HANSON PLC
Form 20-F
February 26, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File Number 333-109672

HANSON PLC

(successor to Hanson Building Materials Limited)
(Exact name of registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organisation)
1 Grosvenor Place
London SW1X 7JH, England
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares	New York Stock Exchange
Ordinary Shares of £0.10 each	New York Stock Exchange*
5.25% Notes due 2013**	New York Stock Exchange

* Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.
** Issued by Hanson Australia Funding Limited, an indirect wholly owned subsidiary of the Registrant, and guaranteed as to certain payments by the Registrant.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of £0.10 each. **736,968,849**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark which financial statement item the registrant has elected to follow.

ITEM 17 ITEM 18

This document comprises the annual report on Form 20-F and the annual report to shareholders for the year ended December 31, 2003 of Hanson PLC (the "2003 Form 20-F"). Reference is made to the Cross reference to Form 20-F table on page 106 hereof (the "Form 20-F Cross reference table"). Only (i) the information in this document that is referenced in the Form 20-F Cross reference table and (ii) the Exhibits, shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statement on Form F-3 (File No. 333-98517) and Registration Statements on Form S-8 (File Nos. 33-15028, 333-13968, 333-14022 and 333-14024) and any other documents, including documents filed by Hanson PLC pursuant to the Securities Act of 1933, as amended, which purport to incorporate by reference the 2003 Form 20-F. Any information herein which is not referenced in the Form 20-F Cross reference table, or the Exhibits themselves, shall not be deemed to be so incorporated by reference.

This is Hanson

Contents

A Scheme of Arrangement (the Scheme) was approved by shareholders of Old Hanson on September 19, 2003, subsequently approved by the Court on October 13, 2003 and became effective on October 14, 2003. Under the Scheme shareholders in Old Hanson received, in substitution for each of their ordinary shares of £2 in nominal value in Old Hanson, one ordinary share of 10p in nominal value in New Hanson, following a reduction in the nominal capital of New Hanson approved by the Court on October 20, 2003 and effective from October 21, 2003.

For the purposes of producing the Annual Report and Form 20-F of New Hanson, unless otherwise expressly specified (a) references to the Company and its subsidiaries or Hanson and its subsidiaries, or the group, refer to Old Hanson and its subsidiaries up to the close of business on October 14, 2003, the effective date of the Scheme (the Scheme Effective Date) and New Hanson (including Old Hanson) and its subsidiaries from that time to December 31, 2003 and (b) references to Hanson or the Company are to Old Hanson up to and including the close of business on the Scheme Effective Date and to New Hanson as from that time. At the Scheme Effective Date New Hanson had no business assets.

Solely for the convenience of the reader, the Annual Report and Form 20-F contains translations of certain amounts in pounds sterling (£) or pence (p) into US dollars (US dollars or $) or cents (c). The translations of pounds sterling and pence to US dollars and cents appearing in the Annual Report and Form 20-F have been made at the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Bank of New York (the “noon buying rate”) on the date of the information so translated. These translations should not be construed as representations that the pound sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rates indicated. On February 17, 2004 the noon buying rate was $1.90 per £1. For additional information on exchange rates between the pound sterling and the US dollar, see “Exchange Rates” on page 100 of the Annual Report and Form 20-F.

Each of Hanson, Hanson Aggregates North America, Hanson Building Products North America, Hanson Aggregates UK, Hanson Building Products UK, Hanson Australia, Hanson Continental Europe and Marine and Hanson Asia Pacific (as such expressions are referred to in the Annual Report and Form 20-F) is either a holding company or divisional entity, and does not itself carry out any of the business activities described under “Business Overview” on page 100 of the Annual Report and Form 20-F.

The market, industry and product segment data contained in the Annual Report and Form 20-F have been taken from industry and other sources available to Hanson in the relevant jurisdictions and, in some cases, adjusted based on relevant management’s knowledge of the industry. Hanson has not independently verified any third-party market information. Similarly, while Hanson believes its internal estimates are reliable, they have not been verified by independent sources.

Some of the information included in the Annual Report and Form 20-F, including documents incorporated by reference, are, or may be deemed to be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (United States). Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results and developments to differ materially from future results and developments expressed or implied by such forward-looking statements. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate”, “estimate”, “expect”, “intend”, “will”, “project”, “plan”, “believe” and other words and terms of sir meanings in discussion of future operating or financial performance. Such factors include, but are not limited to, those set out or referred to in “Risk Factors” on page 45 of the Annual Report and Form 20-F and those set out in note 27 of the notes to the accounts of the Annual Report and Form 20-F. Hanson does not undertake any obligation to update or revise publicly such forward-looking statements. All written, oral and electronic forward-looking statements attributable to Hanson or persons acting on behalf of Hanson are expressly qualified in their entirety by this cautionary statement.

Back to Contents

Around the clock, Hanson people are working to produce materials that help to build the communities we live in.

Around the world, our business structure is divided into four regions:

Hanson North America, Hanson UK, Hanson Australia and Hanson Continental Europe & Asia, but our culture and our employees are unified by core values and responsibilities.

Our strategy is to focus on heavy building materials. Our goal is to create value for our shareholders.

Financial highlights

£3,956.5m
Turnover
(including joint-ventures and associates)

£394.2m
Operating profit*

£306.4m
Operating profit
(including joint-ventures and associates)

£319.7m
Profit before taxation*

32.7p
Earnings per share*

16.95p
Dividend per share

34.6%
Gearing

£942.2m
Net debt

Summary statistics for the year ended December 31, 2003

	2003	2002	2001
Turnover (including joint-ventures and associates)	**£3,956.5m**	£4,000.5m	£4,179.4m
Operating profit*	**£394.2m**	£433.3m	£463.5m
Operating profit (including joint-ventures and associates)	**£306.4m**	£345.7m	£272.2m
Profit before taxation*	**£319.7m**	£350.3m	£351.0m
Net debt	**£942.2m**	£1,169.9m	£1,429.7m
Gearing	**34.6%**	44.0%	52.5%
Earnings per share*	**32.7p**	35.1p	33.3p

Earnings per share	**24.4p**	25.4p	37.9p
Operating cash flow	**£536.5m**	£585.9m	£625.5m
Free cash flow (operating cash flow after interest and taxation)	**£454.2m**	£479.3m	£445.2m
Dividend per share	**16.95p**	15.40p	14.00p

Year to December 31, 2003

Including joint-ventures and associates and *before exceptional items

Back to Contents

Chairman and Chief Executives overview

2003 was a challenging year for Hanson, with difficult trading conditions in North America and the UK plus US dollar weakness and increased pension costs. Turnover (including joint-ventures and associates) was £3,956m, marginally below the prior year of £4,000m. Profit before taxation and exceptional items of £320m was 8.7% below last year after charging reorganisation costs of £11m.

