

Registered number
3568686

HC FUELS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

in respect of the year ended

31 December 2008

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COMPANIES HOUSE

HC FUELS LIMITED**Directors, officers and professional advisors****Registered No. 3568686****Directors**

D J Carr
R A S Clayton
J H W Gardner
A M P Kern
G Syvertsen
J G Szarkandi
D Gauthier
H Sijbring
A E Adigüzel
V Leal

Company Secretary

D J Carr

Auditors

Ernst & Young LLP
1 Bridewell Street
Bristol
BS1 2AA

Registered office

6th Floor
5 Princes Gate
Knightsbridge
London
SW7 1QJ

HC FUELS LIMITED

Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2008.

Principal activities and review of the business

The principal activities of the Company are the purchase and sale of coal, petcoke and EU Emissions Allowances.

Key performance indicators (KPIs) are managed at a divisional level. As a result, the Directors have taken the decision not to disclose performance against KPI's in individual subsidiary financial statements. Management assess divisional performance against a number of financial KPI's including turnover, profitability, sales volumes, average selling prices and market share alongside other non financial KPI's such as health and safety records and levels of customer satisfaction. Group performance against KPI's is disclosed in the financial statements of HeidelbergCement AG.

Results and dividends

The profit for the year amounted to £3,312,000 (2007: £473,000) and is dealt with in the profit and loss account. The Directors do not recommend the payment of a dividend for the year (2007: £nil).

Principal risks and uncertainties

The Company's results arise from transactions with fellow group undertakings in the group headed by HeidelbergCement AG. The Directors are therefore of the opinion that, with the exception of foreign currency risk, the Company is not directly exposed to significant risks and uncertainty; however by the very nature of its trade the Company is indirectly exposed to similar risks and uncertainties to those faced by other group companies. Details of the principal risks and uncertainties facing the group headed by HeidelbergCement AG are disclosed in the financial statements of that company.

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from intra-group and third party transactions. The Company looks to minimise its exposure to this by ensuring that for purchases in excess of EUR 1m, where the contract currency is not GBP and the time difference between payment and receipts can be defined, the cash flows are hedged.

Bank charges due to currency conversion are minimised by operating separate bank accounts denominated in GBP, USD and Euro.

Future developments

The Directors anticipate that the Company will continue to purchase and sell coal, petcoke and EU Emissions Allowances on behalf of the HeidelbergCement group of companies for the foreseeable future.

Directors

The Directors currently in office are shown on page one, other directors that served during the year were as follows:

A E Adigüzel	(appointed 09.05.2008)
D Gauthier	(appointed 09.05.2008)
V Leal	(appointed 09.05.2008)
A Van Steenberge	(resigned 09.05.2008)
C H S J Meyers	(resigned 09.05.2008)
C K H Huhn	(resigned 20.04.2009)
D J Carr	
R A S Clayton	
J H W Gardner	
G Syversten	
J G Szarkandi	

H Sijbring and A M P Kern were appointed as directors of the company on 29 April 2009.

HC FUELS LIMITED
Directors' Report (continued)

Directors' indemnity

A fellow group undertaking has indemnified, by means of directors' and officers' liability insurance, one or more of its Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and remains in force as at the date of approving the Directors' Report.

Directors' responsibilities

The Directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

Disclosure of information to auditors

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

Auditors

Ernst & Young LLP, having confirmed their willingness to act, will continue in office as auditors of the Company.

By order of the Board



D J Carr
Company Secretary

Date: 22/10/09

**Independent auditors' report
to the members of HC FUELS LIMITED**

We have audited the financial statements of HC Fuels Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 financial statements in accordance with applicable law and United Kingdom 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 with the Company 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 judgements 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 2008 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 auditors
Bristol

Date: 26 October 2009

HC FUELS LIMITED
Profit and Loss Account
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Turnover	2	101,958	80,977
Cost of sales		<u>(97,385)</u>	<u>(78,930)</u>
Gross profit		4,573	2,047
Administrative expenses		<u>(1,184)</u>	<u>(1,400)</u>
Operating profit	3	3,389	647
Interest receivable and similar income	5	253	102
Interest payable and similar charges	6	<u>(329)</u>	<u>(62)</u>
Profit on ordinary activities before taxation		3,313	687
Tax on profit on ordinary activities	7	<u>(1)</u>	<u>(214)</u>
Profit for the financial year	13	<u>3,312</u>	<u>473</u>

All of the Company's results for the year arise from its continuing operations.

