchase interest	**82**	648
Other interest payable	**21**	208
Group interest payable	**19,600**	20,712
	19,797	21,982

Notes *(continued)*

7 Profit on ordinary activities before taxation

	2006 £000	2005 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
Owned assets	**52,821**	54,333
Assets held under finance leases	**167**	563
Goodwill amortisation	**3,450**	3,279
Auditors' remuneration - auditors services	**323**	154
- non audit services	**-**	7
Operating lease rentals		
Plant and equipment	**10,262**	12,130
Land and buildings	**5,206**	4,469
Research and development expenditure	**1,127**	952
Government grants	**(312)**	(301)
Property rental income	**(723)**	(623)
Exceptional costs (see note 3)	**-**	22,944

8 Taxation on profit on ordinary activities

The charge for taxation is as follows

	2006 £000	2005 £000
Corporation tax on income for the year	**14,700**	11,600
Adjustments in respect of prior years	**(823)**	(648)
Total current tax	**13,877**	10,952
Deferred tax		
Origination and reversal of timing differences	**4,458**	(2,177)
Adjustments in respect of prior years	**-**	(829)
Change in discount	**222**	1,377
Total deferred tax	**4,680**	(1,629)
Tax on profit on ordinary activities	**18,557**	9,323

Notes *(continued)*

8 Taxation on profit on ordinary activities *(continued)*

Factors affecting current tax charge for the year

The standard rate of UK corporation tax for the year is 30% (2005 30%)

The actual tax charge calculated for the current year is higher *(2005 higher)* than the standard rate for the reasons set out below

	2006 £000	2005 £000
Profit on ordinary activities before taxation	**43,068**	24,961
Tax on profit on ordinary activities at the standard rate	**12,920**	7,488
Non-deductible items	**8,174**	8,308
Non-taxable items	**(1,936)**	(6,373)
Deferred tax – net increase in accelerated capital allowances	**(2,510)**	(3,907)
Deferred tax – net reduction / (increase) in other timing differences	**(1,948)**	6,084
Adjustments in respect of prior years	**(823)**	(648)
Total current tax	**13,877**	10,952

9 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

	2006 Number	2005 Number
	4,800	4,811

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	**149,099**	142,272
Social security costs	**10,424**	11,471
Other pension costs	**17,201**	10,240
	176,724	163,983
Directors remuneration		
Emoluments	**1,130**	1,840
Company contributions paid to money purchase pension schemes	**14**	31

Two directors were members of a defined benefit pension schemes *(2005 Three)*

The aggregate emoluments of the highest paid director was £349,000 (*2005 £1,540,000)*

Included in the emoluments above is an amount of £279,000 with respect to compensation for loss of office

Notes *(continued)*

10 Dividends paid

	2006 **£000**	2005 £000
Interim dividend paid	**77,534**	175

There are no final dividends proposed

11 Intangible fixed assets

	Intangibles **£000**	**Goodwill** **£000**	**Total** **£000**
Cost			
At 1 January 2006	261	59,968	60,229
Acquisitions and transfer of trade (see note 22)	-	400	400
Additions	-	-	-
Disposals	-	(127)	(127)
At 31 December 2006	**261**	**60,241**	**60,502**
Amortisation			
At 1 January 2006	70	10,970	11,040
Charge for the year	191	3,259	3,450
Disposals	-	(33)	(33)
At 31 December 2006	**261**	**14,196**	**14,457**
Net book value			
At 31 December 2006	**-**	**46,045**	**46,045**
At 31 December 2005	**191**	**48,998**	**49,189**