Operations in the UK, Australia and Continental Europe & Asia reported continuing trading profit* ahead of last year. Group operating profit* was down 9.0% to £394m with the major influences being US dollar weakness and an increase in pension costs of £26m. In 2003 we continued to generate substantial operating cash flow of £537m (£586m, £626m). Interest cover on operating profit (before exceptional items and goodwill amortisation) remains strong, confirming our solid financial position (see page 26 for details).

Reorganisation

Seeking maximum operating efficiency to counteract increased cost pressures and to improve margins, in June we changed our business structure and the management of some of our principal operating units. This streamlining has made us more responsive to market conditions. The executives now responsible for our businesses have an average of over 20 years of Hanson and sector knowledge, indicating the depth of experience within the group. Cost reduction will continue.

Corporate development

In 2003, disposal proceeds totalled £132m. In line with our strategy of expanding in our core products and markets, we reinvested £153m in acquisitions. Most of the activity was in the USA where the largest acquisition was of the aggregates producer, Better Materials, for $152m (£93m). Six other acquisitions were also completed in the USA. Elsewhere, we acquired a quarry in Spain and aggregates and ready-mixed concrete operations in Australia. We also completed a joint-venture of our Australian cement interests. We will continue to make bolt-on acquisitions in line with our strategy while securing the mineral reserves necessary for long-term growth.

We have disposed of non-core or underperforming operations. During the year we completed the sale of our cement and ready-mixed concrete operations in Texas. We sold our ready-mixed concrete business in Singapore and made a small asset exchange in the USA. We also made various disposals in India, Indonesia and Germany.

Capital expenditure during the year was £208m, 45.4% above the prior year. Approximately half of this is directed towards margin enhancing projects that are intended to deliver efficiency, cost or revenue benefits.

Asbestos

We continue to provide regular updates on the number of asbestos claims made against the group, the most recent being our preliminary results announcement issued on February 19, 2004. Whilst the number of claims made against the group has continued to rise, as anticipated, the net cost of resolving asbestos claims after insurance was $4m ($4m, $1m). Further detail on the asbestos claims against certain of our US subsidiaries and the remaining insurance cover available is set out on pages 28 and 29 and in note 27 of the notes to the accounts of the Annual Report and Form 20-F.

Dividend

The Board recommends a final dividend of 11.95p (10.85p) per share see the investor information section for payment details. This, together with the interim dividend paid last September, makes a total of 16.95p (15.4p) for the year, a 10.1% increase. In line with the groups progressive dividend policy, future dividend payments will reflect a balance between our strong cash flow and the strategy to grow the business through further capex and acquisitions.

Corporate governance

Our good reputation is one of our most valuable assets. This requires open accounting, communicating with the communities in which we operate and full commitment to health and safety and environmental standards.

Outlook

With the start of the key UK and US trading season still some months away, the current outlook for

***including joint-ventures and associates and pre-exceptional items**

Back to Contents

12:09GMT

A view from Hanson PLC head office, London, UK.

Christopher Collins, Chairman, left. Alan Murray, Chief Executive, right. Jonathan Nicholls, Finance Director, centre.

2004 is broadly positive in each of the four regions. Translated profits will again be affected by US dollar weakness. Nevertheless, a more resilient trading environment in the USA, price increases, a newly restructured US management team and ongoing cost reduction measures across the group should ensure a return to growth.

In the group's principal market, North America, market conditions have improved over the past six months and this provides a good base for 2004. First half comparisons in the USA are anticipated to be stronger, given the poor conditions experienced at the start of last year. The second half may be influenced by the speed of implementation of SAFETEA, where any extended delay could have implications for the current outlook.

The UK outlook is dependent on the Government's housing and infrastructure initiatives helping to raise activity levels and overcome the impact of higher pension costs. In other major markets, Australia and Spain look set to enjoy another strong year, while Asia's performance should improve thanks to higher prices.

Hanson has many strengths – our cash flow through the business cycles, our focus, our people, our assets and our market positions. We will continue to increase our investment in capital equipment to improve productivity. In addition, we will progress our successful programme of bolt-on acquisitions in our key markets and products while continuing to provide investors with dividend growth.

Back to Contents

Description of business

16:03GMT
10:03 Local

Hanson North America, Grand Prairie pressure pipe factory, Texas, USA.

11:15GMT

Hanson UK, Tilmanstone brick factory, Kent, UK.

Back to Contents

Description of business continued

01:41GMT
11:41 Local

Hanson Australia, Wolffdene hard rock quarry, Brisbane, Queensland, Australia.

07:38GMT
15:38 Local

Hanson Continental Europe & Asia, delivery from Putrajaya ready-mixed concrete plant, Kuala Lumpur, Malaysia.

Group structure

North America	**UK**	**Australia**	**Continental Europe & Asia**
Hanson Aggregates North America	Hanson Aggregates UK	Hanson Australia	Hanson Continental Europe & Marine
Hanson Building Products North America	Hanson Building Products UK		Hanson Asia Pacific

Back to Contents

Description of business continued

Hanson is one of the world's leading building materials companies. We are the largest producer of aggregates – crushed rock, sand and gravel – and one of the largest producers of concrete products, clay bricks and ready-mixed concrete in the world, with over 28,000 employees (including joint-ventures and associates) and operations in 16 countries.

Hanson products are fundamental to the fabric of our world. They are used in a variety of construction products, from schools, hospitals and offices to roads, tunnels and bridges.

The fundamentals of our strategy, which is reviewed annually by the Board, remain unchanged. We will continue to focus on developing and improving our core products, with the intention of delivering long-term value for our shareholders. We will operate internationally in selected markets which we believe have good long-term prospects. Our aim is to establish strong local market positions through bolt-on acquisitions and capital investment with strict investment criteria. We will continue to look at ways to reduce operating costs and increase efficiency, enhance our long-term mineral reserves and share best practice and management expertise across the group.

General development of business

In 1996 a decision to demerge the business into four separate companies was taken. Imperial Tobacco, The Energy Group and the US chemicals business, Millennium, subsequently became quoted companies in their own right. Hanson's strategy was to change from a diversified industrial conglomerate into a focused heavy building materials business. The major building materials companies remaining within Hanson were ARC, Hanson Brick and Cornerstone.

From 1997-2000 Hanson management undertook the substantial changes required to deliver the new strategy. The remaining non-core businesses were sold. Considerable sums were spent on acquisitions to build up the existing businesses and capital investment in plant upgrades was stepped up to improve efficiency and reduce costs. Early in 1999, to highlight the fact that Hanson was now a unified company, the names of all the were changed to Hanson. ARC became Hanson Quarry Products Europe; Cornerstone – Hanson Building Materials America and Hanson Brick – Hanson Bricks Europe. The Company's business in south east Asia was Hanson Pacific.

Acquisitions continued, particularly in the USA, and the Company became a global player with the acquisition in May 2000 of the Australian construction materials business, Pioneer International.