There were no other gains or losses recognised in respect of the current or previous year other than those reported above.

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost profit.

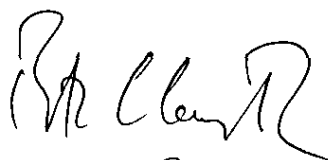
HC FUELS LIMITED
Balance Sheet
at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	8	-	-
Current assets			
Debtors	9	120,100	12,770
Cash at bank and in hand		694	-
		<u>120,794</u>	<u>12,770</u>
Creditors: amounts falling due within one year	11	(114,712)	(10,000)
Net current assets		<u>6,082</u>	<u>2,770</u>
Net assets		<u>6,082</u>	<u>2,770</u>
Capital and reserves			
Called up share capital	12	500	500
Profit and loss account	13	5,582	2,270
Equity shareholders' funds	14	<u>6,082</u>	<u>2,770</u>

The financial statements in pages 5 to 13 were approved
by the Board of Directors and signed on its behalf by:

R A S Clayton
Director

Date:


22/10/09

HC FUELS LIMITED
Notes to the Financial Statements
for the year ended 31 December 2008

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

Cash flow

In accordance with FRS 1 (revised), the Company has not prepared a cash flow statement as it is a wholly owned subsidiary undertaking within the HeidelbergCement AG group.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Operating leases

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

EU Emissions allowances

All sales and purchases of EU Emissions Allowances (being defined as vatable commodities by the EU and by the UK Revenue and Customs) which were delivered / received between 1 January 2008 and 31 December 2008 are accounted for in the current year as for all other goods and services.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Computer equipment - 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised as net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of debt in the period.

Deferred taxation

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

- Provision is made for tax on gains arising from the revaluation of fixed assets (and similar fair value adjustments), or gains on disposal of fixed assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made when, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled into replacement assets and charged to tax only when the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

HC FUELS LIMITED
Notes to the Financial Statements
for the year ended 31 December 2008

1 Accounting policies (continued)

Pensions

The Company participates in the Castle Cement Limited Pension Scheme, which is a funded defined benefit scheme. Funds are held externally under the supervision of the corporate trustee. Based on the advice of the schemes actuaries, the directors are unable to split the Schemes assets and liabilities between the various sponsoring companies. Accordingly, contributions to the Scheme are expensed as the liability for payment arises. Further details are given in note 16.

2 Turnover and segmental analysis

Turnover is attributed to the one continuing activity, the purchase and sale of coal, petcoke and EU Emissions Allowances on behalf of the HeidelbergCement group of companies.

Turnover is derived wholly within the United Kingdom and is analysed as follows:

	2008 £000	2007 £000
inter-group sales	74,562	56,475
Sales to third parties	27,396	24,502
	<u>101,958</u>	<u>80,977</u>

3 Operating profit

This is stated after charging/(crediting):

	2008 £000	2007 £000
Depreciation of owned fixed assets (note 8)	-	5
Foreign exchange gains	(313)	(156)
Auditors' remuneration - statutory audit	10	6
Operating lease rentals - land and buildings (note 15)	80	80
	<u>80</u>	<u>80</u>

4 Staff costs

a) Staff costs	2008 £000	2007 £000
Wages and salaries	629	702
Social security costs	69	73
Pension costs	107	128
	<u>805</u>	<u>903</u>

The monthly average number of employees, including directors, during the year was made up as follows:

	2008 No.	2007 No.
Office and management	6	6
Directors	3	3
	<u>9</u>	<u>9</u>

b) Directors' emoluments

	2008 £000	2007 £000
Aggregate emoluments in respect of qualifying services	462	411
Aggregate pension contributions	79	67

HC FUELS LIMITED
Notes to the Financial Statements
for the year ended 31 December 2008

4 Staff costs (continued)

b) Directors' emoluments (continued)

	2008 No.	2007 No.
Number of directors accruing benefits under defined benefit scheme	3	3
	2008 £000	2007 £000
In respect of the highest paid director: Aggregate emoluments	245	239
Accrued pension at the end of the year	36	20