Intangibles represent the cost of intellectual property rights

Notes *(continued)*

12 Tangible fixed assets

	Mineral reserves £000	Land and Buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation				
At 1 January 2006	600,993	136,107	522,475	1,259,575
Revaluation	(65,499)	(18,057)	(174,119)	(257,675)
Additions	6,698	4,577	29,379	40,654
Acquisitions	-	-	1,465	1,465
Disposals	(145)	(642)	(6,621)	(7,408)
Inter company additions	-	-	2,736	2,736
Inter company disposals	-	(357)	(317)	(674)
At 31 December 2006	**542,047**	**121,628**	**374,998**	**1,038,673**
Depreciation				
At 1 January 2006	45,093	36,406	257,162	338,661
Revaluation	(31,190)	(31,317)	(175,241)	(237,748)
Charge for year	15,708	4,910	32,370	52,988
Acquisitions	-	-	714	714
Disposals	-	(29)	(5,223)	(5,252)
Inter company additions	-	-	-	-
Inter company disposals	-	(1)	(31)	(32)
At 31 December 2006	**29,611**	**9,969**	**109,751**	**149,331**
Net book value				
At 31 December 2006	**512,436**	**111,659**	**265,247**	**889,342**
At 31 December 2005	**555,900**	**99,701**	**265,313**	**920,914**

A revaluation of the company's property, plant and equipment was carried out as at 31 March 2005 A specialist independent valuer conducted the valuation of approximately 80% by value of the mineral reserves The remainder of the property and the plant and equipment was revalued by the company's own specialists Property was valued on the basis of existing use value, buildings, plant and equipment were revalued to depreciated replacement cost

Included in the fixed asset revaluation above is an amount of £145,000 with respect to a decrease in the restoration asset for which the corresponding entry has not been taken to the revaluation reserve In accordance with the company's accounting policies on restoration costs, the corresponding entry has been reflected as a decrease in the restoration provision

Cost or valuation at 31 December 2006 comprises

	Mineral reserves £000	Land and Buildings £000	Plant, equipment and vehicles £000	Total £000
Cost	6,553	3,578	26,642	36,773
Valuation	535,494	118,050	348,356	1,001,900
	542,047	**121,628**	**374,998**	**1,038,673**

Notes *(continued)*

12 Tangible fixed assets *(continued)*

The net book value of land and buildings and mineral reserves comprises

	Mineral reserves 2006 £000	**Land and Buildings 2006 £000**	Mineral reserves 2005 £000	Land and Buildings 2005 £000
Freehold	**462,566**	**109,195**	471,673	96,271
Long leasehold	**100**	**1,073**	100	1,158
Short leasehold	**49,770**	**1,391**	84,127	2,272
	512,436	**111,659**	555,900	99,701

Freehold land and buildings includes land amounting to £56 6 million *(2005 £55 4 million)* which is not depreciated

The fixed asset categories containing revalued assets, would appear as follows under the historical cost convention

	Mineral reserves £000	**Land and Buildings £000**	**Plant, equipment and vehicles £000**	**Total £000**
Cost at 31 December 2006	**270,347**	**115,031**	**467,135**	**852,513**
Accumulated depreciation	**(62,910)**	**(36,959)**	**(256,103)**	**(355,972)**
	207,437	**78,072**	**211,032**	**496,541**
Cost at 31 December 2005	263,649	112,079	438,085	813,813
Accumulated depreciation	(58,649)	(35,780)	(243,453)	(337,882)
	205,000	76,299	194,632	475,931

Commitments for capital expenditure are as follows

	2006 £000	2005 £000
Contracted for but not provided	**5,414**	3,710

Included in plant equipment and vehicles are assets held under finance lease agreements with a net book value of £1 2 million *(2005 £2 3 million)*

Notes *(continued)*

13 Investments

	Subsidiary undertakings £000	Joint ventures £000	Other £000	Total £000
Cost				
At 1 January 2006	217,440	6,449	1,624	225,513
Additions	304,701	567	-	305,268
Disposals	-	-	(1,221)	(1,221)
Transfer	1,428	(1,428)	-	-
At 31 December 2006	**523,569**	**5,588**	**403**	**529,560**
Provision for impairment				
At 1 January 2006	57,743	328	250	58,321
Provision for impairment	-	-	153	153
At 31 December 2006	**57,743**	**328**	**403**	**58,474**
Net book value				
At 31 December 2006	**465,826**	**5,260**	**-**	**471,086**
At 31 December 2005	**159,697**	**6,121**	**1,374**	**167,192**

The following acquisitions of and further participation in subsidiary undertakings were completed by the company during the year

	Date of Acquisition	Consideration £000
Foster Yeoman Limited	29 December 2006	286,069
Concrete Developments Limited	6 January 2006	15,395
Other	Various	3,237
		304,701

Notes *(continued)*

13 Investments *(continued)*

Principal operating subsidiary undertakings, which are incorporated in Great Britain, are listed below