In January 2002 Hanson created an integrated building materials business in Europe by combining its quarry products and brick operations into a new division called Hanson Building Materials Europe (HBME).

As part of its objective of streamlining administration, reducing overheads, improving customer service and with an aim to make the existing group more responsive to market conditions, Hanson restructured its trading operations in June 2003 into four identifiable trading regions: Hanson North America (41.9% of 2003 continuing turnover), Hanson UK (30.1% of 2003 continuing turnover), Hanson Australia (13.6% of 2003 continuing turnover), and Hanson Continental Europe & Asia (14.4% of 2003 continuing turnover). Whilst this restructuring did not indicate any change in Hanson's overall strategy, it did reinforce a continued focus on its core values of cost and margin control, together with disciplined and proactive growth via capital expenditure and bolt-on acquisitions.

North America

Prior to June 2003, Hanson's North American operations were organised into five groups operating across the USA, as well as in Mexico and the Canadian provinces of Ontario and Quebec. As part of the simplification of the North American structure, the North American operations have been reorganised into two new operating groups, Hanson Aggregates North America and Hanson Building Products North America, with a corporate office in Neptune, New Jersey.

operating companies

6 Description of business

Back to Contents

Description of business continued

(a) Hanson Aggregates North America

Hanson Aggregates North America, headquartered in Dallas, Texas produces aggregates, asphalt, cement and ready-mixed concrete and has over 400 operating locations throughout the USA.

(b) Hanson Building Products North America

Hanson Building Products North America, headquartered in Dallas, Texas, is divided into two sub-groups, Pipe & Products and Brick & Tile. Pipe & Products, also headquartered in Dallas, produces concrete pipes, related drainage products and precast concrete products for the US and Canadian markets and has over 80 production facilities throughout the USA and Canada. Brick & Tile, with its headquarters in Charlotte, North Carolina, produces clay bricks for the US and Canadian markets from its principal manufacturing plants in Canada, Texas, and the Carolinas as well as having roof tile plants in Florida, California, Texas and Arizona.

UK

Prior to June 2003, HBME, the group's European trading arm, was divided into two divisions, European Aggregates and UK Building Products. As a result of the simplification of the European structure, HBME ceased to exist from June 30, 2003. Under the new structure, Hanson reports as two groups in the UK, Hanson Aggregates UK and Hanson Buildings Products UK. These two divisions constitute a significant part of what was HBME, with the remaining part consisting of the marine and continental European aggregates operations now forming a sub-group of Continental Europe & Asia region.

(a) Hanson Aggregates UK

Hanson Aggregates UK produces aggregates, ready-mixed concrete and asphalt in the UK. In addition, Hanson Aggregates UK is a partner in a number of joint-venture companies in the UK, the most significant of which is Midland Quarry Products Limited, owned jointly with a member of the Tarmac group of companies.

(b) Hanson Building Products UK

Hanson Building Products UK is the former UK Building Products division of HBME.

Hanson Building Products UK supplies bricks, concrete pipes, manholes, blocks, flooring, precast concrete and packed aggregates products throughout the UK.

Australia

Hanson Australia is a major supplier of construction materials to the Australian market, focusing on aggregates and ready-mixed concrete. Hanson Australia has national coverage in Australia with a presence in metropolitan and major regional centres. There was no change to the corporate structure of Hanson Australia in the June 2003 group reorganisation.

Hanson Australia's other major interests include (i) its 25% share in Cement Australia Holdings Pty Ltd, jointly owned with Rinker Group Ltd and Holcim Ltd, which operates cement plants in New South Wales, Tasmania and Queensland, and (ii) Pioneer Road Services Pty Ltd, jointly owned with Shell Australia Ltd, which operates as an asphalt and contracting business.

Continental Europe & Asia

Hanson Continental Europe & Marine ("HCEM") and Hanson Asia Pacific make up Hanson's operations in the rest of the world. HCEM is the former Continental European trading division of HBME with various aggregates, ready-mixed concrete and asphalt operations in Spain, the Czech Republic, the Netherlands, Belgium, France, Germany and Israel. Included within HCEM are Hanson's European marine dredging operations which, through a wholly owned subsidiary and United Marine Holdings Limited, a joint-venture with a member of the Tarmac group of companies, supply sea-dredged aggregates to the UK, Belgium, the Netherlands and France. Prior to June 2003, Hanson Asia Pacific was known as Hanson Pacific. There was no change to the corporate structure of Hanson Pacific in the June 2003 group reorganisation. Hanson Asia Pacific operates in the south east Pacific region, principally in Malaysia, Hong Kong, Thailand and Singapore.

Mineral reserve base bn tonnes
based on worldwide proven reserves at December 31, 2003

North America	8.3
UK	1.3
Australia	0.7
Continental Europe & Asia	1.6
Group total	11.9

We estimate that Hanson has approximately 50 years of proven reserves at current production levels which demonstrates the sustainable nature of both our profit stream and the cash generative nature of our assets.

Proven reserves, as defined by The Listing Rules of the Financial Services Authority, are those measured reserves of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination. On this basis we estimate that Hanson has 11.9bn tonnes of proven reserves which we believe are economically viable. The majority of these reserves are planned although some reserves have yet to receive planning consent.

Back to Contents

Operating and financial review

23:41GMT
15:41 Local

Carroll Canyon hard rock quarry and ready-mixed concrete plant, California, USA.

Impact of currency movements

	2003 results	2002 results (as reported)	Impact of exchange from 2002 to 2003	2002 results (at 2003 exchange rates)	2001 results (as reported)	Impact of exchange from 2001 to 2003	2001 results (at 2003 exchange rates)	Constant currency 2003 v 2002	Constant currency 2003 v 2001
	£m	£m	£m	£m	£m	£m	£m	%	%
Continuing turnover North America	1,607.1	1,627.7	(121.1)	1,506.6	1,724.2	(197.1)	1,527.1	6.7	5.2
UK	1,153.0	1,094.0		1,094.0	1,006.6		1,006.6	5.4	14.5
Australia	522.3	439.3	42.7	482.0	376.9	39.3	416.2	8.4	25.5
Continental Europe & Asia	552.5	571.6	6.3	577.9	603.5	(9.7)	593.8	(4.4)	(6.9)
Group total	3,834.9	3,732.6	(72.1)	3,660.5	3,711.2	(167.5)	3,543.7	4.8	8.2

Currency movements reflect both US dollar and Canadian dollar impact

Back to Contents

Operating and financial review continued

Introduction

For the first time within the Annual Report and Form 20-F, we have included additional information required by the Securities and Exchange Commission (SEC) from public companies listed in the USA. Previously this information was contained within a separate document – Form 20-F. As a result of this change, we are required to include certain comparative information for two years, rather than one.