5 Interest receivable and similar income

	2008 £000	2007 £000
Amounts receivable from group undertakings	253	102

6 Interest payable and similar charges

	2008 £000	2007 £000
Amounts payable to group undertakings	329	62

7 Taxation

	2008 £000	2007 £000
a) Tax on profit on ordinary activities		
Current tax:		
UK corporation tax on profit of the year	-	217
	-	217
Deferred tax:		
Origination and reversal of timing differences	1	(3)
	1	-
Tax on profit on ordinary activities	1	214

b) Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before taxation	3,313	687
Standard rate of corporation tax in the UK		
	£000	£000
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	944	206
Effects of:		
Expenses not deductible for tax purposes	4	7
Depreciation in excess of capital allowances	(2)	4
Group relief received for nil charge	(946)	-
Current tax charge for the year	-	-

HC FUELS LIMITED
Notes to the Financial Statements
for the year ended 31 December 2008

7 Taxation (continued)

c) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's losses for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

8 Tangible fixed assets

	Computer equipment £000
Cost	
At 1 January and 31 December 2008	35
Depreciation	
At 1 January and 31 December 2008	35
Net book value	
At 31 December 2008 and 31 December 2007	-

9 Debtors

	2008 £000	2007 £000
Due within one year:		
Trade debtors	17,411	1,087
Amounts due from group undertakings	101,401	5,644
Other debtors	92	2,964
Prepayments and accrued income	1,190	3,068
Deferred tax asset (note 10)	6	7
	<u>120,100</u>	<u>12,770</u>

Amounts due from group undertakings includes an amount of £61,750,000 which accrues interest at a rate of 2.15%, is unsecured and repayable on demand. The remaining balance is unsecured, interest free and repayable on demand.

10 Deferred tax asset

	£000
At 1 January 2008	7
Reversal of timing difference	(1)
At 31 December 2008	<u>6</u>

Deferred tax asset recognised in the financial statements is as follows:

	2008 £000	2007 £000
Short term timing differences	<u>6</u>	<u>7</u>

11 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	22,662	6,124
Amounts due to group undertakings	91,711	1,800
Corporation tax	317	317
Other taxes and social security costs	22	-
Accruals and deferred income	-	1,759
	<u>114,712</u>	<u>10,000</u>

Amounts due to group undertakings includes an amount of £550,000 which accrues interest at a rate of 3.15% and an amount of £4,978,000 which accrues interest at a rate of 1.25%. Both amounts are unsecured and repayable on demand. The remaining balance is unsecured, interest free and repayable on demand.

HC FUELS LIMITED
Notes to the Financial Statements
for the year ended 31 December 2008

12 Share capital	2008	2007	2008	2007
	No. '000	No. '000	£000	£000
Authorised:				
Ordinary shares of £1 each	20,000	20,000	20,000	20,000
	2008	2007	2008	2007
	No. '000	No. '000	£000	£000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	500	500	500	500

13 Profit and loss account	2008	2007
	£000	£000
At 1 January	2,270	1,797
Profit for the financial year	3,312	473
At 31 December	5,582	2,270

14 Reconciliation of movement in shareholders' funds	2008	2007
	£000	£000
At 1 January	2,770	2,297
Profit for the financial year	3,312	473
At 31 December	6,082	2,770

15 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2008	2007
	£000	£000
Operating leases which expire:		
within two to five years	80	80

16 Pensions

During the year, the Company participated in the Castle Pension Scheme with relevant employees eligible for benefits under the funded Scheme, which is, in the main, of the defined benefit type. Funds are held externally under the supervision of the corporate trustee. The company participates in the Scheme along with several other UK based companies forming part of the HeidelbergCement AG group. It is not possible to identify the company's share of the Scheme's assets and liabilities on a consistent and reasonable basis. Therefore, in accordance with FRS 17, the Scheme is treated as a defined contribution scheme with contributions expensed to the profit and loss account when they become payable.

The Castle Pension Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The results of the most recent valuations, relating to the Company's share of the assets in the scheme, which were conducted at 31 March 2008 and have been updated by the actuary to take account of the requirements of FRS17 in order to assess the liabilities as at 31 December 2008. Scheme assets are stated at their market value at 31 December 2008.

