Lafarge Tarmac Holdings Limited

Annual report and financial statements

for the year ended 31 December 2013

Registered number: 07533961

Contents

DIRECTORS' REPORT

The directors present the audited financial statements for the year ended 31 December 2013. The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption, which also provides an exemption from the preparation of a Strategic Report.

The Company was formed as the holding company for the 50:50 joint venture between Anglo American Plc and Lafarge S.A announced on 18 February 2011, pursuant to which the parties agreed (subject to regulatory clearance) to combine their cement, aggregates, ready-mixed concrete, asphalt and contracting businesses in the United Kingdom (the "Joint Venture").

The Competition and Markets Authority ("CMA") (previously the Competition Commission) required the parties to make a number of divestments in order to secure regulatory clearance, and following final clearance the Joint Venture arrangements were effected on 7 January 2013.

Accordingly, this is the first set of accounts for Lafarge Tarmac Holdings Limited and its subsidiaries (the "Group" or "Lafarge Tarmac"). For the year ended 31 December 2012, the Company did not own any subsidiaries or investments and therefore consolidated financial statements were not required. The Company is a joint venture entity owned equally by Anglo American Finance (UK) Limited and Lafarge UK Holdings Limited. There is no ultimate holding company.

PRINCIPAL ACTIVITIES

Lafarge Tarmac is the UK's leading sustainable building materials and sustainable construction solutions group. The Group's principal activities are organised and managed across five business units:

- Aggregates and Asphalt - the quarrying and supply of sand, gravel and stone (Aggregates) and the manufacture of road surfacing materials (Asphalt);
- Cement – manufacture and supply of cement and cementious products;
- Readymix - the manufacture and supply of ready mixed concrete;
- Contracting - solutions for the surfacing or repair of roads, traffic management, highway and local authority maintenance; and
- Building Products, following the acquisition of Tarmac Building Products Limited on 31 March 2014.

BUSINESS REVIEW

Significant events during the year

On 7 January 2013, following regulatory clearance from the CMA, the Company acquired the entire issued share capitals of Lafarge Aggregates Limited, Lafarge Tarmac Cement and Lime Limited (formerly Lafarge Cement UK Limited), Lafarge (UK) Services Limited, Tarmac Industrial Minerals Holdings Limited (formerly Anglo Industrial Mineral Holdings Limited) and Tarmac Group Limited in consideration for the issue of 200 Ordinary shares of £0.01 each in the capital of the Company (100 to each shareholder: Lafarge UK Holdings Limited and Anglo American Finance (UK) Limited), and cash payments to each shareholder, partly funded by way of inter-company loans from Lafarge Tarmac Trading Limited (formerly Tarmac Limited), a 100% subsidiary of Tarmac Group Limited and Lafarge Tarmac Cement and Lime Limited (formerly Lafarge Cement UK Limited) of £32.5m and £20m respectively.

The aggregated amounts recognised in respect of the fair value of the identifiable assets acquired and liabilities assumed for the acquisition of each subsidiary are £1,575 million as set out in note 24.

On 7 January 2013, 200 ordinary shares of £0.01 each were issued as explained in note 24. On 17 July 2013, the 200,000 ordinary shares of £0.01 each were consolidated into 2,000 ordinary shares of £1.00 each, such shares having the same rights and restrictions (save as to nominal value) as the existing ordinary shares of £0.01 each.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Results review

During the year, the Group generated revenue of £1,685.1 million and a gross profit before exceptional items of £410.0 million at a gross profit margin of 24.3%. Operating profit before exceptional items amounted to £10.6 million. EBITDA (being earnings before interest, tax, depreciation and amortisation) before exceptional items was £127.2 million.

As a result of the formation of the joint venture, an integration process was undertaken during 2013 to combine the two businesses including the relocation of the Group's head offices to Solihull. As a result, restructuring, integration and redundancy costs of £62.8 million relating to the integration of the two businesses have been charged to the profit and loss account during the year (see note 6). The Group also incurred costs associated with the Competition Commission's market investigation into the UK aggregates, readymix and cement market (see note 6). An exceptional tax credit in the year of £34.3 million has been recognised in relation to a change in tax rate during the year and relating to the tax on the exceptional items (see note 10).

At 31 December 2013, the Group had a strong net asset position of £1,551.7 million and net current assets of £81 million. At the year-end, the Group had borrowings with its shareholders in the form of a Revolving Working Capital Facility of £20 million, presented in current liabilities, and Unsecured Loan Notes of £25.6 million, presented in non-current liabilities. Cash has increased in the year from that acquired on acquisition of the businesses of £124.2 million to £166.3 million. Net cash from operating activities amounted to £108.8 million. This is prior to payments on exceptional items of £31.1 million and Group relief income tax paid of £26.1 million. The net cash from operating activities after these amounts was £51.6 million.

RESULTS AND DIVIDENDS

The Company's loss for the year of £23.3 million (2012: £nil) has been transferred to reserves. The directors do not recommend the payment of a dividend in respect of the financial year (2012: £nil).

POST BALANCE SHEET EVENTS

In April 2014, Lafarge SA, who ultimately own 50% of Lafarge Tarmac, announced its intention to combine with another global cement and aggregates business, Holcim. As part of the proposed Lafarge Holcim transaction, a proposed list of divestments to meet potential competition authorities' requirements was announced on 7 July 2014. This includes the intention to sell Lafarge Tarmac. The proposal, subject to completion of the Lafarge Holcim transaction, is that Anglo American, who ultimately own the remaining 50% of Lafarge Tarmac, will sell its 50% share in Lafarge Tarmac to Lafarge SA for a minimum value of £885 million. The proposal is then that Lafarge SA will sell the entire issued share capital of Lafarge Tarmac as a going concern. Lafarge Holcim have indicated a proposed timeline of H1 2015.

The Competition and Markets Authority ("CMA") (previously the Competition Commission) has been undertaking a Market Investigation into the UK aggregates, ready-mix and cement market. In January 2014, the CMA published its final report on the Market Investigation into aggregates, cement and ready mix concrete which prescribed a number of remedies including a requirement that the Group should divest one of its cement plants (Cauldon or Tunstead) along with a number of associated ready-mix plants in order to create a fifth cement producer in Great Britain . A Notice of Appeal and Grounds for Challenge was filed by the Group on 12 March 2014 with a defence served by the CMA on 22 May 2014 and a Reply served by the Group on 10 July 2014.

On 23 January 2014 Lafarge Tarmac purchased the trade and assets of Euromix, a concrete business based in the South of England. This included six readymix plants.

On 31 March 2014, the Group acquired Tarmac Building Products Limited ("TBP") from Anglo American plc. TBP is one of the UK's leading suppliers of heavy building materials, and manufactures products such as blocks, mortar, bagged aggregates and bagged cement.

On 3 April 2014, the Group acquired the remaining 50% share of Mersey Asphalt Limited, a single asphalt plant in the North of England.

DIRECTORS' REPORT (continued)

GOING CONCERN

The directors have reasonable expectation that based on the Group's forecast and projections and taking into account reasonable possible changes in trading performance, the Group has adequate resources to continue in operational existence for the foreseeable future. In addition, the Group has loans from its shareholders which do not expire until January 2016 (see note 18). The directors have also taken into account the announcement regarding the proposed sale of Lafarge Tarmac, as explained above, and based on the current situation consider that it is still appropriate to adopt the going concern basis in preparing these financial statements.

SUSTAINABILITY

The Group believes sustainability is essential for the prosperity and well-being of society, our customers, the communities in which it operates as well as the long-term success of our business. Its approach recognises that construction products have a vital role to play in sustainable development through supporting regeneration, meeting the challenge of increasing urbanisation and helping to adapt and mitigate the impact of climate change.

