HANSON PLC
Form 20-F
March 11, 2003
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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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002

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 1-9216

HANSON PLC

(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 £2 each	New York Stock Exchange*

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* 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.

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 £2 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 x NO ¨

Indicate by check mark which financial statement item the registrant has elected to follow. ITEM 17 ¨ ITEM 18 x

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Responses to Items 1, 2, 3B, 3C, 9B, 9D, 9E, 9F, 10A, 10F, 10G and 12 are only required in Securities Act filings in connection with offerings.

* The registrant has responded to Item 18 in lieu of responding to this Item.

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As used in this Annual Report, Hanson and the Company refer collectively to Hanson PLC and its consolidated subsidiaries except as the context otherwise requires.

Solely for the convenience of the reader, this Annual Report contains translations of certain amounts in pounds sterling (£) or pence (p) (1p is equivalent to 1/100 of £1) into US dollars (US dollars or $) or cents (c). The translations of pounds sterling and pence to US dollars and cents appearing in this Annual Report 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 Federal Reserve 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 March 7, 2003 the Noon Buying Rate was $1.60 per £1. For additional information on exchange rates between the pound sterling and the US dollar, see Exchange Rates in Item 3A Selected Financial Data of this Annual Report.

Each of Hanson, Hanson Building Materials America, Hanson Building Materials Europe, Hanson Australia and Hanson Pacific (as such expressions are referred to in this Annual Report) is either a holding company or divisional entity, and does not itself carry out any of the business activities described under Item 4B Business Overview of this Annual Report.

The market, industry and product segment data contained in this Annual Report 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 this Annual Report, 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 . 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, including those set out or referred to in Item 3D Risk Factors of this Annual Report. 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.

PART I

Item 3 KEY INFORMATION

Item 3A Selected Financial Data

The consolidated financial statements of Hanson appearing in this Annual Report (the Consolidated Financial Statements) are presented in pounds sterling and are prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP). UK GAAP differ in certain significant respects from accounting principles generally accepted in the United States (US GAAP). The significant differences between UK GAAP and US GAAP relevant to Hanson are set out in Note 26 of the Notes to Consolidated Financial Statements.

The selected financial data set forth below as of December 31, 2001 and 2002 and for each of the three fiscal years in the period ended December 31, 2002 are derived from the Consolidated Financial Statements included elsewhere in this Annual Report, which have been audited by Ernst & Young LLP, Hanson s independent auditors. These selected financial data are qualified in their entirety by reference to, and should be read in conjunction with, the Consolidated Financial Statements and Item 5 Operating and Financial Review and Prospects included elsewhere in this Annual Report. The selected financial data as of December 31, 2000 and as of and for the two fiscal years in the period ended December 31, 1999 have been derived from Hanson s consolidated financial statements not included herein, which have also been audited by Ernst & Young LLP.

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Consolidated Profit and Loss Account Data

	Year Ended December 31				
	2002	**2001**	**2000**	**1999**	**1998**
	(Pounds Sterling Millions, except per Ordinary Share amounts)				
Amounts in accordance with UK GAAP:					
Turnover group and share of joint ventures and associates	4,000.5	4,179.4	3,417.0	1,993.7	1,893.5
Turnover group excluding share of joint ventures and associates	3,648.9	3,823.7	3,136.1	1,920.5	1,825.2
Profit on ordinary activities before taxation	273.7	275.4	307.2	316.4	180.1
Profit available for appropriation (net income)	187.4	278.8	236.4	302.2	338.5
Per Ordinary Share:					
Basic profit after taxation	25.4p	37.9p	33.4p	46.4p	51.9p
Diluted (1)	25.4p	37.8p	33.3p	46.1p	51.7p
Amounts in accordance with US GAAP:					
Turnover from continuing operations	3,953.7	3,963.5	3,083.5	1,778.2	1,445.8
Net (loss)/income before taxation	(559.7)	301.1	333.7	312.3	265.5
Continuing operations net income	280.0	437.9	243.5	315.0	31.0
Discontinued operations profit from operations	1.6	16.2	13.2	2.9	334.1
Discontinued operations loss on disposals	(9.8)	(151.8)			
Income before cumulative effect of a change in accounting principle	271.8	302.3	256.7	317.9	365.1
Cumulative effect of a change in accounting principles	(900.4)				
Net (loss)/income available for appropriation	(628.6)	302.3	256.7	317.9	365.1
Per Ordinary Share (1):					
Basic income from continuing operations	38.0p	59.5p	34.3p	48.4p	4.8p
Basic (loss)/ income from discontinued operations	(1.1)p	(18.4)p	1.9p	0.4p	51.2p
Basic income before cumulative effect of a change in accounting people	36.9p	41.1p	36.2p	48.8p	56.0p
Basic cumulative effect of a change in accounting principle	(122.3)p				
Basic net (loss)/income (2)	(85.4)p	41.1p	36.2p	48.8p	56.0p
Diluted income from continuing operations	38.0p	59.4p	34.2p	48.0p	4.7p
Diluted (loss)/income from discontinued operations	(1.1)p	(18.4)p	1.9p	0.4p	51.1p
Diluted income before cumulative effect of a change in accounting principle	36.9p	41.0p	36.1p	48.4p	55.8p
Diluted cumulative effect of a change in accounting principle	(122.1)p				
Diluted net (loss)/income (2)	(85.2)p	41.0p	36.1p	48.4p	55.8p