HC FUELS LIMITED
Notes to the Financial Statements
for the year ended 31 December 2008

16 Pensions (continued)

The assets and liabilities of the scheme at 31 December are:

	2008 £000	2007 £000
<i>Scheme assets at fair value</i>		
Equities	58,548	81,389
Bonds	82,824	75,576
Property	-	9,135
Other	1,428	-
Fair value of scheme assets	142,800	166,100
Present value of scheme liabilities	(179,600)	(178,900)
Defined benefit pension liability	(36,800)	(12,800)
Related deferred tax asset	10,304	3,584
Net pension liability	(26,496)	(9,216)

To develop the existing long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the Scheme's asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Main assumptions

	2008 %	2007 %	2006 %
Discount rate	5.7	5.9	5.0
Rate of compensation increase	3.8	4.4	3.8
Rate of price inflation	2.8	3.4	2.8
Rate of pension increases	2.8	3.4	2.8
<i>Expected rate of return on scheme assets:</i>			
Equities	7.4	7.3	7.0
Bonds	4.3	5.3	4.9
Properties	6.9	6.8	4.9
Other	3.9	-	-
<i>Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligation:</i>	Years	Years	Years
Current active and deferred members	21.3	18.2	18.2
Current pensioner members	20.3	17.8	17.8

Sensitivity analysis of scheme liabilities:

	Change in assumption	Impact on scheme liabilities
Rate of salary increase	Increase / decrease 1%	Increase 5% / decrease 5%
Discount rate	Increase / decrease 1%	Decrease 18% / increase 18%
Inflation assumption	Increase / decrease 1%	Increase 18% / decrease 18%
Mortality	Increase / decrease 1 year	Increase 3% / decrease 3%

The total contributions to the Scheme in 2009 are expected to be £6,062,000.

HC FUELS LIMITED
Notes to the Financial Statements
for the year ended 31 December 2008

16 Pensions (continued)

Changes to the present value of the defined benefit obligations during the year	2008 £000	2007 £000
Opening defined benefit obligation	178,900	180,112
Current service cost	6,210	6,395
Interest cost	10,453	9,045
Contributions by Scheme participants	1,847	1,785
Actuarial gain	(9,329)	(11,843)
Benefits paid	(8,481)	(6,594)
Closing defined benefit obligation	<u>179,600</u>	<u>178,900</u>
Changes to the fair value of scheme assets during the year	2008 £000	2007 £000
Opening fair value of Scheme assets	166,100	160,881
Expected return on Scheme assets	10,812	9,783
Actuarial losses	(34,587)	(6,409)
Contributions by the employer	7,109	6,854
Contributions by the Scheme participants	1,847	1,785
Benefits paid	(8,481)	(6,594)
Closing fair value of Scheme assets	<u>142,800</u>	<u>166,100</u>

Amounts for current and previous four years:

	2008	2007	2006	2005	2004
Fair value of scheme assets	142,800	166,100	160,881	142,700	126,300
Present value of defined benefit obligation	<u>(179,600)</u>	<u>(178,900)</u>	<u>(180,112)</u>	<u>(168,500)</u>	<u>(128,500)</u>
Deficit in the scheme	<u>(36,800)</u>	<u>(12,800)</u>	<u>(19,431)</u>	<u>(25,800)</u>	<u>(2,200)</u>
Experience adjustments arising on plan liabilities	(3,129) (2%)	- -	(1,015) (1%)	5,291 3%	1,201 1%
Experience adjustments arising on plan assets	(34,587) (24%)	(6,409) (4%)	4,883 3%	13,552 9%	2,654 2%

17 Parent undertakings

The immediate parent undertaking is Scancem Supply Limited, a company registered in England and Wales. The Company's ultimate parent undertaking is HeidelbergCement AG, a company registered in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by HeidelbergCement AG. Copies of the consolidated financial statements of HeidelbergCement AG may be obtained from Berliner Strasse 6, D-69120 Heidelberg, Germany.

18 Related party transactions

The Company has taken advantage of the 90% owned subsidiary exemption afforded by FRS 8: Related Party Disclosures, and has not disclosed information regarding transactions with other group companies, in the group headed by HeidelbergCement AG.