

Company Registration Number 2163844

LAFARGE PLASTERBOARD LIMITED

Report and Financial Statements

31 December 2010

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LAFARGE PLASTERBOARD LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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LAFARGE PLASTERBOARD LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the manufacture and supply of plasterboard and accessories

As shown in the company's profit and loss account on page 5, the company's sales have increased by £14,751,000 in comparison to the prior year, with a profit for the financial year of £16,045,000 (2009 loss of £2,000) The gross profit ratio has risen from 25.3% to 33.3%, mainly due to a slight price increase and reduced input costs, particularly electricity and gas

The balance sheet on page 6 of the financial statements shows the company's financial position at the year-end has improved in terms of net assets

POST BALANCE SHEET EVENT

On 1 June 2011 the issued share capital of the company was reduced to £60,000,000 by way of the new solvency statement procedure and the sums thereby created were applied to the company's profit and loss account reserves

DIVIDENDS

After the year-end the directors recommended the payment of a dividend of £40,000,000 following the share capital reduction (2009 £nil)

DIRECTORS

The current directors of the company and those who served during the year and subsequently are as follows

C G Ellwood (Director and Secretary)
J M Desmoutier
J E Maycock
R G Buxton

EMPLOYMENT OF DISABLED PERSONS

The company's policy is to give disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities Training and career development opportunities are available to all employees and any employee who develops a disability during employment with the company is given the chance of retraining where practicable

HEALTH AND SAFETY

The company has a strong commitment to safety in its operations Courses are also provided in safety training Special-purpose training is also provided to other employees according to the needs of their work

EMPLOYEE INVOLVEMENT AND COMMUNICATIONS

Matters affecting employees' interests are discussed through consultative committees and with trade unions where they represent employees

An in-house newspaper is distributed through the Lafarge Group eight times a year This includes a summary of the group's results and articles on individual developments as well as items of local interest

LAFARGE PLASTERBOARD LIMITED

DIRECTORS' REPORT (continued)

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 December 2010 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 68 days (2009 74 days)

PRINCIPAL RISKS AND UNCERTAINTIES

Due to the current economic conditions there are inherent and future uncertainties that may impact the business. As explained in note 1, the directors have a reasonable expectation that the company has adequate resources to continue in existence for the foreseeable future, and for this reason continue to adopt the going concern basis in preparing the financial statements.

The company's activities expose it to financial risks including foreign exchange risk and energy price and supply risk. To reduce these risks the company enters into forward foreign currency contracts, via a group undertaking, and enters into forward purchase supply contracts for gas.

Loss of key customers is also a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers. The retention of customers is a non-financial key performance indicator which the company continuously monitors.

AUDITOR

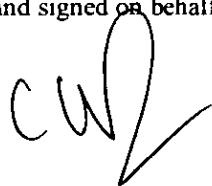
Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- (2) 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.

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



C G Ellwood
Secretary

LAFARGE PLASTERBOARD 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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

LAFARGE PLASTERBOARD LIMITED

We have audited the financial statements of Lafarge Plasterboard Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. 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 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.

David Hedditch

David Hedditch (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

13 September 2011

LAFARGE PLASTERBOARD LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
TURNOVER	2	109,764	95,013
Cost of sales		(73,246)	(70,990)
GROSS PROFIT		36,518	24,023
Distribution costs		(18,886)	(14,510)
Administrative expenses		(9,729)	(9,700)
OPERATING PROFIT/(LOSS)	4	7,903	(187)
Bank interest receivable		106	185
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		8,009	(2)
Tax credit on profit/(loss) on ordinary activities	5	8,036	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	16,045	(2)

There are no recognised gains and losses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses has been presented.

All results derive from continuing operations.