The Group's vision is to be its customers' preferred choice for sustainable construction solutions and to support this aim, it has established an External Sustainability Panel. Chaired by Lord Glentoran, the Panel provides expert advice and challenge about Lafarge Tarmac's sustainability strategy and performance.

By working with the Panel and other stakeholders, the Group has identified the most material sustainability priorities for its business and for each priority it has set long term, ambitious commitments, underpinned by clear targets and actions. The strategy and the details of targets and actions can be found at www.lafargetarmac.com/sustainability. From 2014 the Group will report on its progress towards meeting those commitments.

DIRECTORS' REPORT (continued)

HEALTH & SAFETY

The safety and health of employees is fundamental to the Group and a core value. Lafarge Tarmac's goal is zero harm. Everyone who works with Lafarge Tarmac should go home safe at the end of their working day, whether they are employees, contractors or visitors. Employees should also be fit for work as defined by occupational health requirements.

A number of programmes are in place across the business to support safety and health. These include: Visible Felt Leadership, to support the right leadership and behaviours; the Switch Programme, which prohibits the use of mobile phones in hands-free equipment or devices at any time whilst driving; Health Matters, a health awareness and education programme; and Driving Safety an initiative designed to address road vehicle safety.

In 2013 there were 20 Lost Time Injuries and the Lost Time Injury Frequency Rate was 0.89 (defined as the number of accidents per 1,000,000 hours worked). 23 Medical Treatment Cases, 162 First Aid Cases and 126 No-Treatment Injuries were also recorded. The Total Recordable Case Frequency Rate was 1.91 and the All Injury Frequency Rate was 14.72. A total of 135 significant incidents/events, high potential near hits were recorded for 2013. Each incident is investigated and learnings cascaded through the organisation.

DIRECTORS

The directors of the Company throughout the year and to the date of this report, except where otherwise stated, were as follows:

I Botha (appointed 7 January 2013)
T Farrell (appointed 7 January 2013)
J Gauthier (appointed 7 January 2013)
D James (appointed 7 January 2013)
T Last (appointed as Alternate Director on 7 January 2013; resigned 23 January 2014 and appointed as director on the same date)
J Pike (appointed 7 January 2013)
D Weston (appointed 7 January 2013)
*V Bazin (appointed 23 April 2013)
*F Olivares (appointed 7 January 2013)
*N Patel (appointed 7 January 2013)
*J Saleh (appointed 7 January 2013)
* D Wanblad (appointed 7 January 2013; resigned 23 January 2014 and reappointed Alternate Director on the same date)

*denotes Alternate Directors

The following directors resigned on 7 January 2013:

D Grimason
C Hoare
G Michos

No directors in office at the end of the year had any interest in the shares of the Company.

No director has, or has had, a material interest, directly or indirectly, at any time during the year under review in any contract significant to the Company's business.

The Company adopted new Articles of Association on 7 January 2013. The articles of association of the Company contain an indemnity in favour of all of the directors of the Company that, subject to law, indemnifies the directors out of the assets of the Company from any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part). The indemnity was in force throughout the year and remains in force.

DIRECTORS' REPORT (continued)

EMPLOYEES

It is company policy to communicate with, and involve employees on matters affecting their interests at work and to inform them of the performance of the business. The Company adopts such employee consultation as is appropriate, including consultative committees, training and development and communication programmes. The information is complemented by the group magazine "Altogether" and information on the company intranet, which contain items of news, current affairs and information relevant to employees.

It is also company policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and, wherever possible, to re-train employees who become disabled so that they can continue their employment.

AUDITOR

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

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have indicated their willingness to be reappointed.

No notice in accordance with section 488 of the Companies Act 2006 (which would operate to prevent the deemed reappointment of auditors under s487(2) of that Act) has been or is expected to be received and accordingly the necessary conditions are in place for the deemed reappointment of the auditors.

By order of the Board

J Pike

Director

10 September 2014

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 TARMAC HOLDINGS LIMITED

We have audited the financial statements of Lafarge Tarmac Holdings Limited for the year ended 31 December 2013 which comprise the Consolidated Income Statement, Consolidated and Company Statement of Comprehensive income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Group's and the parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Group's and of the parent company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 3 to the Group financial statements, the Group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAFARGE TARMAC HOLDINGS LIMITED (continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.

Peter Gallimore FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom

12 September 2014

Lafarge Tarmac Holdings Limited

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

		2013		
	Note	**Before exceptional items £m**	**Exceptional items (note 6) £m**	**Total £m**
Continuing operations				
Revenue	5	1,685.1	-	1,685.1
Cost of sales		(1,275.1)	(22.2)	(1,297.3)
Gross profit		410.0	(22.2)	387.8
Other operating income		6.2	-	6.2
Distribution costs		(199.9)	-	(199.9)
Administrative expenses		(207.8)	(42.9)	(250.7)
Share of results of joint ventures and associates	14	2.1	-	2.1
Operating profit / (loss)		10.6	(65.1)	(54.5)
Net finance costs	9	(2.2)	-	(2.2)
Profit / (Loss) before tax		8.4	(65.1)	(56.7)
Tax	10	(1.4)	34.3	32.9
Profit / (loss) for the year from continuing operations	7	7.0	(30.8)	(23.8)
Discontinued operations				
Profit for the period from discontinued operations	24	0.5	-	0.5
Profit/ (loss) for the period attributable to shareholders of the Company		7.5	(30.8)	(23.3)

For the year ended 31 December 2012, the Company did not own any subsidiaries or investments and therefore consolidated financial statements were not required.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2013

	2013 £m
Loss for the year	(23.3)
Other Comprehensive income for the period net of tax	-
Total Comprehensive income for the period	(23.3)

For the year ended 31 December 2012, the Company did not own any subsidiaries or investments and therefore consolidated financial statements were not required.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2013

	2013 £m	2012 £m
Loss for the year	(3.0)	-
Other Comprehensive income for the period net of tax	-	-
Total Comprehensive income for the period	(3.0)	-

Lafarge Tarmac Holdings Limited

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 £m
Non-current assets		
Other intangible assets	11	6.5
Property, plant and equipment	12	1,740.7
Investments in joint ventures and associates	14	13.5
Other receivables	17	20.0
Financial asset		5.2
		1,785.9
Current assets		
Inventories	15	111.8
Trade and other receivables	17	399.0
Cash and bank balances		166.3
		677.1
Total assets		2,463.0
Current liabilities		
Trade and other payables	20	(507.0)
Current tax liabilities		(28.4)
Borrowings	18	(20.0)
Provisions	21	(40.7)
		(596.1)
Net current assets		81.0
Non-current liabilities		
Borrowings	18	(25.6)
Deferred tax liabilities	19	(130.1)
Other payables	20	(35.7)
Long-term provisions	21	(123.8)
		(315.2)
Total liabilities		(911.3)
Net assets		1,551.7
Equity		
Share capital	22	-
Merger reserve	23	1,575.0
Retained earnings	23	(23.3)
Shareholders' equity		1,551.7

For the year ended 31 December 2012, the Company did not own any subsidiaries or investments and therefore consolidated financial statements were not required. The financial statements of Lafarge Tarmac Holdings Limited (registered number 07533961) were approved by the board of directors and authorised for issue on 10 September 2014. They were signed on its behalf by:

J Pike

Lafarge Tarmac Holdings Limited

COMPANY BALANCE SHEET

As at 31 December 2013

	Note	2013 £m	2012 £m
Non-current assets			
Investment in subsidiaries	13	1,809.3	-
		1,809.3	-
Current assets			
Trade and other receivables	17	21.0	-
		21.0	-
Total assets		1,830.3	-
Current liabilities			
Trade and other payables	20	(190.4)	-
Borrowings	18	(20.0)	-
Bank Overdraft		(2.3)	-
Tax liabilities		-	-
		(212.7)	-
Non-current liabilities			
Trade and other payables	20	(20.0)	-
Borrowings	18	(25.6)	-
		(45.6)	-
Total liabilities		(258.3)	-
Net assets		1,572.0	-
Equity			
Share capital	22	-	-
Merger reserve	23	1,575.0	-
Retained earnings	23	(3.0)	-
		1,572.0	-

The financial statements of Lafarge Tarmac Holdings Limited (registered number 07533961) were approved by the board of directors and authorised for issue on 10 September 2014. They were signed on its behalf by:

J Pike

Lafarge Tarmac Holdings Limited

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at 31 December 2013

	Share Capital £m	Retained Earnings £m	Merger Reserve £m	Total £m
Balance at 1 January 2013	-	-	-	-
Loss for the period	-	(23.3)	-	(23.3)
Acquisition of subsidiaries (note 24)	-	-	1,575.0	1,575.0
Total comprehensive income for the period	-	(23.3)	1,575.0	1,551.7
Balance at 31 December 2013	-	(23.3)	1,575.0	1,551.7

For the year ended 31 December 2012, the Company did not own any subsidiaries or investments and therefore consolidated financial statements were not required.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at 31 December 2013

	Share Capital £m	Retained Earnings £m	Merger Reserve £m	Total £m
Balance at 1 January 2012 and at 31 December 2012	-	-	-	-
Loss for the period	-	(3.0)	-	(3.0)
Acquisition of subsidiaries (note 24)	-	-	1,575.0	1,575.0
Total comprehensive income for the period		(3.0)	1,575.0	1,572.0
Balance at 31 December 2013		(3.0)	1,575.0	1,572.0

CONSOLIDATED CASH FLOW STATEMENT

As at 31 December 2013

	Note	Group 2013 £m
Net cash from operating activities		
Net cash from operating activities before exceptional items and income taxes	25	108.8
Payments on exceptional items		(31.1)
Income taxes paid – Group relief		(26.1)
Net cash from operating activities		51.6
Investing activities		
Interest received		1.3
Dividends received from joint ventures and associates		2.3
Proceeds on disposal of property, plant and equipment		10.9
Purchases of property, plant and equipment		(43.9)
Purchases of intangible fixed assets		(0.1)
Acquisition of subsidiaries	24	124.2
Net cash from investing activities		94.7
Financing activities		
Proceeds of disposal of asset held for sale		33.0
Disposal proceeds paid to shareholders		(33.0)
Shareholder borrowings		20.0
Net cash from financing activities		20.0
Net increase in cash and cash equivalents		166.3
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year		166.3

For the year ended 31 December 2012, the Company did not own any subsidiaries or investments and therefore consolidated financial statements were not required.

COMPANY CASH FLOW STATEMENT

As at 31 December 2013

	Note	Company 2013 £m	2012 £m
Net cash used in operating activities	25	(1.3)	-
Financing activities			
Shareholder borrowings		20.0	-
Loans to subsidiaries		(21.0)	-
Net cash used in financing activities		(1.0)	-
Net decrease in cash and cash equivalents		(2.3)	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		(2.3)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. General information

Lafarge Tarmac Holdings Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Portland House, Bickenhill Lane, Solihull, Birmingham B37 7BQ. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 1 to 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosure	In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards. Although these standards are not mandatory until periods commencing on or after 1 January 2014, in the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) has also been applied and it deals only with separate financial statements.
IFRIC 20 *Stripping costs in the production phase of a surface mine*	IFRIC 20 specifies the accounting for costs associated with waste removal (stripping) during the production phase of a surface mine, and which the Group also consider is relevant to quarries. When the benefit from the stripping activity is realised in the current period, the stripping costs are accounted for as the cost of inventory. When the benefit is the improved access to resources in future periods, the costs are recognised as a non-current asset, if certain criteria are met. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit of production method) over the expected useful life of the identified component of the resources that becomes more accessible as a result of the stripping activity. The impact of this interpretation on the Group's results is that the subsequent remeasurement of the asset is recognised as depreciation on a unit of production basis, rather than as a charge to operating costs. This has been applied retrospectively although as the Group did not own any subsidiaries or investments in 2012, no restatement is necessary.

2. Adoption of new and revised Standards (continued)

IFRS 13 Fair Value Measurement	The Group has applied IFRS 13 that establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	*Financial Instruments*
IAS 27 (amendments)	*Investment Entities*
IAS 36 (amendments)	*Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 (amendments)	*Novation of Derivatives and Continuation of Hedge Accounting*

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

On 7 January 2013, following regulatory clearance from the CMA, the Company acquired the entire issued share capitals of Lafarge Aggregates Limited, Lafarge Tarmac Cement and Lime Limited (formerly Lafarge Cement UK Limited), Lafarge (UK) Services Limited, Tarmac Industrial Minerals Holdings Limited (formerly Anglo Industrial Mineral Holdings Limited) and Tarmac Group Limited in consideration for the issue of 200 Ordinary shares of £0.01 each in the capital of the Company (100 to each shareholder: Lafarge UK Holdings Limited and Anglo American Finance (UK) Limited), and cash payments to each shareholder, partly funded by way of inter-company loans from Lafarge Tarmac Trading Limited (formerly Tarmac Limited), a 100% subsidiary of Tarmac Group Limited and Lafarge Tarmac Cement and Lime Limited (formerly Lafarge Cement UK Limited) of £32.5m and £20m respectively.

The acquisitions were accounted for under IFRS 3 *Business Combinations* requiring assets and liabilities acquired to be fair valued. Further details are explained below.

Other than as a result of the fair value of the businesses acquired in the year, the financial statements have been prepared on the historical cost basis as explained in the accounting policies below. The principal accounting policies adopted are set out below.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss after tax for the year of the Company amounted to £3.0 million (2012: £nil).

3. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cashflows relating to transitions between the members of the Group are eliminated on consolidation.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on pages 1 to 5.

Exceptional items

Exceptional items are those items of income and expenditure that by reference to the Group are material in size or unusual in nature or incidence, that in the judgement of the Directors, should be disclosed separately on the face of the financial statements (or in the notes in the case of a segment) to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as exceptional items include, but are not limited to, significant restructurings, onerous contracts, write-downs or impairments of current and non-current assets, and the costs of acquiring and integrating businesses.

3. Significant accounting policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Investments in joint ventures and associates

A jointly controlled entity is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. Jointly controlled entities are accounted for using the equity method of accounting.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in a joint venture or associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture or associate. When the Group's share of losses of a joint venture or associate exceeds the Group's interest in that joint venture or associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture or associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The Group's policy for recognition of revenue from construction contracts is described below.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Rental income

The Group's policy for recognition of revenue from operating leases is described below.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

3. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of joint ventures and associates but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as follows:

Freehold Buildings	2% - 20%
Long leasehold properties	2%
Short leasehold buildings	Period of lease
Plant & machinery	2.5% - 20%
Motor Vehicles	12% - 25%
IT hardware	10% - 33%

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets – computer software

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria required by IAS 38 *Intangible assets*. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Assets are amortised to their estimated residual value on a straight-line basis over their estimated useful lives as follows

Computer software	13% - 33%

Research and development expenditure

In the normal course of business, the business performs research and development activities in relation to obtaining and managing planning requirements on the Group's sites. Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure incurred is capitalised within tangible fixed assets as part of the site asset where the conditions of IAS 38 are met.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

Financial Assets

The Group's classes of financial assets are cash and other financial assets, and these are classified as 'loans and receivables'.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

The Group has financial liabilities that are classified as 'other financial liabilities', and these relate to borrowings from shareholders and trade and other payables.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restoration and decommissioning
The Group creates two types of restoration provision; a provision for the terminal restoration costs expected in order to dismantle and remove the plant and roadways at their facilities and also an ongoing restoration provision as minerals are extracted from the sites.