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Consolidated Balance Sheet Data

	As at December 31				
	2002	**2001**	**2000**	**1999**	**1998**
	(Pounds Sterling Millions)				
Amounts in accordance with UK GAAP (3):					
Total assets	6,797.4	7,053.2	7,415.4	5,212.6	4,654.3
Long-term debt	972.3	1,599.3	1,634.1	1,005.7	1,007.0
Share capital	1,473.9	1,471.8	1,470.3	1,304.0	1,303.4
Shareholders funds	2,660.2	2,720.8	2,420.6	1,847.0	1,592.3
Amounts in accordance with US GAAP (restated):					
Total assets	7,082.2	8,436.3	8,854.7	6,459.0	5,913.9
Long-term debt	972.3	1,599.3	1,634.1	1,005.7	1,007.0
Share capital	1,473.9	1,471.8	1,470.3	1,304.0	1,303.4
Shareholders equity	2,605.8	3,556.5	3,369.0	2,733.2	2,520.6

(1) Based on the following adjusted weighted average Ordinary Shares outstanding: 738 million (2002), 738 million (2001), 711 million (2000), 656 million (1999) and 654 million (1998).

(2) The US GAAP basic and diluted earnings available for appropriation data for fiscal 2002 are calculated after deducting an amount of £900.4 million in respect of the cumulative effect of adoption of Statement of Financial Accounting Standard 142 Goodwill and other intangible assets . This has been recorded in fiscal 2002 as a cumulative effect of a change in accounting principle, and has reduced basic earnings per share (under US GAAP) by 122.3 pence and diluted earnings per share by 122.1 pence.

(3) The UK GAAP balance sheet at December 31, 2001 and December 31, 2000 has been restated in accordance with FRS 12 Provisions, contingent liabilities and contingent assets , where amounts recoverable from insurers in respect of environmental liabilities are now separately disclosed within debtors. Previously the provisions for environmental liabilities were stated net of such amounts.

Dividends

Hanson has paid cash dividends on its ordinary shares of £2 each (Ordinary Shares) (including its ordinary shares of 25p each prior to their consolidation into Ordinary Shares in February 1997) in every fiscal period since 1964.

Cash dividends are paid to shareholders as of record dates that are fixed after consultation between Hanson and the London Stock Exchange. Hanson pays an interim dividend, normally in September, and a final dividend, subject to receiving shareholder approval at the Annual General Meeting (AGM), normally in May. Future cash dividends will be dependent upon Hanson s earnings, financial condition and other factors.

The table below sets forth the amounts of the cash dividends in pence per Ordinary Share and translated, solely for convenience, into US cents per Ordinary Share at the Noon Buying Rate on each of the respective payment dates for such dividends, in each case net of the associated advance corporation tax (ACT) through to April 6, 1999, when ACT was abolished.