LAFARGE PLASTERBOARD LIMITED

BALANCE SHEET
At 31 December 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	6	67,952	68,478
Investments	7	312	312
		<u>68,264</u>	<u>68,790</u>
CURRENT ASSETS			
Stocks	8	7,147	7,318
Debtors	9	25,847	13,695
Cash at bank and in hand		59,282	46,884
		<u>92,276</u>	<u>67,897</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(41,828)</u>	<u>(34,623)</u>
NET CURRENT ASSETS		<u>50,448</u>	<u>33,274</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>118,712</u>	<u>102,064</u>
PROVISIONS FOR LIABILITIES	12	<u>(2,311)</u>	<u>(1,708)</u>
NET ASSETS		<u>116,401</u>	<u>100,356</u>
CAPITAL AND RESERVES			
Called up share capital	13	149,700	149,700
Profit and loss account	14	(33,299)	(49,344)
SHAREHOLDERS' FUNDS	14	<u>116,401</u>	<u>100,356</u>

The financial statements of Lafarge Plasterboard Limited, registered number 2163844, were approved by the board of directors and authorised for issue on 12 September 2011

Signed on behalf of the board of directors


C G Ellwood
Director

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

The financial statements for the year ended 31 December 2010 have been drawn up using the same accounting policies as for the year ended 31 December 2009.

Going concern

Due to the current economic conditions there are inherent future uncertainties that may impact the business. As a result of this the directors have made enquiries and have a reasonable expectation that the company has adequate resources, including a £59.2m cash balance and a lack of reliance on external borrowing to continue in existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 and has not prepared a cash flow statement on the grounds that it is a wholly owned subsidiary of a group whose consolidated financial statements are publicly available.

Turnover

Turnover consists of the invoiced value of plasterboard related goods sold and services provided to customers net of all sales discounts and value added tax. Revenue is recognised on delivery of goods to the customer.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets under the course of construction until they are brought into use, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	50 years
Short leasehold buildings	term of lease
Plant and equipment	20 years
Motor vehicles	4 years

Investments held as fixed assets

Shares in other companies are stated at cost less any provision for impairment in value.

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessment in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate

Differences arising on the translation of foreign currencies are included in the profit and loss account

Pension costs

Prior to 30 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, Lafarge Plasterboard 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

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1 ACCOUNTING POLICIES (continued)

Pension costs (continued)

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

Provisions

In accordance with Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets', provision is made for contracts and expected dilapidation costs on properties, and expected restructuring costs.

Operating leases

Rentals are charged to profit and loss in equal annual amounts over the lease term.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

2 TURNOVER

The turnover is wholly attributable to the principal activity of the company and arises in the United Kingdom. The analysis of turnover by geographical destination is as follows:

	2010 £'000	2009 £'000
United Kingdom	98,853	88,034
Other European countries	10,911	6,979
	<u>109,764</u>	<u>95,013</u>

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £'000	2009 £'000
Directors' remuneration		
Emoluments	795	905
Company contributions to pension schemes	47	88
	<u>842</u>	<u>993</u>

	2010 No	2009 No.
Number of directors with pension benefits accruing under defined benefit scheme	<u>4</u>	<u>4</u>

Four directors exercised options in the shares of the ultimate holding company, Lafarge SA, during the period (2009 three directors) No further disclosure is made in relation to FRS 20 on the grounds of immateriality

Remuneration of highest paid director:	£'000	£'000
Emoluments	<u>413</u>	<u>385</u>

The accrued pension benefit of the highest paid director disclosed is £nil (2009 £nil)

The highest paid director is not a member of the defined benefit pension scheme

Employee costs during the year (including directors):	£'000	£'000
Wages and salaries	12,520	12,374
Social security costs	1,088	984
Other pension costs	1,161	1,820
	<u>14,769</u>	<u>15,178</u>

Average number of persons employed:	No.	No
Administration	30	30
Manufacturing and distribution	345	344
	<u>375</u>	<u>374</u>

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

4. OPERATING PROFIT/(LOSS)

	2010 £'000	2009 £'000
Operating profit/(loss) is after charging		
Depreciation - tangible assets	4,438	3,976
Exchange losses	522	332
Investment impairment	-	545
Operating lease rentals		
- contract hire vehicles	773	661
- land and buildings	2,284	1,748
- computer equipment	129	83
Auditor's remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts	94	64

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) The tax credit comprises

	2010 £'000	2009 £'000
Current tax credit for the year	-	-
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	8,036	-
	<u>8,036</u>	<u>-</u>

(b) Factors affecting current tax for the year

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

	£'000	£'000
Profit/(Loss) on ordinary activities before taxation	<u>8,009</u>	<u>(2)</u>
	£'000	£'000
Tax on profit/(loss) on ordinary activities at standard rate of 28% (2009 28%)	2,243	(1)
Factors affecting the charge		
Depreciation in excess of capital allowances	984	801
Disallowed expenses and non-taxable income	173	232
Utilisation of tax losses	(3,077)	(538)
Group relief claimed for nil payment	(164)	(52)
Other short-term timing differences	(159)	(442)
Current tax charge for the year	<u>-</u>	<u>-</u>