The following information compares the group’s results for the year ended December 31, 2003 with our results for the year ended December 31, 2002, then compares our results for the year ended December 31, 2002 with those for the year ended December 31, 2001. Comparative amounts are provided in brackets, with the first number referring to 2002 and the second to 2001.

We prepare our results in accordance with Generally Accepted Accounting Principles (GAAP), as applied in the UK, and comply with UK Companies Act requirements. UK GAAP reporting is the basis for the core information contained in this report. We are also required to present a reconciliation of profit prepared under UK GAAP to net income as adjusted to accord with US GAAP. This, together with reconciliations of shareholders’ equity, earnings per share and an explanation of the key differences between UK and US GAAP, is contained in note 33 to the accounts of the Annual Report and Form 20-F.

In the financial statements, newly acquired businesses are only treated as acquisitions in the financial period in which they are purchased. For instance, the results of a business which was acquired on December 1, 2002 will not be disclosed as being from an acquisition in the year ended December 31, 2003. This makes it hard for our investors to differentiate the underlying performance of businesses which we have fully integrated in the group, from the results of newly acquired businesses. To help the reader to understand this impact, in the review of operations, operations are described as acquisitions in the first 12 months of Hanson ownership and heritage refers to businesses that the group has owned for more than 12 months. We believe that this definition of acquisitions and volumes, prices and margins assists the reader in understanding the group’s performance by helping to isolate the performance of the underlying core businesses from the results of recently acquired businesses. The above definitions are also aligned with how local management analyse their own businesses.

The group has operations in 16 countries and approximately 50% of our profits are generated in North America. Results of overseas operations are translated at the average rates of exchange against sterling in the year. Changes in exchange rates and in particular the US dollar can have a significant impact on the group’s sterling translated results, making it difficult to interpret the underlying trends of our businesses. Management therefore internally assesses the impact of currency movements on the group’s profits. In order to assist the reader in interpreting the effect that currency has had on Hanson’s sterling translated results, the group’s 2002 and 2001 results have been presented in the table below, after restating them at the equivalent 2003 average exchange rates. This analysis is referred to as ‘constant currency’ reporting.

Free cash flow is a non-GAAP liquidity measure comprising net cash flow arising from operating activities, after deducting cash flows from returns on investments and servicing of finance and taxation. The measure includes all cash flows required by FRS1, before those in respect of capital expenditure and financial investments. We believe that this measure clarifies to the reader the cash flows over which the group is able to exercise discretionary spend on items such as acquisitions, capital expenditure and dividends for our shareholders and it is a measure that management uses internally to analyse the business’ liquidity position. Free cash flow is reconciled to net cash inflow from operating activities on page 26 of the operating and financial review.

In the years presented in these financial statements, the group has reported a number of exceptional items, totals of which are clearly identified on the face of the profit and loss account. Most of these are non-cash in nature in the year in which they occur, including impairment charges and the

***including joint-ventures and associates and pre-exceptional items**

heritage operations and the related discussion of increase in the group’s asbestos provision reported this year; they are also

Impact of currency movements

	2003 results	2002 results (as reported)	Impact of exchange from 2002 to 2003	2002 results (at 2003 exchange rates)	2001 results (as reported)	Impact of exchange from 2001 to 2003	2001 results (at 2003 exchange rates)	Constant currency 2003 v 2002	Constant currency 2003 v 2001
	£m	£m	£m	£m	£m	£m	£m	%	%
Continuing trading profit†									
North America‡	197.8	258.9	(18.9)	240.0	302.9	(35.1)	267.8	(17.6)	(26.1)
UK	118.0	116.3	—	116.3	107.1	—	107.1	1.5	10.2
Australia	50.0	24.0	2.3	26.3	3.9	0.4	4.3	90.1	1,062.8
Continental Europe & Asia	44.5	38.2	0.2	38.4	42.6	(1.3)	41.3	15.9	7.7
Group total	410.3	437.4	(16.4)	421.0	456.5	(36.0)	420.5	(2.5)	(2.4)
Operating exceptional items, central and other#	(103.9)	(91.7)	—	—	(184.3)	—	—	—	—
Operating profit (including joint-ventures and associates)	306.4	345.7	—	—	272.2	—	—	—	—

† Before exceptional items

‡ Currency movements reflect both US dollar and Canadian dollar impact

Includes operating exceptional items, property and other income, central expenses and discontinued operations. These are analysed in notes 1 and 5 of the notes to the accounts of the Annual Report and Form 20-F.

Back to Contents

Operating and financial review continued

non-trading in nature and are required to be separately disclosed under UK GAAP. Management believes that to present the results of the group in the most meaningful way, items of an exceptional nature should be identified and disclosed separately, to enable users of our financial information to have a better understanding of our underlying businesses performance. The group analyses its own results in this way. Exceptional items are explained further below.

Scheme of Arrangement and share capital reduction

In October 2003, a scheme of arrangement and share capital reduction were implemented in order to increase the parent companys distributable reserves and provide additional balance sheet flexibility for the future. The introduction of the new holding company is reflected in these accounts and more detail of the Scheme can be found in the Report of the Directors and in note 19 of the notes to the accounts of the Annual Report and Form 20-F.

Turnover

Turnover in the year (including joint-ventures and associates) totalled £3,956.5m, a decrease of 1.1% over 2002 (£4,000.5m, £4,179.4m). Group turnover from continuing operations (including joint-ventures and associates) was £3,834.9m (£3,732.6m, £3,711.2m), an increase of 2.7% over 2002, with 2003 acquisitions contributing £64.2m and movement in the US dollar accounting for a £123.6m reduction.

Operating profit

Operating profit (including joint-ventures and associates) before exceptional items fell by £39.1m to £394.2m (£433.3m, £463.5m). Trading conditions have remained tough in our key North American and UK markets this year and two additional factors have had a significant impact on the groups profit: the translation impact of the weakening US dollar (explained on page 9) and the increase in the groups pension charge. The move from surplus to deficit in the main UK and US pension schemes in 2002 has resulted in a £26.2m increase in the pension charge.

We have benefited from the geographical diversity of our operations, with a strong performance from our Australian business partially offsetting weaker trading conditions in parts of our North American and UK markets. We are addressing these difficult conditions in our core markets by targeting cost savings, operational efficiency and price improvements. Reorganisation costs of £10.6m have been incurred in our North American and UK businesses, which we expect to yield annual savings totalling approximately £17.0m in 2004 and £28.0m by 2005.

The segmental analysis in note 1 of the notes to the accounts of the Annual Report and Form 20-F provides a detailed breakdown of the groups profit. A description of the contribution from our four divisions is set out in this section.

Impact of currency movements

Approximately half of the groups operating profit (pre-exceptional items) is generated in North America. The US dollar rate that we use to translate the groups North American revenues and profits into sterling moved from $1.50 in 2002 to $1.63 in 2003, with a substantial effect on the groups reported sterling profits. The table on page 9 illustrates the impact of currency on the groups results, showing the effect on the groups trading profit by restating its 2002 and 2001 profits at the 2003 exchange rate.