The costs of terminal restoration are capitalised as a directly attributable cost of the site and a provision created at that stage. The costs are then charged to the profit and loss account as depreciation over the site's life. Provisions are discounted and unwound over time.

The costs of ongoing restoration are charged to the profit and loss account as the minerals are extracted from the site. Provision is also made for the post-closure costs on the basis of air space consumed in respect of leachate and gas monitoring at landfill sites. Similar costs incurred during the operational life of the site are written off directly to the profit and loss account. Provisions are discounted and unwound over time.

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties
Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3. Significant accounting policies (continued)

Provisions (continued)

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors believe that the following accounting policies are critical due to the degree of estimation required and / or the potential material impact they may have on the Group's financial position and performance.

Fair value of net assets on acquisition

The Group applies the acquisition method of accounting for acquisitions. On formation of the Joint Venture arrangement on 7 January 2013, the Group acquired the businesses as detailed in note 24. As required by IFRS 3 *Business Combinations*, this required all identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture entity or an associate acquired on the date control is obtained, which can be measured reliably, to be recognised at their provisional fair values at the date of acquisition. The fair value of identifiable assets and liabilities is determined using discounted cash flows or other valuation techniques using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The assessment of assumptions used in determining the fair value of identifiable assets and liabilities is inherently subjective and the use of inaccurate valuation assumptions could result in a significant impact on the Group's financial position.

Revenue recognition – long term contract accounting

The Group generates revenue from long term contracts. This often requires judgement to be applied in estimating the stage of completion of the contract at the balance sheet date based on the forecast total contract costs that is expected to be incurred on the contract. Where actual results differ to the estimates made, this could result in a significant impact on the Group's financial results.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Mineral estimates and useful economic lives of assets

When determining the extent of mineral reserves available in the Group's quarries, assumptions that were valid at the time of estimation may change when new information becomes available. A change in assumptions could affect prospective depreciation rates and asset carrying values.

The calculation of the Group's depreciation rate is on a site by site basis based on the unit of production which could be impacted to the extent that actual production in the future is different from current forecast production based on the mineral reserves.

Factors which could impact useful economic lives of assets include:

- assumptions used in the estimation of mineral reserves;
- renewal of planning and other regulatory factors; and
- unforeseen operational issues at the quarry sites.

Impairment of property, plant and equipment

The Group's largest asset base is property, plant and equipment. The directors consider the asset base for impairment on at least an annual basis or where decisions are made to alter the industrial footprint of the Group's operations, such that sites are either closed. Mothballed or identified for sale. These decisions could result in the fixed plant assets at these sites being impaired.

Restoration, rehabilitation and environmental costs

Costs for restoration of site damage, rehabilitation and environmental costs are estimated having regard to the terms of the relevant extraction license and planning conditions using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for and amortise these estimated costs over the life of the site. Provisions are discounted and unwound over the estimated life of the site.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

5. Revenue

	2013 £m Group
Continuing operations	
Sales of goods and services	1,685.1
	1,685.1
Other operating income	6.2
Other interest income (see note 9)	1.9
	1,693.2

The Group's revenue from external customers by geographical location is detailed below:

	2013 £m Group
United Kingdom	1,680.0
Europe	0.6
Africa	4.4
Asia	0.1
	1,685.1

6. Exceptional costs

As explained in note 24 to these financial statements, on 7 January 2013 the Company acquired certain subsidiaries of Anglo American Plc and Lafarge S.A. as part of the formation of a new joint venture company, Lafarge Tarmac Holdings Limited.

As a result of the formation of the joint venture, certain restructuring and redundancy costs relating to the integration of the two businesses have been charged to the profit and loss account during the year.

In addition, during the year, the Group has performed a detailed review of the industrial footprint of all sites held by the Group. As a result of this review certain sites, identified as being in close proximity to each other and serving similar customers / markets, were mothballed or closed. This resulted in a write-down of the fixed plant tangible assets and a provision for onerous leases.

The Group incurred costs associated with the Competition Commission's market investigation into the UK aggregates, readymix and cement market, as explained further in note 33.

The details of the exceptional costs incurred to the income statement during the year are:

	2013 £m Group
Presented in cost of sales	
Write-down of tangible fixed assets	10.3
Provision for onerous leases	11.9
	22.2
Presented in administration expenses	
Restructuring and integration costs	40.6
Market inquiry costs	2.3
	42.9
Total exceptional costs charged to the income statement in the year	65.1

7. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2013 £m Group
Net foreign exchange gains	(0.2)
Government grants released	(0.9)
Depreciation of property, plant and equipment	113.6
Impairment of property, plant and equipment	10.3
Gain on disposal of property, plant and equipment	(14.2)
Amortisation of intangible assets	3.0
Cost of inventories recognised as expense	453.5
Staff costs (see note 8)	217.7

The analysis of the auditor's remuneration is as follows:

	Group 2013 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	60
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	900
Total audit fees	960
Fees payable to the Company's auditor for other services	
- Audit-related assurance services	275
Total non-audit fees	275

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. The Company was unaudited in the prior year.

8. Staff costs

The average monthly number of employees (including executive directors) was:

	2013 Number
Production and distribution	4,450
Administration and selling	1,610
	6,060

Their aggregate remuneration comprised:

	2013 £m
Wages and salaries	257.9
Social security costs	20.9
Pension costs (see note 29)	12.0
	290.8

9. Net finance costs

	2013 £m Group
Other interest	1.9
Finance income	1.9
Interest on shareholder loans	(1.6)
Unwinding of discount on provisions	(2.5)
Finance costs	(4.1)
Net finance costs	(2.2)

10. Tax

	2013 £m Group
Current tax	
Current year	-
Adjustments in respect of prior years	-
Total current tax	-
Deferred tax (see note 19)	
Origination and reversal of temporary differences	(13.8)
Change of rate	(19.1)
Total deferred tax	(32.9)
Total tax credit	(32.9)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/ (loss) before tax are as follows:

	2013 £m Group
Loss before tax on continuing operations	(56.7)
Tax at the UK corporation tax rate of 23.25%	(13.2)
Expenses not deductible in determining taxable profit	0.8
Income not taxable in determining taxable profit	(3.0)
Capital items not taxable / not deductible	-
Depreciation of non qualifying property	1.1
Utilisation of tax losses not previously recognised	-
Share of results of associates and joint ventures	0.5
Deferred tax rate change	(19.1)
Total tax credit for the year	(32.9)

The 2012 Budget introduced a reduction in the main rate of corporation tax from 24% to 23% with effect from 1 April 2013, resulting in a blended rate of current tax of 23.25% for the year.

On 2 July 2013 the Finance Act 2013 subsequently enacted further reductions in the main rate of corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. Deferred tax at 31 December 2013 has been calculated at a rate of 20% on the basis that it will materially reverse after 1 April 2015.

The total deferred tax credit of £32.9 million includes an exceptional credit of £19.1 million arising from the reduction in the rate of UK corporation tax and an exceptional credit of £15.2 million relating to the tax on the exceptional costs referred to in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

11. Intangible assets

Group

	Computer software costs £m	Total £m
Cost		
At 1 January 2012 and at 1 January 2013	-	-
Acquired on acquisition of subsidiaries (note 24)	9.4	9.4
Additions	0.1	0.1
Disposals	(1.3)	(1.3)
At 31 December 2013	8.2	8.2
Amortisation		
At 1 January 2012 and at 1 January 2013	-	-
Charge for the year	(3.0)	(3.0)
Disposals	1.3	1.3
At 31 December 2013	(1.7)	(1.7)
Carrying amount		
At 31 December 2013	6.5	6.5
At 1 January 2012 and 31 December 2012	-	-

Company

The Company has no intangible assets.