Company	Proportion of shares owned	Nature of business
London Concrete Limited	100%	Ready mixed concrete
Tendley Quarries Limited	50%	Quarrying and asphalt
Paragon Materials Limited	100%	Cement distribution
Concrete Developments Limited	100%	Beam and Block Flooring
Foster Yeoman Limited	100%	Quarrying and asphalt

The directors consider that the aggregate value of the investments in subsidiaries is not less than the amount at which they are stated in the financial statements

Joint ventures

The principal joint ventures, which are incorporated in Great Britain, are listed below

Company	Proportion of voting rights and shares held	Nature of business
Caird Bardon Limited	50%	Waste disposal
RMC Readymix South West Limited	49%	Ready mixed concrete
Mid Essex (Asphalt) Limited	50%	Asphalt and Surfacing
Sewells Reservoir Construction Limited	50%	Reservoir construction and sand & gravel extraction

14 Stocks

	2006	2005
	£000	£000
Raw materials	**21,227**	17,077
Short-term work in progress	**6,520**	3,707
Finished goods	**54,555**	47,321
	82,302	68,105

Notes *(continued)*

15 Debtors

	2006	2005
	£000	£000
Amounts falling due within one year		
Trade debtors	**122,056**	139,312
Amounts due from group undertakings	**28,229**	17,329
Amounts due from joint ventures	**153**	705
Other debtors	**5,829**	11,717
Prepayments	**7,633**	10,745
	163,900	179,808

16 Creditors: Amounts falling due within one year

	2006	2005
	£000	£000
Bank overdraft	**37,699**	369
Obligations under finance leases	**578**	623
Trade creditors	**120,720**	114,702
Amounts owed to group undertakings	**3,491**	4,107
Amounts due to joint ventures	**314**	-
Corporation tax	**15,971**	12,297
Other taxes and social security	**23,762**	27,155
Accruals	**38,307**	43,614
Deferred income	**312**	301
Other creditors	**5,594**	7,500
	246,748	210,668

Notes *(continued)*

17 Creditors: Amounts falling due after one year

	2006 £000	2005 £000
Obligations under finance leases	**501**	1,713
Amounts owed to group undertakings	**946,388**	583,654
Deferred income	**3,200**	3,523
	950,089	588,890
Repayable by instalments		
Finance leases are payable as follows		
Within one year	**578**	623
From one to two years	**359**	580
From two to five years	**142**	1,133
	1,079	2,336

Deferred income

The majority of deferred income represents grants received under various Rail Freight Grant Schemes

	2006 £000
At 1 January 2006	**3,824**
Amortised during the year	**(312)**
Received	**-**
At 31 December 2006	**3,512**

	2006 £000	2005 £000
Included in creditors due within one year	**312**	301
Included in creditors due after one year	**3,200**	3,523
	3,512	3,824

Notes *(continued)*

18 Provisions for liabilities and charges

	Deferred tax £000	Other Provisions £000	Total £000
At 1 January 2006	26,100	19,749	45,849
Arising during the year	4,458	-	4,458
Arising on acquisitions and transfer of trade	(58)	-	(58)
Utilised	-	(1,675)	(1,675)
Released	-	(460)	(460)
Discount on timing differences	222	-	222
At 31 December 2006	**30,722**	**17,614**	**48,336**

Deferred tax	**2006 £000**	2005 £000
Tax on the excess of capital allowances over depreciation	**49,515**	47,489
Other timing differences	**(9,575)**	(11,949)
Undiscounted provision	**39,940**	35,540
Discount	**(9,218)**	(9,440)
Discounted provision	**30,722**	26,100

No provision has been included in the deferred tax provision for any potential tax which may arise in the event of any assets, which are included in the accounts at a figure in excess of original cost, being realised at that higher figure as these assets are held for the purpose of the business

Other provisions mainly comprise amounts representing the estimated present value of future liabilities for the eventual restoration costs of quarries

Announcements were made after the balance sheet date to changes in tax laws and rates that will have an effect on the deferred tax liability of the company The main change that will affect the company is the reduction in the rate of UK corporation tax from 30% to 28% There are proposed changes to rates of capital allowances on industrial buildings which have not yet been substantively enacted The company has not quantified any impact of the changes at this stage