The movement in our 2003 sterling group operating profit* compared to 2002 includes an adverse currency variance of £16.4m, of which £19.4m relates to the movement in the US dollar.

Exceptional or non-recurring items

Exceptional items include items classified as both operating and non-operating exceptional items under UK GAAP. Operating exceptional item charges totalled £87.8m (£87.6m, £191.3m). These consist largely of impairments to the carrying value in respect of US and Asian assets, reflecting, in part, a more cautious outlook for these assets in the medium term. Non-operating exceptional item charges totalled £94.9m (profit of £11.0m, profit of £115.7m). £76.6m of this amount relates to an increase in the groups

***including joint-ventures and associates and pre-exceptional items**

US$/£ exchange rate

December 1997 – December 2003

US$/£ exchange rate – last day of each quarter

December 1997 – December 2003

	1997	1998	1999	2000	2001	2002	2003
March		1.6746	1.6143	1.5953	1.4217	1.4240	1.5807
June		1.6685	1.5763	1.5139	1.4064	1.5243	1.6502
September		1.6994	1.6469	1.4785	1.4697	1.5726	1.6614
December	1.6475	1.6638	1.6117	1.4938	1.4554	1.6016	1.7902

Back to Contents

Operating and financial review continued

asbestos provision. The disposal of the group's Singapore ready-mixed concrete operations resulted in a loss on disposal of £20.1m.

The exceptional tax credit was £71.8m, excluding the release of £50.0m from the tax provision no longer deemed necessary following a review of outstanding tax issues. Post tax exceptional items amounted to a loss of £60.9m (loss of £71.4m, profit of £33.7m).

Cash flow

The group's cash flow remains strong. This maintains our ability to grow the business by investing in both bolt-on acquisitions, which increases our presence in our local markets, and by investing in capital projects. Cash flow remains the group's greatest strength and is, in our view, the best indicator of the group's performance each year.

In 2003 operating cash flow was £536.5m (£585.9m, £625.5m). This has enabled us to increase our investment in plant and equipment as well as continuing our programme of bolt-on acquisitions. Capital expenditure increased by 45.4% to £208.2m (£143.2m, £161.4m) representing 121.1% of depreciation. We continue to invest in both cost saving and expansionary projects to enhance performance and reduce operating costs.

We invested £153.2m (£152.7m, £57.8m) in new businesses in the year. The majority of the investment was on US aggregates operations and, in line with our strategy, we intend to focus on value-adding bolt-on acquisitions that enhance existing operations in our key markets. Despite investment totalling £361.4m in the group's future growth, offset by disposals of £156.5m, and a contribution of £74.0m into our main pension schemes, net debt reduced during the year by £227.7m, to £942.2m (£1,169.9m, £1,429.7m), reflecting both the strong cash flows generated in the year and the beneficial effect of translating the group's US dollar denominated debt into sterling.

Performance

The return on operating capital employed generated by the group in 2003 was 9.7%

When evaluating investments, either acquisitions or investment in plant and machinery, the group requires projects to generate returns in excess of its weighted average cost of capital. The successful implementation of our strategy should improve the returns achieved.

In US dollars, Hanson North America continuing trading profit* decreased by 16.9% to $322.9m ($388.8m, $436.3m). In the USA it was a year of two distinct halves for aggregates and concrete products. Poor weather adversely affected demand in the first half. This was followed by a catch up in the second half with volumes recovering from September onwards. Heritage aggregates volumes for the year were 2.2% ahead of 2002 with prices 0.5% ahead. Northern California continued to be difficult for aggregates and cement.

Hanson UK increased continuing trading profit* by 1.5% to £118.0m (£116.3m, £107.1m). In the UK, the continuing strength of the housing market resulted in increased demand for our brick operations but this was partially offset by heritage volume declines of 3.5% in aggregates, 1.7% in asphalt and 1.2% in ready-mixed concrete. Price increases were achieved in all products.

Hanson Australia had an excellent year with an increase in continuing trading profit* of 108.3% to £50.0m (£24.0m, £3.9m). Demand in Australia remains robust. Selling price increases have been achieved in aggregates and ready-mixed concrete of 15.7% and 10.7% respectively. Heritage aggregates volumes declined 2.3% in 2003 whilst heritage ready-mixed concrete volumes were 2.3% ahead of 2002. There was also a strong performance from the building products division. Increased selling prices of 5.8% were achieved on higher heritage volumes.

Hanson Continental Europe & Asia enjoyed a strong performance and increased continuing trading profit* by 16.5% to £44.5m (£38.2m, £42.6m). In Continental Europe all businesses performed ahead of 2002. In Asia strong year on year improvements were delivered by Malaysia and Thailand whilst Hong Kong and Singapore were impacted by reduced volumes and selling prices.

***including joint-ventures and associates and pre-exceptional items**

down from 10.2% in 2002. This reflects the reduction in operating profit discussed in the Annual Report and Form 20-F.

Hanson share price 2003

pence

Hanson share price 2003 last trade of each month

pence

January	February	March	April	May	June
262.00	297.75	308.25	350.50	353.00	337.75
July	**August**	**September**	**October**	**November**	**December**
366.00	412.50	381.25	408.00	405.50	410.25

Back to Contents

Operating and financial review continued
Review of operations North America

00:35GMT
16:35 Local

Hanson North America, Carroll Canyon hard rock quarry and ready-mixed concrete plant, California, USA.

20:21GMT
15:21 Local

Hanson North America, Raleigh hard rock quarry, North Carolina, USA.

The Grande at Santa Fe Place, California

In October 2003 Hanson batched and delivered a California record breaking 10,378 cubic metres of ready-mixed concrete in only 10 hours. The ready-mixed concrete is the foundation for a 39 story condominium project built by Bosa Development. Seven Hanson batch plants produced the ready-mixed concrete and 258 trucks were used to deliver the product. The October pour topped the previous record of August 2002, in which Hanson batched and delivered 12,889 cubic yards (9,854 cubic metres) in 12 hours. Both pours were for Bosas twin condominium towers across from the San Diego bay.

San Francisco Oakland Bay Bridge, California

Hanson is providing the majority of the aggregates and cement for the multi-billion dollar San Francisco Oakland Bay Bridge project. The project includes an 11,000 feet long cable suspended bridge and a slightly shorter precast segmental bridge, known as the Skyway project. The foundation elements of these structures require some of the largest pile driving equipment ever used and huge demands for high performance ready-mixed concrete mixtures. Construction of the nearly two mile long Skyway portion of the new East Span is an epic undertaking. At $1.04bn, it is the largest construction contract ever awarded by Caltrans, the Department of Transportation for California and nothing like it has ever been built in a seismic zone.