12. Property, plant and equipment

Group

	Plant and machinery £m	Land and buildings £m	Mineral reserves £m	Assets in course of construction £m	Total £m
Cost					
At 1 January 2012 and 31 December 2012	-	-	-	-	-
Additions	5.1	0.2	8.8	42.6	56.7
Acquisition of subsidiaries (note 24)	992.5	65.9	651.8	99.3	1,809.5
Disposals	(26.8)	(0.5)	(0.5)	-	(27.8)
At 31 December 2013	970.8	65.6	660.1	141.9	1,838.4
Accumulated depreciation and impairment					
At 1 January 2012 and 31 December 2012	-	-	-	-	-
Charge for the year	(65.4)	(7.6)	(40.6)	-	(113.6)
Impairment in the year (note 6)	(10.3)	-	-	-	(10.3)
Disposals in the year	26.0	0.2	-	-	26.2
At 31 December 2013	(49.7)	(7.4)	(40.6)	-	(97.7)
Carrying amount					
At 31 December 2013	921.1	58.2	619.5	141.9	1,740.7
At 1 January 2012 and 31 December 2012	-	-	-	-	-

The net book value of land and buildings comprises:

	2013 £m	2012 £m
Freehold	54.5	-
Leasehold - long	1.3	-
Leasehold - short	2.4	-
	58.2	-

Company

The Company has no property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

13. Investments in subsidiaries

Company

	2013 £m	2012 £m
Cost and carrying amount		
At 1 January	-	-
Acquired on acquisition of subsidiaries	1,809.3	-
At 31 December	1,809.3	-

Since the formation of the Group on 7 January 2013, the principal subsidiaries of the Company are listed in the table below. All subsidiaries are incorporated in Great Britain and are engaged in the heavy building materials business of extraction and sale of, or manufacture of, construction materials.

Name of subsidiary	Percentage ownership
Lafarge Tarmac Trading Limited (formerly Tarmac Limited)	100%
Lafarge Tarmac Cement and Lime Limited (formerly Lafarge Cement UK Limited)	100%
Lafarge Aggregates Limited	100%
Lafarge (UK) Services Limited	100%

All of the above companies are directly owned by the Company.

14. Investments in joint ventures and associates

Group

The Group equity accounts for its joint ventures and associates. The joint ventures and associated undertakings are incorporated, unless otherwise indicated by *, and principally engaged in the United Kingdom. They operate in the heavy building materials business of extraction and sale of, or manufacture of, construction materials.

The Group has interests in the following entities:

Name of joint venture or associate	Percentage ownership
Island Cement Limited	50%
Scotash Limited	50%
Processing Ash LLP *	50%
Brett Lafarge Limited	50%
Britannia Aggregates Limited	25%
Island Barn Aggregates Limited	50%
R.W. Aggregates Limited	50%
GRS (Bagging) Limited	50%
LAL-GRS Limited	50%
Northampton Aggregates Limited	50%
GRS Roadstone Holdings Limited	19%
GRS Roadstone Limited	19%
Northwood(Fareham)Limited	50%
Ebbsfleet Investment (GP) Limited	50%
The Ebbsfleet Limited Partnership *	50%
Tendley Quarries Limited	50%
C.&H. Quickmix Limited	50%
North Tyne Roadstone Limited	50%

14. Investments in joint ventures and associates (continued)

Name of joint venture or associate (continued)	Percentage ownership
Isle of White Aggregates Limited	50%
Newhaven Roadstone Limited	50%
West Lothian Recycling Limited	50%
Mersey Asphalt Limited	50%
Barker and Bence Limited	50%
Norwest Sand & Ballast Co. 1985	50%
Mersey Sand Suppliers *	50%
Shepperton Aggregates *	50%
GRS (Bagging) Holdings Limited	19%

The movement in the Group's investments in joint ventures and associates during the year is as follows. There were no investments in joint ventures and associates owned by the Group for the year-ended 31 December 2012.

	2013 £m
Cost	
At 1 January 2013	-
Acquired in the year (note 24)	14.2
Share of post-tax profit for the year	1.6
Dividends declared	(2.3)
At 31 December 2013	13.5

The Group's attributable share of the summarised income statement information of joint ventures and associates is shown below:

	2013 £m
Revenue	35.5
Operating profit from continuing operations	2.1
Profit for the year	1.6
Dividends received from joint ventures and associates	2.3

14. Investments in joint ventures and associates (continued)

The Group's share of assets and liabilities of the joint ventures are shown below:

	2013 £m
Current assets	23.2
Non-current assets	10.0
Current liabilities	(17.6)
Non-current liabilities	(2.1)
Net assets of joint ventures and associates	13.5

Company

The Company does not directly own any investments in joint ventures or associates.

15. Inventories

Group

	2013 £m
Raw materials	46.9
Work-in-progress	11.9
Finished goods	53.0
	111.8

The cost of inventories recognised as an expense during the year in respect of continuing operations was £453.5 million.

Inventories of £nil are expected to be recovered after more than twelve months.

Company

The Company has no inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

16. Construction contracts

Group

	2013 £m
Contracts in progress at the balance sheet date:	
Amounts due from contract customers	6.6
Amounts due to contract customers included in trade and other payables	-
	6.6
Contract costs incurred plus recognised profits less recognised losses to date	207.8
Less: progress billings	(201.2)
	6.6

At 31 December 2013, retentions held by customers for contract work amounted to £8.3 million (2012: £nil). Advances received from customers for contract work amounted to £nil (2012: £nil).

At 31 December 2013, amounts of £nil (2012: £nil) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

Company

The Company has no construction contracts.

17. Trade and other receivables

	2013 £m Group	2013 £m Company	2012 £m Company
Amount receivable for the sale of goods	299.6	-	-
Allowance for doubtful debts	(10.4)	-	-
	289.2	-	-
Amounts due from subsidiaries	-	21.0	-
Other receivables	76.9	-	-
Prepayments	35.1	-	-
Amounts due from joint ventures and related parties (note 31)	17.8		
	419.0	21.0	-
Total receivables			
Amount due for settlement within 12 months	399.0	21.0	-
Amount due for settlement after 12 months	20.0	-	-

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Total trade receivables (net of allowances) held by the Group at 31 December 2013 amounted to £289.2 million, comprising the amount presented above of £289.2 million and trade receivables classified as held for sale of £nil.

The average credit period taken on sales of goods is 50 days. No interest is charged on overdue receivables. The Group has recognised an allowance for doubtful debts of 100% against all receivables that are in legal. The remaining provision is calculated by reference to Graydon's risk Augur Score, where a percentage of the outstanding debt is provided against based on this figure.

Credit Insurance is taken out wherever possible. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality for any amounts below the insurers agreed discretionary credit limit. Limits above the discretionary value are agreed with the underwriters and endorsed in the policy. Limits and scoring attributed to customers are reviewed quarterly to maximise cover.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

17. Trade and other receivables (continued)

Ageing of past due but not impaired receivables

Days overdue	2013 £m Group	2013 £m Company	2012 £m Company
0-30 days	28.9	-	-
31-60 days	24.9	-	-
61-90 days	10.9	-	-
91-120 days	5.2	-	-
120+ days	5.6	-	-
Total	75.5	-	-

Movement in the allowance for doubtful debts

	2013 £m Group	2013 £m Company	2012 £m Company
Balance at the beginning of the period	-	-	-
Acquired in the year (note 24)	10.2	-	-
Impairment losses recognised	3.6	-	-
Amounts written off during the year as uncollectible	(3.3)	-	-
Amounts recovered during the year	(0.1)	-	-
Balance at the end of the period	10.4	-	-

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £0.7 million (2012: £nil) due from companies which have been placed in liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds.