19 Share capital

	2006 £000	2005 £000
Authorised:		
33,000,000 Ordinary shares of £1 each	**33,000**	33,000
Allotted, called up and fully paid		
100,300 Ordinary shares of £1 each	**100**	100

20 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit and loss account £000
1 January 2006	32,791	416,322	92,411
Revaluation	-	(19,782)	-
Amortisation of revaluation reserve	-	(4,014)	4,014
Profit for the financial year	-	-	24,511
Dividends paid (note 10)	-	-	(77,534)
At 31 December 2006	**32,791**	**392,526**	**43,402**

21 Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	**24,511**	15,638
Dividends	**(77,534)**	(175)
Revaluation	**(19,782)**	418,368
	(72,805)	433,831
Opening shareholders' funds	**541,624**	107,793
Closing shareholders' funds	**468,819**	541,624

Notes *(continued)*

22 Acquisitions

The total fair value of acquisitions of trade and assets in the year is analysed below

	Book Value £000	Adjustments £000	Fair Value £000
Fixed assets – acquisitions	217	100	317
Fixed assets – transfer of trade	434	-	434
Debtors	1,799	-	1,799
Cash	1,273	-	1,273
Creditors	(2,411)	-	(2,411)
Provisions	(364)	-	(364)
Net assets acquired	948	100	1,048
Goodwill			400
Total cash consideration			1,448

23 Pensions

The company participates in both a defined benefit pension scheme, as well as a money purchase scheme

The company participates in a funded UK wide pension scheme providing benefits based on final pensionable pay Valuations are prepared by an independent actuary using the projected unit method The latest valuation was made as at 5 April 2006 updated to 31 December 2006

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 "Retirement benefits" the scheme is being accounted for by the company as if the scheme was a defined contribution scheme At 31 December 2006 on the calculation basis required by FRS17, the Group scheme had assets amounting to £448m and a net deficit of £65m Further details of these valuations are set out in the consolidated financial statements of the parent company, Aggregate Industries Holdings Limited

The pension cost charge for the year represents contributions payable by the company in respect of Group schemes and amounted to £17,201,000 *(2005 £10,240,000)* At the year end, contributions amounting to £1,035,000 *(2005 £834,000)* were payable to Group schemes and are included in creditors

Notes *(continued)*

24 Contingent liabilities

(a) *Guarantees of group companies borrowings*

There is a contingent liability for the overdrafts of certain fellow subsidiary companies to the extent of the company's bank balance

(b) Performance bonds and government grants repayable, entered into in the normal course of business from which it is anticipated that no material liability will arise, amounted to £6 6 million *(2005 £7 9 million)*

25 Leasing commitments

Operating lease commitments held under non-cancellable agreements are summarised as follows

	Land and buildings		Other	
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Annual commitments under operating leases which expire				
Within one year	**-**	-	**707**	2,656
Between two and five years	**564**	564	**4,072**	4,606
After five years	**4,210**	3,697	**23**	42
	4,774	4,261	**4,802**	7,304

26 Related party transactions

During 2006, the company had the following transactions with certain of its joint ventures

i) Included within turnover is an amount of £1 2 million *(2005 £9 5 million)* in respect of sales and services provided to joint ventures Included within net operating costs is £2 3 million *(2005 £1 4 million)* in respect of goods and services purchased from joint ventures At the year end, amounts owed from and amounts owed to joint ventures amounted to £0 2 million and £0 3 million respectively *(2005 £0 7 million and £0 2 million)*

ii) In 1999, the company loaned NOK 10 million to Halsvik Aggregates AS, a joint venture held by a fellow subsidiary The loan was repaid in full during 2006 At the year end, Aggregate Industries UK Limited owed Halsvik Aggregates AS a sum of NOK 5 million

There were no other transactions of a material nature which require disclosure

27 Ultimate parent undertaking

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Aggregate Industries Holdings Limited, incorporated in Great Britain

The ultimate parent undertaking is Holcim Limited which is incorporated in Switzerland

Copies of the accounts of Holcim Limited are available on www holcim com or from Holcim Limited Corporate Communications, Zurcherstrasse 156, CH-8645 Jona, Switzerland