Back to Contents

Operating and financial review continued
Review of operations North America

18:18GMT

12:18 Local

Hanson North America, Grand Prairie pressure pipe factory, Texas, USA.

15:06GMT

10:06 Local

Hanson North America, Aldershot brick factory, Ontario, Canada.

Aldershot brick plant, Ontario

The Aldershot brick plant is the jewel in the crown of Hanson Brick in North America. Located just outside Toronto, it was designed to replace an ageing facility whose clay reserves were exhausted. Commissioned at the end of 2001 at a total investment of C$63m it had its official opening in the spring of 2002. It is the largest single brick production facility in North America producing high quality bricks. The plant impact on the bottom line has also been significant with a better than expected unit cost performance. The additional capacity has been a significant advantage to our sales teams in a very strong market; where Hanson Brick has managed to consistently meet the demands of its customers.

Back to Contents

Operating and financial review continued
Review of operations North America

2003 results compared to 2002

In 2003, renewed emphasis on capital expenditure and our bolt-on acquisition programme, together with a reorganisation of our aggregates business, have been the focal points for Hanson North America.

Continuing turnover was £1,607.1m which was 1.3% below the prior year of £1,627.7m. Hanson North Americas reported results were impacted significantly this year by the weakening of the US dollar, and whilst continuing turnover in 2003 in sterling was behind last year, in constant currency 2003 continuing turnover was 6.7% above the prior year. Similarly continuing trading profit* of £197.8m was £61.1m below the prior year, although in constant currency this reduction was £42.2m below the prior year. Acquisitions contributed £10.8m. Trading margins have decreased from 15.9% to 12.3%. Weakness in California, a key market for Hanson, was a major contributor to this decline, together with a £24.0m increase in pension charges and provisions of £9.3m, including £6.9m relating to the aggregates reorganisation.

Capital expenditure increased by 28.0% to £101.9m. 53.0% of this spend related to cost saving and business enhancement projects and further key projects have been identified in both the Aggregates and Building Products divisions for the medium term. We also spent £132.0m on acquisitions this year, the most significant of which was Better Materials Inc., an integrated aggregates and asphalt producer in Pennsylvania and New Jersey.

In June 2003 we announced a major reorganisation of our aggregates operations. This involved combining the three existing businesses, Aggregates East, Aggregates West and Aggregates Central into one national business, Hanson Aggregates North America, based in Dallas. Although the reorganisation is still in progress, significant overhead and operational synergies are targeted which are expected to result in annualised savings of $30.0m by January 2005. We expect $17.0m of synergies in 2004 from the reorganisation of our aggregates businesses. We have made a provision of $11.2m at year end to cover the associated redundancy and related costs.

As in 2002, aggregates volumes in 2003 were affected in the first half of the year by severe weather conditions but were much improved in the second half. Performance in the Building Products division was better than that in Aggregates. This was based on a more stable demand pattern for building products, aided by the buoyant residential market, and strong demand in Texas for concrete products, particularly in the second half. Heritage volume increases in Building Products of between 2.0% and 6.1% were achieved in major product lines.

Aggregates

Continuing trading profit* for Hanson Aggregates North America was down £45.3m to £87.2m. In constant currency the decline was 28.5% on the prior year. This included a £18.9m reduction in trading profit from our Californian operations, together with an increase in costs associated with the reorganisation of £6.9m and additional pension charge of £14.1m.

Heritage aggregates volumes increased 2.2% to 133.4m tons. Regional demand patterns varied, with strong demand in Arizona, southern Texas, and the south east offset by continued weakness in northern California. In the north east we experienced strong demand in Pennsylvania in the second half as weather patterns were favourable, and we also benefited from increased state project work in Indiana and Kentucky in the mid west. However, depressed industrial and commercial markets and reduced highway contract letting had an adverse impact on all product lines in Ohio and New York.

As a result of a net volume decline in the last two years, aggregates pricing remained very competitive, particularly in the south east and mid west.

***including joint-ventures and associates and pre-exceptional items**

North America by division year to December 31, 2003

	2003		2002		2001
	£m	**% change**	£m	% change	£m
Continuing turnover					
Aggregates	**951.4**	**(0.7)**	958.2	(10.0)	1,064.7
Building Products	**655.7**	**(2.1)**	669.5	1.5	659.5
Total	**1,607.1**	**(1.3)**	1,627.7	(5.6)	1,724.2
Continuing trading profit					
Aggregates	**87.2**	**(34.2)**	132.5	(23.5)	173.1
Building Products	**110.6**	**(12.5)**	126.4	(2.6)	129.8
Total	**197.8**	**(23.6)**	258.9	(14.5)	302.9
Trading margin	**12.3%**		15.9%		17.6%

Before exceptional items

Back to Contents

Operating and financial review continued
Review of operations North America

Heritage price increases of just 0.5% overall were achieved. Aggregates volumes picked up significantly in the last quarter of 2003 and this increased demand, together with good backlogs should leave us well placed as we enter 2004.

Demand for ready-mixed concrete and asphalt was more robust in the west than it was in the north east. Overall ready-mixed concrete volumes were marginally down. Although we saw some gains in Texas and San Diego, declines were experienced in our New York operations due to lack of state projects. Asphalt demand was also strong in San Diego, but again significant declines in New York resulted in reduced total heritage volumes of 8.7%.

Market conditions in California remained tough throughout 2003, particularly in the northern part of the state. In the San Francisco Bay area we were unable to recover increased operational costs in our imported and marine dredged aggregates operations. Demand for cement in northern California was flat year on year but we saw significant price reductions of 4.1% this year. We also implemented two shut downs as a result of increasing inventory levels stemming from reduced demand.

Arizona proved to be a robust market for the aggregates division with a 36.7% growth in trading profit of £2.9m. Volume increases were also achieved in aggregates (4.4%), ready-mixed concrete (10.0%) and asphalt (465.9%), including the benefit of increased capacity for the latter this year.

Building Products

2003 was a good year for our manufacturing division. Underlying heritage gains were achieved in both the Pipe & Products and Brick & Tile businesses, although headline trading profit of £110.6m decreased by £15.8m, principally due to an adverse exchange impact of £8.3m and increased pension charge of £9.9m. The main drivers of the earnings improvements were strong concrete pipe volumes in Texas, due to a large pressure pipe project for the City of Dallas, and an enhanced performance from our Canadian brick operations.

Underlying trading profit for Pipe & Products decreased by 1.3% to £91.0m, although in

constant currency, trading profit for Pipe & Products increased by 7.3% as the division enjoyed a very strong second half to the year driven by significantly increased shipments in Texas in both gravity and pressure pipe. Acquisitions contributed £2.8m and total heritage volumes increased by 2.0%. Heritage prices were marginally down by 0.1%, which includes the effect of changes in product mix, while unit costs declined by1.4% in 2003, reflecting management's continued focus on cost performance. As a result, overall margins increased by 0.5%.