Ageing of impaired trade receivables

Days overdue	2013 £m Group	2013 £m Company	2012 £m Company
0-30 days	0.5	-	-
31-60 days	-	-	-
61-90 days	0.6	-	-
91-120 days	1.7	-	-
121+ days	7.6	-	-
Total	10.4	-	-

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

18. Borrowings

	2013 £m Group	2013 £m Company	2012 £m Company
Unsecured borrowing at amortised cost			
Loans from shareholders	(45.6)	(45.6)	-
Total borrowings			
Amount due for settlement within 12 months	(20.0)	(20.0)	-
Amount due for settlement after 12 months	(25.6)	(25.6)	-

All borrowings are in Sterling.

The Group is funded equally by its two shareholders, Anglo American Finance (UK) Limited and Lafarge UK Holdings Limited. The details are as follows:

I. Revolving Working Capital Facility (the "Facility") of £100 million. The Facility was taken out on formation of the joint venture on 7 January 2013. The Facility was £20.0 million drawn down at 31 December 2013. The tenor of each tranche of funding is set at time of draw down and repayment must be made at the end of the agreed draw down period. The Facility carries interest rate at 3.5% above LIBOR. Interest is payable on repayment of each tranche of funding. The Facility expires on 7 January 2016. Given the nature of the Facility, the amount is recorded within current liabilities.

II. Unsecured Loan Notes (the "Loan") of £25.6 million. The Loan was taken out on 9 May 2013 and expires on 7 January 2016. Interest is at a fixed rate of 4.1% per annum. Interest is payable quarterly. The Loan is repayable in full on the expiry date and therefore the Loan has been recorded within non-current liabilities.

The weighted average interest rates paid during the year were as follows:

	2013 %
Loans from shareholders	4.05

19. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £m	Provisions £m	Tax losses £m	Total £m
At 1 January 2013	-	-	-	-
Acquisition of subsidiaries	189.5	(26.0)	(0.5)	163.0
(Credit)/charge to profit or loss	(16.5)	2.7	-	(13.8)
Effect of change in tax rate:				
–income statement	(22.2)	3.0	0.1	(19.1)
At 31 December 2013	150.8	(20.3)	(0.4)	130.1

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2013 £m
Deferred tax liabilities	150.8
Deferred tax assets	(20.7)
	130.1

At the balance sheet date, the Group has unused tax revenue losses of £4.7 million available for offset against future profits. A deferred tax asset has been recognised in respect of £2.4 million of such losses. The Group also has unused capital losses of £430.9 million available for offset against future capital profits. A deferred tax asset in respect of £80.4 million of such losses has been recognised and offset against potential deferred tax liabilities arising on non depreciating assets. No deferred tax asset has been recognised in respect of the remaining revenue losses and capital losses because it is not probably that future taxable profits will be available against which the Group can utilise the losses. The tax losses do not expire under current tax legislation.

Other than disclosed above, no deferred tax assets and liabilities have been offset.

20. Trade and other payables

	2013 £m Group	2013 £m Company	2012 £m Company
Trade and other payables	(322.4)	(1.2)	-
Amounts due to subsidiaries	-	(157.8)	-
Deferred revenue	(19.5)	-	-
Accruals	(87.3)	-	-
Other taxation and social security	(59.9)	-	-
Amounts due to shareholders	(51.4)	(51.4)	-
Amounts due to joint ventures and related parties (note 31)	(2.2)	-	-
	(542.7)	(210.4)	-
Total payables			
Amount due for settlement within 12 months	(507.0)	(190.4)	-
Amount due for settlement after 12 months	(35.7)	(20.0)	-

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days. For most suppliers no interest is charged on trade payables for the first 75 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Deferred revenue arises as a result of the benefit received from a government grant for rail sidings facilities. The revenue will be offset against the expenditure to be incurred over the period to 2030. Non-current payables includes £15.7 million (2012: £nil) in relation to deferred revenue.

The Group has entered into a supplier financing agreement with Lloyds TSB Commercial Finance in order to improve working capital. At 31 December 2013 a balance of £30.0 million (2012: £nil) is included in trade and other payables.

21. Provisions

Group

	2013 £m Group
Restructuring	(10.8)
Restoration and decommissioning	(80.5)
Other	(73.2)
	(164.5)
Current	(40.7)
Non-current	(123.8)
	(164.5)

	Restructuring £m	Restoration and decommissioning £m	Other £m	Total £m
At 1 January 2012 and 31 December 2012	-	-	-	-
Additional provision in the year	(23.4)	(4.4)	(33.5)	(61.3)
Utilisation of provision	12.6	12.0	19.9	44.5
On acquisition of subsidiaries	-	(85.6)	(59.6)	(145.2)
Unwinding of discount	-	(2.5)	-	(2.5)
At 31 December 2013	(10.8)	(80.5)	(73.2)	(164.5)

The restructuring provision relates to redundancies and other associated costs in relation to the integration of the two businesses on formation of the joint venture. It is expected that these costs will be spent in 2014.

The Group has an obligation to undertake restoration and environmental work associated with a site and decommissioning of plant or other site work. A provision has been recognised for the present value of such costs. These costs will be incurred over the life of the relevant quarry.

Other provisions primarily relate to onerous contracts and legal claims. The onerous contracts provided for are principally in relation to leases and related obligations at closed and mothballed sites. These costs will be incurred over the remaining terms of the relevant leases.

Company

The Company has no provisions.

22. Share capital

Group and Company

	2013 £m	2012 £m
Issued and fully paid:		
2,000 ordinary shares of £1 each (2012: 199,800 ordinary shares of £0.01 each)	-	-

On 7 January 2013, 200 ordinary shares of £0.01 each were issued as explained in note 24.

On 17 July 2013, the 200,000 ordinary shares of £0.01 each were consolidated into 2,000 ordinary shares of £1.00 each, such shares having the same rights and restrictions (save as to nominal value) as the existing ordinary shares of £0.01 each.

The Company has one class of ordinary shares which carry no right to fixed income.

23. Reserves

Details of all movements in reserves for both the Group and company are shown in the Statement of changes in Equity.

The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of the businesses as explained in note 24.

24. Acquisition of subsidiaries

On 7 January 2013, following regulatory clearance from the Competition and Markets Authority ("CMA") (previously the Competition Commission), the Company acquired the entire issued share capitals of Lafarge Aggregates Limited, Lafarge Tarmac Cement and Lime Limited (formerly Lafarge Cement UK Limited), Lafarge (UK) Services Limited, Tarmac Industrial Minerals Holdings Limited (formerly Anglo Industrial Mineral Holdings Limited) and Tarmac Group Limited in consideration for the issue of 200 Ordinary shares of £0.01 each in the capital of the Company (100 to each shareholder: Lafarge UK Holdings Limited and Anglo American Finance (UK) Limited), and cash payments to each shareholder, partly funded by way of inter-company loans from Lafarge Tarmac Trading Limited (formerly Tarmac Limited), a 100% subsidiary of Tarmac Group Limited and Lafarge Tarmac Cement and Lime Limited (formerly Lafarge Cement UK Limited) of £32.5m and £20m respectively.