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

(c) Factors that may affect future tax charge

The company has unrelieved losses of approximately £nil (2009 £10.34 million), which are available to set against future trading profits, subject to HM Revenue & Customs agreement

The potential deferred tax asset not recognised in the financial statements on the balance of these losses amounts to £nil (2009 £2.9 million not recognised)

Other deferred tax assets amounting to £7,219,000 (2009 £6,500,000) in respect of decelerated capital allowances and other short-term timing differences £817,000 (2009 £1,200,000) respectively, have been recognised on the same basis

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 a further reduction in the rate of corporation tax from 27% to 26%. This legislation was substantively enacted on 29 March 2011 and will impact the company's current tax charge from 1 April 2011 and from 26% to 25% from 1 April 2012. This legislation was substantively enacted on 29 March 2011 and 05 July 2011 respectively, and will impact the company's current tax charge from 1 April 2011 and 1 April 2012

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 27% has been taken into account when measuring the deferred tax assets and liabilities at 31 December 2010, resulting in a debit to the P&L in 2010 of £378k (See note 10)

Further changes to the rate are proposed to reduce the rate by one per cent per annum from 26% to 23% by 1 April 2014. However these changes were not substantively enacted at the balance sheet date (nor have they yet been substantively enacted) and as such are not included in the deferred tax figures at 31 December 2010

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2010	156	42,583	80,689	90	123,518
Additions	-	110	3,810	-	3,920
Adjustments*	(156)	140	(605)	-	(621)
At 31 December 2010	-	42,833	83,894	90	126,817
Accumulated depreciation					
At 1 January 2010	80	10,722	44,148	90	55,040
Charge for the year	-	930	3,508	-	4,438
Adjustments*	(80)	(103)	(430)	-	(613)
At 31 December 2010	-	11,549	47,226	90	58,865
Net book value					
At 31 December 2010	-	31,284	36,668	-	67,952
At 31 December 2009	76	31,861	36,541	-	68,478

*The adjustments relate to a data cleansing process undertaken during the current year

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

7. INVESTMENTS HELD AS FIXED ASSETS

	Other £'000
Net book value	
At 1 January 2010 and 31 December 2010	<u>312</u>

The investment relates to a 20% investment in CEP Ceilings Limited. The company does not participate in the management of CEP Ceilings Limited, neither does it exercise significant influence over its operating and financial policies. CEP Ceilings Limited engages in the manufacture of ceiling tiles and is incorporated and registered in England. The net assets of CEP Ceilings Limited amounted to £1,248,000 (2009 £1,112,000) as at 31 December 2010 and its profit for the financial year ended 31 December 2010 was £135,000 (2009 loss of £184,000).

Management tests investments for impairments if there are indicators that investments may be impaired. The recoverable amounts are determined based on expected performance of the business in future years, taking into account historical profits.

During the year £nil (2009 £545,000) of investments have been impaired as a result of performing an impairment review.

8. STOCKS	2010 £'000	2009 £'000
Raw materials	2,105	1,999
Engineering stores	1,697	1,797
Finished goods and goods for resale	3,345	3,522
	<u>7,147</u>	<u>7,318</u>

9. DEBTORS	2010 £'000	2009 £'000
Amounts due within one year		
Trade debtors	16,146	10,656
Amounts owed by group undertakings	499	2,234
Other debtors	389	137
Prepayments and accrued income	777	668
Deferred tax (see note 10)	8,036	-
	<u>25,847</u>	<u>13,695</u>