The performance of Brick & Tile was also very satisfactory. In constant currency, underlying heritage profits increased by 5.4% to £31.3m in 2003 despite the absorption of a £0.8m increase in natural gas costs. The division enjoyed consistently healthy demand throughout the year, although there were some regional variations. Strongest demand was experienced in Canada where our new Aldershot brick plant has increased production to an annualised rate of over 170m bricks. Volumes in the north were up by 0.9% and price increases ahead of inflation were achieved based on continued strong demand for new houses in Greater Toronto, Ottawa and Quebec. Mixed demand patterns were experienced elsewhere although all are compared with the very high base experienced in 2002. Production performance was good as the Brick & Tile business continues to benefit from the new unified approach. A number of significant capital projects have been identified that should further enhance operational efficiency in 2004.

2002 results compared to 2001

In 2002, continuing turnover from our North American operations was £1,627.7m, which was 5.6% below the prior year of £1,724.2m. Continuing trading profit* of £258.9m in 2002 was 14.5% below the £302.9m generated in 2001, with the exchange effect being £12.5m. In dollar terms, therefore, the decrease was 10.8%. Significant pricing benefits were offset by the effect of lower volumes on fixed operating costs, whilst the depletion of the highly profitable Radum quarry in California also had a major impact on the trading result for 2002 compared with the prior year.

***including joint-ventures and associates and pre-exceptional items**

North America by division year to December 31, 2003

	2003		2002		2001
	$m	**% change**	$m	% change	$m
Continuing turnover					
Aggregates	**1,553.1**	**7.9**	1,438.8	(6.2)	1,533.5
Building Products	**1,070.3**	**6.5**	1,005.3	5.8	949.9
Total	**2,623.4**	**7.3**	2,444.1	(1.6)	2,483.4
Continuing trading profit					
Aggregates	**142.3**	**(28.5)**	199.0	(20.2)	249.3
Building Products	**180.6**	**(4.8)**	189.8	1.5	187.0
Total	**322.9**	**(16.9)**	388.8	(10.9)	436.3
Trading margin	**12.3%**		15.9%		17.6%

Before exceptional items

Back to Contents

Operating and financial review continued
Review of operations – North America

Aggregates

Continuing trading profit* for the division was £132.5m compared to £173.1m in 2001. This was due to an 11.5% fall in volumes in 2002 across all of North America's aggregates regions as conditions in the commercial market deteriorated and fiscal constraints on state infrastructure spending began to take effect. Margins were supported by limiting spending early in 2002 in response to the anticipated fall in demand. Against this background, prices came under pressure in the second half, although the headline figure for 2002 showed an increase of 3.0% compared with 2001. Heritage ready-mixed concrete shipments were down 4.6%, but improved margins just offset the volume declines to result in an earnings increase compared to 2001.

Building Products

Continuing trading profit* for the division was £126.4m compared to £129.8m in 2001. In the Pipe & Products division continuing trading profit* fell by 4.8% to £92.5m, including acquisitions. Although heritage volumes in this division fell 5.7%, prices increased 2.7% in declining markets. In 2002, pressure pipe declined from a record year in 2001, due mainly to lower volumes and the delay of a major project in Dallas. The acquisitions of Centennial in Canada in 2001 and Choctaw in the south eastern United States in 2002 made an important contribution, increasing overall volumes by 12.7% in 2002. Continuing trading profit* from the Brick & Tile division improved by 4.0% to £33.9m compared to 2001, benefiting from the demand for housing in 2002 and leading to record margins. Despite a 1.8% decline in volumes and the effect of reorganisation costs, brick unit margins increased slightly, reflecting higher prices. The decline in volumes in 2002 was primarily due to the sale of a brick plant in Mississippi and production difficulties at some of the division's operations, which were overcome.

Outlook

The outlook for 2004 is for stable demand, with positive recent economic indicators tempered by some uncertainty associated within the timing of SAFETEA, the proposed successor to TEA-21. Any prolonged delay in this renewal and consequential deferral in state spending could potentially affect the second half for both of our North American divisions. The outlook for residential demand remains encouraging and any reduction in housing starts should not have a significant impact on our operations in 2004. There are no signs of any major increases in the industrial and commercial markets in the short-term.

***including joint-ventures and associates and pre-exceptional items**

North America year to December 31, 2003

			Volume		Price	
	Actual	**Actual**	**2003**	2002	**2003**	2002
	Imperial	**Metric**	**% change**	% change	**% change**	% change
Aggregates (mt)	**141.8 (mT)**	**128.7**	**8.7**	(11.5)	**0.5**	3.0
Asphalt (mt)	**4.5 (mT)**	**4.1**	**10.6**	(11.0)	**3.6**	3.3

Cement (mt)	**1.7 (mT)**	**1.5**	**(0.1)**	2.6	**(4.1)**	(1.7)
Ready-mixed concrete (mm^3)	**5.3 (my3)**	**4.1**	**(0.8)**	(4.6)	**1.4**	1.7
Bricks (bn)	**1.4**	**1.4**	**1.7**	(1.8)	**0.6**	0.4
Concrete products(mt)	**3.7 (mT)**	**3.4**	**6.0**	12.7	**(0.1)**	2.7

Information includes Hanson's share of joint-ventures and associates and is based on continuing volumes and heritage selling prices.

* Includes marine dredged aggregates
(mt) = millions of tonnes
(mT) = millions of short tons

Back to Contents

Operating and financial review continued
Review of operations UK

12:40GMT

Hanson UK,
Criggion hard rock quarry,
Shropshire, UK.

A2/M2

The A2/M2 project, completed last summer, involved all of our UK divisions marine aggregates, construction projects, building products, aggregates and Premix. The scheme involved widening 17km of the A2 and M2 including construction of a new bridge over the River Medway. Material supplies included 450,000 tonnes of asphalt, 100,000 cubic metres of Premix concrete and £160,000 worth of Omnia bridge decking. Limestone for the asphalt came from Whatley quarry via Dagenham depot and marine dredged sand and gravel for the ready-mixed concrete was supplied from Frinsbury and Dagenham wharves.

Back to Contents

Operating and financial review continued
Review of operations UK

09:11GMT

Hanson UK,

Hoveringham floors and
precast concrete works,
Nottinghamshire, UK.

15:02 GMT

Hanson UK,
Great Billing asphalt plant,
Northamptonshire, UK.

Back to Contents

Operating and financial review continued
Review of operations UK

UK 2003 results compared with 2002

The UK business units have experienced mixed trading conditions during the year. Continuing turnover of £1,153.0m was 5.4% above 2002. Continuing trading profit* of £118.0m, represents a 1.5% improvement on the prior year. Trading margins have decreased from 10.6% to 10.2%.