In connection with and as part of the restructuring of the Joint Venture, on completion, Tarmac Holdings Limited, a subsidiary of Tarmac Group Limited which had been contributed to the Joint Venture, transferred to the Company its interest in 39,799,800 £1 ordinary shares in Lafarge Tarmac Trading Limited (formerly Tarmac Limited).

The formation of the Joint Venture has created a leading UK construction materials company, with a portfolio of high quality assets drawing on the complementary geographical distribution of operations and assets, the skills of two experienced management teams and a portfolio of well known and innovative brands.

The Company's principal activity continues to be that of a holding company but now also includes providing financing to its subsidiaries.

24. Acquisition of subsidiaries (continued)

The aggregated amounts recognised in respect of the fair value of the identifiable assets acquired and liabilities assumed for the acquisition of each subsidiary are as set out in the table below. The fair value exercise as required by IFRS 3 *Business Combinations*, was performed by qualified internal experts with the assistance of external qualified experts for certain areas.

	Tarmac book value £m	Lafarge book value £m	Fair value adjustments £m	Total fair value £m
Property, plant and equipment	869.0	597.3	343.2	1,809.5
Intangible assets	57.0	9.4	(57.0)	9.4
Investments in joint ventures and associates	-	14.2	-	14.2
Cash	34.9	89.3	-	124.2
Trade and other receivables	208.3	211.1	(25.4)	394.0
Inventory	62.2	48.5	2.0	112.7
Trade and other payables	(293.9)	(266.0)	0.7	(559.2)
Current tax liabilities	(28.2)	(26.4)	-	(54.6)
Provisions	(73.0)	(50.9)	(21.3)	(145.2)
Deferred tax	(58.2)	(32.9)	(71.9)	(163.0)
Assets Held for Sale	33.0	-	-	33.0
Total identifiable assets	811.1	593.6	170.3	1,575.0

Satisfied by:	
Cash	-
Equity instruments (200 ordinary shares issued of parent company)	1,575.0
Total consideration transferred	1,575.0

Net cash inflow arising on acquisition	
Cash consideration	-
Add: cash and cash equivalent balances acquired	124.2
	124.2

The fair value of the financial assets includes trade receivables with a fair value of £191.4 million and a gross contractual value of £202.0 million. The best estimate at acquisition date of the contractual cash flows not to be collected was £10.2 million.

The asset held for sale related to Midland Quarry Products Limited ("MQP") which was disposed of for cash in April 2013 at the fair value detailed above and proceeds passed to the shareholders. Profit in the period from MQP prior to disposal was £0.5 million.

Acquisition-related costs (included in administrative expenses) amount to £nil million.

25. Notes to the cash flow statement

	2013 £m Group	2013 £m Company	2012 £m Company
Profit for the year	(23.3)	(3.0)	-
Adjustments for:			
Exceptional items	65.1	-	-
Share of profit of joint ventures and associates	(2.1)	-	-
Net finance costs	2.2	1.6	-
Income tax expense	(32.9)	-	-
Depreciation of property, plant and equipment	113.6	-	-
Amortisation of intangible assets	3.0	-	-
Gain on disposal of property, plant and equipment	(14.2)	-	-
Decrease in provisions	(5.5)	-	-
Operating cash flows before movements in working capital	105.9	(1.4)	-
Decrease in inventories	0.8	-	-
(Increase) in receivables	(25.3)	-	-
Increase in payables	28.7	1.4	-
Cash generated by operations	110.1	-	-
Income taxes paid	-	-	-
Interest paid	(1.3)	(1.3)	-
Net cash from operating activities before exceptional items and income taxes	108.8	(1.3)	-

Additions to fixtures and equipment during the year amounting to £nil were financed by new finance leases. Additions of £12.8 million in 2013 (2012: £nil) were acquired on deferred payment terms, the settlement of which are still outstanding at year end.

Cash and cash equivalents

	2013 £m Group	2013 £m Company	2012 £m Company
Cash and bank balances	166.3	-	-
Bank overdrafts	-	(2.3)	-
	166.3	(2.3)	-

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

26. Notes to the cash flow statement (continued)

Analysis of changes in net debt

	1 January 2013 £m	Cash Flow £m	Acquisitions and disposals £m	Interest Charges £m	Other non-cash movements £m	31 December 2013 £m
Cash and bank balances	-	42.1	124.2	-	-	166.3
Borrowings	-	(20.0)	-	-	(25.6)	(45.6)
Net cash	-	22.1	124.2	-	(25.6)	120.7

Other non-cash movement relates to monies due to the shareholders on completion of the acquisition that was swapped into Unsecured Loan Notes as detailed in note 18.

Balances at 31 December 2013 comprise:

	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and bank balances	166.3	-	-	166.3
Borrowings	-	(20.0)	(25.6)	(45.6)
Net debt	166.3	(20.0)	(25.6)	120.7

27. Contingent liabilities

The Framework Agreement signed by the two shareholders on formation of the joint venture on 7 January 2013 contains a number of obligations that the Company is required to comply with.

The Company has cash which forms part of a composite accounting agreement with certain of its subsidiaries. Accordingly, the Company in concert with those other group companies has entered into arrangements whereby each has offered a limited guarantee in respect of the others' overdraft borrowings from time to time. The Company's maximum liability is limited to the extent of its current account cash balances from time to time which at 31 December 2013 amounted to an overdraft of £2.3 million (2012: £nil).

The Company also has contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, entered into under the normal course of business. At 31 December 2013, the value of these were £65.9 million. The likelihood of these having a material adverse impact on the Company's financial position is considered remote.

28. Financial commitments

Group

Operating lease commitments

	2013 £m
Lease payments under operating leases recognised as an expense in the year	30.9

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 £m
Within one year	34.7
In the second to fifth years inclusive	88.8
After five years	144.1
	267.6

Operating lease payments represent rentals payable by the group for certain of its land sites, properties, vehicles and plant for operational purposes. Leases vary in length up to a maximum of 100 years.

Capital commitments

At 31 December 2013, the Group had capital commitments £27.2 million (2012: £nil).

Other financial commitments

The Group is committed as a lessee in operating leases for land, buildings and equipment. The amount in off-balance sheet commitments corresponds to the future minimum lease payments and totalled £8.5 million at 31 December 2013.

Company

The company had no financial commitments.

29. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to the income statement of £12.0 million represents contributions payable to these schemes by the Group. As at 31 December 2013, contributions of £1.1 million due in respect of the current reporting period had not been paid over to the schemes.

30. Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Board approves and monitors the risk management processes.

The capital structure of the Group consists of net debt (borrowings disclosed in note 18 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and merger reserve).

The Group is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	2013 £m
Financial assets	
Non-current other receivable	20.0
Non-current financial assets	5.2
Current assets – Cash and bank balances	166.3
Current assets – Trade and other receivables at amortised cost *	363.9
	555.4
Financial liabilities	
Current liabilities – Borrowings	(20.0)
Current liabilities – Trade and other payables at amortised cost	(376.0)
Non-current liabilities – Borrowings	(25.6)
	(421.6)

* Loans and receivables exclude prepayments of £35.1 million (2012: £nil).

The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

30. Financial Instruments (continued)

Financial risk management objectives

The Group's activities expose it to the following financial risks:

a) Market risk

b) Credit risk

c) Liquidity risk

a) Market risk

The Group's exposure to market risk predominately relates to currency, interest and commodity risk. These are discussed further below:

Foreign currency risk management

The Group undertakes limited transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2013	
	Assets £m	**Liabilities £m**
Euro	4.6	0.0
US Dollar	0.5	0.0

A 10% increase in Sterling against the Euro would have resulted in an increase of profit of £0.6 million. A 10% decrease in Sterling against the US Dollar would have resulted in a decrease of profit of £0.1 million.