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

10	DEFERRED TAX	2010	2009
		£'000	£'000
	Analysis of deferred tax balance		
	Adjustment to prior year	10,585	-
	Rate Change Adjustment	(378)	-
	Charge to profit and loss account	(2,171)	-
		<u>8,036</u>	<u>-</u>
	Deferred tax asset/(liability)	2010	2009
		£,000	£'000
	Decelerated capital allowances	7,219	-
	Timing differences	817	-
		<u>8,036</u>	<u>-</u>
11.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2010	2009
		£'000	£'000
	Trade creditors	10,389	9,077
	Amounts owed to group undertakings	5,043	3,895
	Other creditors including taxation and social security	16,521	13,536
	Accruals and deferred income	9,875	8,115
		<u>41,828</u>	<u>34,623</u>
12	PROVISIONS FOR LIABILITIES		
		Onerous lease provision £'000	Restructuring provision £'000
			Total £'000
	At 1 January 2010	1,708	-
	Charged to profit and loss account	1,368	178
	Utilisation of provision	(943)	-
	At 31 December 2010	<u>2,133</u>	<u>178</u>
			<u>2,311</u>
<p>The onerous lease provision relate to vacant properties and dilapidation claims and will be utilised over the remaining period of the leases to which they relate. The restructuring cost relates to redundancies made and finalised during the year.</p>			
13.	CALLED UP SHARE CAPITAL	2010	2009
		£'000	£'000
	Called up, allotted and fully paid		
	149,700,100 Ordinary shares of £1 each	<u>149,700</u>	<u>149,700</u>

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

14. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Issued share capital £'000	Profit and loss account £'000	2010 Total £'000	2009 Total £'000
Balance at beginning of year	149,700	(49,344)	100,356	100,358
Profit for the financial year	-	16,045	16,045	(2)
Balance at end of year	149,700	(33,299)	116,401	100,356

15. FINANCIAL COMMITMENTS

At 31 December 2010 and 2009 the company had annual commitments in respect of non-cancellable operating leases as follows

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	145	487	87	120
- within two to five years	996	220	145	524
- after five years	1,009	-	1,500	-
	<u>2,150</u>	<u>707</u>	<u>1,732</u>	<u>644</u>

16. PENSIONS

Since 30 September 2003 the company participates 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 2010 for the purposes of the Lafarge SA financial statements. These have been updated from the preliminary results of an actuarial valuation as at 30 June 2006.

Contributions to the scheme for the year were £2,011,000 (2009 £1,820,000) and the agreed employer contribution rate for the next twelve months is 20% (2009 20%). The contributions for the year include £850,000 (2009 £338,000) in respect of an additional amount paid into the scheme following agreement between the company's ultimate parent company, Lafarge SA, and the Trustees of the scheme.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

16 PENSIONS (continued)

The assets in the scheme based on the IAS 19 valuation and the expected rates of return at 31 December 2010 and 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 in the plan before tax		(3.0)		(106.6)

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

	2010	2009
Discount rate - LUPP	5.40%	5.70%
Rate of increase in salaries	4.90%	5.00%
Rate of increase in deferred pensions	3.20%	3.50%
Rate of increase in pensions in payment*	3.20%	3.50%
Inflation assumptions - RPI	3.40%	3.50%
Inflation assumptions - CPI	2.70%	n/a

* 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.

Mortality rates taken from the recommended tables are applied with the "medium cohort" future mortality improvements from 2006. Tables for males used are PMA80C08 - 1.5 and, for females, PFA80C08 - 1.5.

The market value of the scheme's investments and, therefore, the overall scheme surplus 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 contributions recommended by the scheme's actuary in accordance with statutory requirements, in order to meet the future liabilities of the scheme.

LAFARGE PLASTERBOARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

17 DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company has derivatives which are not included at fair value in the financial statements as follows

	Principal £'000	Fair value £'000
Forward foreign exchange contracts	6,179	164

The company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates arising from foreign currency purchases. The fair values are based on market values of equivalent instruments at the balance sheet date.

18 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in Financial Reporting Standard 8 and has not reported transactions with other companies which are part of the Lafarge SA group on the grounds that it is a wholly owned subsidiary and that group accounts are publicly available.

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2010, Lafarge SA, incorporated in France, is regarded by the directors as being the company's ultimate parent company and controlling party.

The largest and smallest groups of undertakings for which group financial statements are drawn up and of which this company is a member are

Largest and smallest	Address
Lafarge SA Incorporated in France	61-63 Rue des Belles Feuilles F-75116 Paris France

Copies of the group financial statements may be obtained from the address shown above.

20 POST BALANCE SHEET EVENT

On 1 June 2011 the issued share capital of the company was reduced to £60,000,000 by way of the new solvency statement procedure and the sums thereby created were applied to the company's profit and loss account reserves.