The UK Aggregates division saw a decline in continuing trading profit* for the year. Demand for drystone and sand and gravel was down, principally due to particularly poor weather at the start of the year, reduced infrastructure activity, especially in the south, and the substitution of low grade aggregates with material that does not attract the Aggregates Levy.

The UK Building Products division delivered an improved continuing trading profit* for the year. Strong demand for bricks, increased selling prices for all products, good acquisition earnings and strong cost control were the underlying drivers for the improvement.

Aggregates

UK Aggregates continuing turnover of £832.1m was 0.3% above 2002. Continuing trading profit* decreased by 2.4% to £77.5m. Reduced volumes and the inclusion of £3.7m of reorganisation costs in 2003 were the main drivers for the profit decline. Trading margins decreased from 9.6% to 9.3%.

Heritage volume for aggregates, whilst recovering in the second half of the year, declined 3.5% in total on the prior year. Product demand for drystone in the south of England and Wales was down as a result of reduced infrastructure activity and the substitution of aggregates not subject to the Aggregates Levy. Demand in the north, however improved, albeit on smaller volumes.

Heritage asphalt volumes ended 1.7% down on last year. The full year decline is almost exclusively in the south, due to a combination of reduced market demand and the completion of several major contracts.

Heritage ready-mixed concrete volumes declined 1.2% on last year. The decline was in line with a fall in the total market.

Despite volume pressures in all products, selling prices have continued to move forward during the year with total aggregates prices increasing 2.4%, asphalt 3.3% and ready-mixed concrete 1.2%.

During 2003 we stepped up our investment in the business with an increase in capital expenditure of 119.0% to £46.2m. As well as increasing investment in our aggregates operations, major capital expenditure has been committed for our asphalt operations to reduce the cost base and increase efficiency.

The unit has also recently announced a programme focusing on both cost reduction and efficiency improvement measures with a view to increasing the overall trading margins. A £3.7m reorganisation charge to full year continuing trading profit* has been taken and a benefit of approximately £7.0m is anticipated during the course of 2004, rising to approximately £10.0m in 2005.

Building Products

Continuing turnover of £320.9m for UK Building Products was 21.2% above 2002. The division has continued to deliver an improved performance with continuing trading profit* increasing 9.8% to £40.5m. Trading margins have declined from 13.9% to 12.6% primarily as a result of the expansion of the packed products business. Strong product demand aided by price improvements and continued cost containment were the main factors contributing to the improved continuing trading profit performance.

Strong underlying demand for housing continued, with demand from new build and repairs, maintenance and improvement sectors increasing.

The brick business delivered a very good performance for the year with volumes, prices, continuing trading profit* and trading margins ahead of last year. Strong market demand led to a heritage brick volume increase of 3.4%. National stock levels are at a 15 year low with a small amount of imports used to supplement the increased market demand. Selling prices improved 5.2% for the year. Refurbishment of kilns and the increased use of robotics to reduce manual handling continue, which should lead to increased production output and lower operating costs going forward.

***including joint-ventures and associates and pre-exceptional items**

UK by division year to December 31, 2003

	2003		2002		2001
	£m	**% change**	£m	% change	£m
Continuing turnover					
Aggregates	**832.1**	**0.3**	829.2	8.3	765.3
Building Products	**320.9**	**21.2**	264.8	9.7	241.3
Total	**1,153.0**	**5.4**	1,094.0	8.7	1,006.6
Continuing trading profit					
Aggregates	**77.5**	**(2.4)**	79.4	5.3	75.4
Building Products	**40.5**	**9.8**	36.9	16.4	31.7
Total	**118.0**	**1.5**	116.3	8.6	107.1
Trading margin	**10.2%**		10.6%		10.6%

Before exceptional items

Back to Contents

Operating and financial review continued
Review of operations UK

The concrete products business also delivered an improved year-on-year performance. Increased demand and order intake across all concrete flooring and precast product business and a strong contribution from the 2002 acquisition of Marshalls Flooring added to the improved performance.

The packed products business has continued to grow in 2003. The acquisition of Small Lots (Mix-It) in late 2002 contributed to this growth. We have also established additional bagging plants and introduced a national production and distribution network to meet the needs of customers. Demand for bagged aggregates products continues to increase.

Cost control within the business remains strong. Capital expenditure in 2003 totalled £11.5m. Major projects included kiln refurbishment, brick plant robotics and expansion of the packed products manufacturing centres.

2002 results compared with 2001

Continuing turnover from Hanson's UK operations for 2002 was £1,094.0m, an increase of £87.4m compared with 2001 in spite of flat or declining volumes. Continuing trading profit* of £116.3m was 8.6% above the earnings of £107.1m generated in 2001.

Aggregates

2002 continuing trading profit* in the UK aggregates business increased by 5.3% compared to 2001 to £79.4m. Despite falling volumes, the division moved trading margins, before reorganisation costs, ahead by 0.4% during 2002 to 11.4%. Price increases of 4.4% for aggregates and 6.0% for ready-mixed concrete were achieved.

Dry stone volumes fell by 8.6% in 2002 as a result of the introduction of the Aggregates Levy. This combined with poor weather late in the year and a lack of major contract work, led to overall volumes dropping by 5.6% compared to 2001. An improvement in asphalt sales of 3.3% was offset by falls in sales of sand and gravel, dry stone and ready-mixed concrete.

Building Products

Continuing turnover for this division increased by 9.7% to £264.8m in 2002 compared to £241.3m in 2001. Continuing trading profit* increased 16.4%, from £31.7m to £36.9m.

In 2002, the bricks business increased profit and trading margins on volumes that were only marginally ahead of 2001. Reduced overheads and increased prices underpinned the result, along with an improvement in production at a number of sites. The concrete products business recovered from a very difficult 2001 to see continuing trading profit* more than double. A strong performance from the concrete flooring and precast product business, coupled with improvements in concrete blocks and drainage products, were the highlights. Small Lots (Mix-It) Limited was acquired and successfully integrated. The division's position in the hollow-core flooring market was strengthened by the acquisition of Marshalls Flooring.

Outlook

We expect performance from our UK operations to be broadly flat because of increased pension costs and weaker demand in some markets and products. However, the outlook for the UK business is somewhat dependent on the Government's housing and infrastructure initiatives. To date these have been very slow to materialise due to both planning and funding constraints.

Demand for aggregates is likely to remain relatively flat although selling price increases are expected to be achieved. Ready-mixed concrete volumes are expected to decline as the market continues to contract. Asphalt volumes are anticipated to increase slightly and through the capital reinvestment programme Hanson is undertaking, we anticipate being able to increase volumes and maintain margins. Brick volumes are likely to remain strong and price increases are anticipated. Cost and efficiency improvement initiatives are under way as well as increased capital expenditure on cost saving and revenue enhancing activities.

***including joint-ventures and associates and pre-exceptional items**

UK year to December 31, 2003

	Volume	Price
	2003 2002	