Interest rate risk management

The Group has no external borrowings. The Group has a working capital facility and loan notes equally funded by its shareholders. Further details are given in note 18. The working capital facility is at floating interest rates and the loan notes are at a fixed rate. The Group does not use hedging activities to manage its exposure.

If interest rates had been 100 basis points higher/lower and all other variables were held constant interest during the year on the Group's variable working capital facility would have increased interest cost by £0.2 million (2012: £nil).

Commodity risk management

The Group is exposed to commodity risk, predominately in relation to energy and material costs.

The Group seeks to put fixed price contracts in place, where considered beneficial, to manage this risk.

30. Financial Instruments (continued)

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group has credit insurance across a significant proportion of its customer base. Apart from the Group's largest customer (see notes 5 and 17), the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk relating to the Group's largest customer did not exceed 20 per cent of gross monetary assets at any time during the year.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013
	£m
Trade receivables	289.2
Cash and cash equivalents	166.3

c) Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecasts and cash flows and negotiating appropriate bank facilities. The Group has no external borrowings but has borrowings from its shareholders. Further details are given in note 18.

The working capital facility has no fixed repayment period other than the facility expires on 7 January 2016.

The loan notes are due to be repaid in full on 7 January 2016. The table below details the remaining contractual maturity for the Group's loan notes, and includes both interest and principal cash flows on an undiscounted basis.

	Weighted average interest rate	**Within 1 year**	**1-5 years**	**5+ years**	**Total**
	%	**£m**	**£m**	**£m**	**£m**
31 December 2013					
Loan notes	4.1%	1.1	26.6	-	27.7

30. Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

	2013 Carrying value £m	2013 Fair value £m
Financial assets		
Loans and receivables:		
- trade and other receivables	383.9	383.9
Financial liabilities		
Financial liabilities held at amortised cost:		
- trade and other payables	(376.0)	(376.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

31. Related party transactions

The Group has a related party relationship with its subsidiaries, its joint ventures and its directors. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Transactions between the Group and its joint ventures and associates are disclosed below. Transactions between the Company and its subsidiaries, joint ventures and associates are also disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group. For the year ended 31 December 2012, the Company did not own any subsidiaries or investments and therefore there were no trade transactions to disclose.

	2013		
	During the year		At 31 December
	Sales	Purchases	Net amount receivable / (payable)
	£m	£m	£m
Joint ventures & Associates			
Island Cement Limited	1.2	-	0.3
Scotash Limited	1.4	(1.4)	0.5
Processing Ash LLP	-	(0.7)	-
Brett Lafarge Limited	0.4	(1.2)	(0.4)
R.W. Aggregates Limited	-	(0.4)	1.5
GRS (Bagging) Limited	1.7	-	2.2
LAL GRS Limited	-	-	0.8
Northampton Aggregates Limited	2.3	(0.8)	1.2
Northwood(Fareham)Limited	-	-	(0.8)
Tendley Quarries Limited	0.2	-	-
C.&H. Quickmix Limited	0.1	-	0.4
Newhaven Roadstone Limited	-	-	1.6
Shepperton Aggregates	-	-	(0.5)
Linear Quarry Products Limited	-	-	0.1
Other Related Parties			
Tarmac Building Products Limited (fellow subsidiary of Anglo American Finance (UK) Limited)	40.3	-	5.1
Lafarge Building Materials Limited (fellow subsidiary of Lafarge UK Holdings Limited)	0.8	-	0.5
Anglo American Finance (UK) Limited (parent company)	-	-	(74.2)
Lafarge UK Holdings Limited (parent company)	-	-	(22.8)
Lafarge SA and subsidiaries (parent of Lafarge UK Holdings Limited)	-	-	3.1
	48.4	(4.5)	(81.4)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. The amounts due from related parties is after a deduction for doubtful debts of £1.2 million.

31. Related party transactions (continued)

Directors' remuneration

The total amounts for directors' remuneration in accordance with Schedule 5 of the Accounting Regulations were as follows:

	2013 £m
Salaries, fees and bonuses	0.2
Money purchase pension contributions	-
	0.2

No directors are members of money purchase schemes.

No other directors received remuneration from the Group.

Directors' transactions

There have been no transactions with directors during the year.

Transactions between the Company and its related parties

The Company is equally funded by their two shareholders, Anglo American Finance (UK) Limited and Lafarge UK Holdings Limited. The details are as follows:

I. Working Capital Facility (the "Facility") of £100 million. The Facility was taken out on formation of the joint venture on 7 January 2013. The Facility was £20.0 million drawn down at 31 December 2013 (see note 18).

II. Unsecured Loan Notes (the "Loan") of £25.6 million. The Loan was taken out on 9 May 2013 and expires on 7 January 2016 (see note 18).

In addition to the above, as part of the formation of the joint venture, certain amounts are due to the Company's shareholders with £51.4m due to Anglo American Finance (UK) Limited at 31 December 2013.

31. Related party transactions (continued)

During the year, the Company has received:

I. Loan from Lafarge Tarmac Trading Limited for £87.9m, recorded in current trade and other payables; and

II. Loan from Lafarge Tarmac Cement and Lime Limited for £69.4m, recorded in current trade and other payables.

In the normal course of business the Company has trading transactions with its subsidiaries:

I. Amounts payable to Lafarge Tarmac Trading Limited for £0.2m, recorded in current trade and other payables.

II. Amounts payable to Lafarge (UK) Services Limited for £0.4m, recorded in current trade and other payables.

The Company funds two subsidiaries, Lafargė Aggregates Limited and Lafarge (UK) Services Limited via loans of £6m and £15m respectively. Both are included within loans due from subsidiaries.

32. Ultimate holding company

The Company is a joint venture entity owned equally by Anglo American Finance (UK) Limited and Lafarge UK Holdings Limited. There is no ultimate holding company.

33. Events after the balance sheet date

In April 2014, Lafarge SA, who ultimately own 50% of Lafarge Tarmac, announced its intention to combine with another global cement and aggregates business, Holcim. As part of the proposed Lafarge Holcim transaction, a proposed list of divestments to meet potential competition authorities' requirements was announced on 7 July 2014. This includes the intention to sell Lafarge Tarmac. The proposal, subject to completion of the Lafarge Holcim transaction, is that Anglo American, who ultimately own the remaining 50% of Lafarge Tarmac, will sell its 50% share in Lafarge Tarmac to Lafarge SA for a minimum value of £885 million. The proposal is then that Lafarge SA will sell the entire issued share capital of Lafarge Tarmac as a going concern. Lafarge Holcim have indicated a proposed timeline of H1 2015.

The Competition and Markets Authority ("CMA") (previously the Competition Commission) has been undertaking a Market Investigation into the UK aggregates, ready-mix and cement market. In January 2014, the CMA published its final report on the Market Investigation into aggregates, cement and ready mix concrete which prescribed a number of remedies including a requirement that the Group should divest one of its cement plants (Cauldon or Tunstead) along with a number of associated ready-mix plants in order to create a fifth cement producer in Great Britain. A Notice of Appeal and Grounds for Challenge was filed by the Group on 12 March 2014 with a defence served by the CMA on 22 May 2014 and a Reply served by the Group on 10 July 2014.

On 23 January 2014 Lafarge Tarmac purchased the trade and assets of Euromix, a concrete business based in the South of England. This included six readymix plants.

On 31 March 2014, the Group acquired Tarmac Building Products Limited ("TBP") from Anglo American plc. TBP is one of the UK's leading suppliers of heavy building materials, and manufactures products such as blocks, mortar, bagged aggregates and bagged cement.

On 3 April 2014, the Group acquired the remaining 50% share of Mersey Asphalt Limited, a single asphalt plant in the North of England.