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	1Q	2Q	3Q	4Q
		(Pence per Ordinary Share)		
Year ended December 31, 1998		8.00		4.00
Year ended December 31, 1999		8.75	4.20	
Year ended December 31, 2000		9.20	4.35	
Year ended December 31, 2001		9.35	4.45	
Year ended December 31, 2002		9.55	4.55	

In respect of dividends paid before April 5, 1999 a holder of Ordinary Shares or ADSs who was a resident of the United States for purposes of the US/UK double taxation convention relating to income and gains (the Income Tax Convention) was generally entitled under the Income Tax Convention and UK law to receive, in addition to any dividend received from Hanson, a payment from the UK Inland Revenue of an ACT Related Tax Credit related to that dividend, less a UK withholding of 15% of the sum of the dividend paid and such ACT Related Tax Credit. The effect of this was a net credit amounting to 6.25% of the dividend declared. Amounts in respect of the ACT Related Tax Credit (including any related withholding) paid to a US holder were dividend income to the holder for US federal income tax purposes, but were not eligible for the dividends received deduction allowed to corporations. With the abolition of ACT on April 6, 1999, no net credit arises.

The tax credit arrangements for dividend payments to a US holder from April 6, 1999 are as described in Item 10E Taxation of this Annual Report.

Hanson has established a dividend reinvestment programme with the Depositary for holders of its American Depositary Shares (ADSs). This programme is only available to registered holders of ADSs who reside in the United States or Canada. It is intended to provide holders of ADSs with a convenient and economical method of investing cash dividends and additional cash deposits in ADSs.

The following table sets forth, for each of the periods indicated, (i) the amount in pence of the sum of the declared dividend amount and any related credit (the gross dividend) per five Ordinary Shares or per ADS (representing five Ordinary Shares); and (ii) the gross dividend, translated, solely for convenience, into US cents at the Noon Buying Rate on each of the respective dividend payment dates since May 8, 1998.

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	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Gross Dividend in Pence)				(Gross Dividend translated into US Cents) (2)			
Year ended December 31, 1998 (1)		50.00		25.00		82.04		41.84
Year ended December 31, 1999		48.61	23.33			78.75	37.82	
Year ended December 31, 2000		51.11	24.17			78.05	33.84	
Year ended December 31, 2001		51.94	24.72			74.57	36.25	
Year ended December 31, 2002		53.05	25.28			77.33	39.16	

(1) The rate of the ACT Related Tax Credit was one fourth of the declared dividend less a withholding tax of 15% on the declared dividend and tax credit for the year ended December 31, 1998.

(2) Fluctuations in the exchange rate between the pound sterling and the US dollar and expenses of the Depositary will have affected the US dollar amounts actually received by holders of ADSs upon conversion by the Depositary of the cash dividend received.

Exchange Rates

The following table sets forth for the periods indicated the average Noon Buying Rates in US dollars per £1 (to the nearest cent), calculated by using the average of the exchange rates on the last day of each full calendar month during the period.

	Average
Year ended December 31, 1998	1.66
Year ended December 31, 1999	1.61
Year ended December 31, 2000	1.51
Year ended December 31, 2001	1.44
Year ended December 31, 2002	1.51
Year ending December 31, 2003 (through March 7, 2003)	1.61

The following table sets forth the high and low Noon Buying Rates for the last six months in US dollars per £1 (to the nearest cent).

	High	Low

September 2002	1.57	1.53
October 2002	1.57	1.54
November 2002	1.59	1.54
December 2002	1.61	1.56
January 2003	1.65	1.60
February 2003	1.65	1.57
March 2003 (through March 7, 2003)	1.60	1.58

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Item 3D Risk Factors

Hanson s business, financial condition and results of operations, and consequently the price of the Ordinary Shares and the amount and timing of any dividends that Hanson pays, will be influenced by a range of factors, many of which are beyond the control of Hanson and its board. The risk factors set out below and the other information in this Annual Report should be considered carefully. These risk factors are not the only ones which Hanson faces. There may be risks which are not known to the Company or which may not be material now but could turn out to be material.

Changes in economic conditions could have a material adverse effect on the level of demand for Hanson s products.

Hanson s performance is affected significantly by changes in economic conditions, both globally and in the particular countries in which Hanson conducts its operations, especially in the United States and the United Kingdom where Hanson has its most significant operations. The demand for Hanson s products, which are mainly aggregates (i.e. crushed rock, sand and gravel), ready-mixed concrete, concrete products, cement, asphalt and clay bricks, is closely linked to general economic conditions in each of the territories in which Hanson operates. As a result, depressed economic conditions could have an adverse effect on demand for, and pricing of, Hanson s products, which could result in reduced sales and reduced profits.

Changes in government policy or legislation could significantly affect Hanson s regulatory compliance and other operating costs and Hanson s ability to establish additional aggregates reserves.

Hanson s performance is affected significantly by national and/or local government policy and legislation in the regions and territories in which it has operations.

Many products produced by Hanson s operating units are subject to government regulation in various jurisdictions regarding their production and sale, and Hanson s operating units are subject to extensive regulation by national and local agencies concerning such matters as zoning and environmental and health and safety compliance. Numerous governmental permits and approvals are required for Hanson s operations. Hanson believes that its operating units are currently operating in substantial compliance with, or under approved variances from, various national and local regulations in all applicable jurisdictions. In the past, Hanson s subsidiaries have made significant capital and maintenance expenditures to comply with zoning, water, air and solid and hazardous waste regulations, and these subsidiaries may be required to do so in the future.

The existence of these national and local regulations in many jurisdictions in which Hanson operates also means that it is often difficult to establish new green field aggregates reserves in areas where demand would justify the capital expenditure required.

Changes in governmental regulations and the imposition of industry related taxes such as the aggregates levy in the United Kingdom could increase Hanson s operating costs.

Changes in government policy or legislation relating to public works expenditure could have a material adverse effect on the levels of demand for Hanson s products.

National governments policies with regard to the development of transport infrastructure and housing have a significant effect on demand for Hanson s products and, as a result, Hanson s profitability. For instance, the US federal government has implemented TEA-21, which earmarks federal funds to be supplemented by state funds in the United States to improve the highway network. Hanson expects these funds to contribute to demand for its products in the United States, but Hanson cannot be certain as to how much, if any, of these funds will be deployed for improvements to the highway network. Fiscal 2003 is the final year of the TEA-21 highway funding programme, and whilst a new six year plan is expected, the details and funding of it are unknown at this time. Decreases in governmental funding or in the allocation of those funds for transport infrastructure and housing projects could reduce the amount of money available for spending on Hanson s products, potentially thereby reducing sales and profits.

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Hanson is subject to potential liabilities arising out of former businesses and activities.

Former and existing subsidiaries have engaged in businesses and activities, unrelated to the business and activities presently being carried on by Hanson, which give rise to bodily injury and property damage claims concerning environmental and health issues. Claims and lawsuits have been filed against these subsidiaries, either directly or as a result of indemnity obligations, relatings to products incorporating asbestos, coal by-products and chemicals, in particular for the wood treating industry.

With respect to asbestos related claims, Hanson has made estimates for the cost of resolving current and probable future asbestos claims against its US subsidiaries until 2010 and has provisions in place to cover these estimated costs, taking into account expected insurance recoveries. In establishing the provisions, Hanson has also made a number of assumptions as to the number, disease mix and jurisdiction of future claims, trends in dismissal rates, settlement and defence costs, resolution of all existing claims and resolution of new claims five years after receipt, the continued solvency of co-defendants and expected insurance recoveries. In light of the significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims until 2010 will be an accurate prediction of the actual costs that may be incurred, and as a result the provisions will be subject to potential revision from time to time as additional information becomes available and developments occur. In addition, Hanson expects that claims will continue to be asserted against its subsidiaries, the resolution of which will take place after 2010. In light of the above factors, the liability of Hanson s US subsidiaries for resolving asbestos claims may be materially different from current estimates and the impact of such claims, both before and after 2010, might have a material adverse impact on Hanson s financial condition, results of operations and cash flow. For further information regarding estimates made and related assumptions and factors that can affect future results, see Legal Proceedings in Item 8A of this Annual Report and Note 19 of the Notes to Consolidated Financial Statements.

With respect to claims involving coal by-products and chemicals, Hanson has not entered into a material settlement or been subject to a material adverse judgment since the demergers described in Item 4A History and Development of the Company of this Annual Report. Nevertheless, in light of the uncertainties involved in litigation and in particular in the United States, where there is the added potential for punitive damages, one or more of Hanson s US subsidiaries may be required to participate in settlements or be subject to judgments in future, the impact of which may be material on Hanson s financial condition, results of operations and cash flow.

Four companies into which former Hanson businesses were demerged agreed in connection with their respective demergers to indemnify Hanson against liabilities of the businesses transferred to these companies. Hanson has not incurred any liability in respect of any claim that related to the above-mentioned businesses demerged by it, any such liability being borne by the relevant demerged company without liability to Hanson. The Energy Group plc, one of the demerged companies, was acquired by TXU Corp. in 1998. In November 2002, TXU Corp. announced that several of TXU Corp. s UK subsidiaries had been placed under the administrative process in the United Kingdom (similar to bankruptcy proceedings in the United States). On December 30, 2002, The Energy Group plc (now known as Energy Holdings (No 3) Limited) was put into liquidation due to its insolvency. The Energy Group plc will therefore be unable to fulfill its indemnification obligations to Hanson if it were required to do so. Hanson is, however, not aware of any claim against it or its subsidiaries that would give rise to an indemnity obligation on the part of The Energy Group plc.

Hanson s acquisition strategy may be unsuccessful due to an inability to identify suitable acquisition targets and to integrate acquired companies into its business.

Hanson plans to continue making selective acquisitions to strengthen, develop and expand its existing aggregates, ready-mixed concrete, concrete products, asphalt and clay brick activities.

The successful implementation of Hanson s acquisition strategy depends on a range of factors, including its ability to identify appropriate opportunities, complete acquisitions and achieve an acceptable rate of return from those acquisitions, including past acquisitions.

There may also be substantial challenges or delays in integrating and adding value to the businesses Hanson acquires. In addition, the costs of integration, which are not presently capable of being estimated, could be material and the projected synergies resulting from such acquisitions may not be realised. Material costs or delays in connection with the integration of the operations that Hanson acquires or the inability to realise synergies from those acquisitions could result in increased expenditure and, consequently, reduced profitability and rates of return for Hanson from such acquisitions.

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Hanson operates in an extremely competitive market.

Most, if not all, of the markets in which Hanson operates are extremely competitive. The competitive environment in which Hanson operates can be significantly affected by local factors, such as the number of competitors and production capacity in the local market, the proximity of natural resources to the local market and economic conditions and product demand in the local market. The pricing policies of competitors and the entry of new competitiors in the local markets in which Hanson operates can have an adverse effect on demand for its products and on its results of operations and profitability.

Disruption to or increased costs of the supply of materials, energy and fuel to Hanson could significantly reduce Hanson s profitability.

Hanson is a significant purchaser of materials, including cement for use in its ready-mixed concrete and concrete products operations, bitumen for use in its asphalt activities, gas and other energy supplies for use in its cement and brick manufacturing operations and fuel for the transport of its products. The non-availability of power, as recently existed in certain parts of the United States, can materially disrupt Hanson s operations in those regions. The cost of such materials, energy and fuel fluctuates, sometimes by material amounts, and increases in the costs of such materials, energy and fuel or their non-availability, could significantly impact Hanson s operating costs and consequently reduce profitability.

Inclement weather conditions could significantly impact levels of construction activity and hence demand for Hanson s products.

Extended periods of inclement weather, especially periods of heavy or sustained rainfall during peak construction periods during the year, can result in a material reduction in demand for Hanson s products at important times and consequently result in reduced revenues and profits.

Hanson is subject to risks relating to changes in exchange rates.

In the year ended December 31, 2002, approximately 73% of Hanson s operating profit (including joint ventures and associates) was earned in currencies other than pounds sterling and a significant portion of its revenue is denominated in US dollars. At December 31, 2002, approximately 78% of Hanson s operating capital was located outside the United Kingdom and approximately 110% of its net indebtedness was denominated in currencies other than pounds sterling.

Since Hanson s results are reported in pounds sterling, exchange rate movements may affect Hanson s reported profits, assets, cash and debt balances. This effect may be positive or negative depending on the nature of the actual exchange rate movement and the nature of any currency hedging instruments that Hanson has put in place. Fluctuations in exchange rates could have a material adverse effect on Hanson s financial condition and results of operations to the extent that Hanson has not effectively hedged against those exchange rate movements.

If Hanson is characterised as a passive foreign investment company, US persons who hold Hanson s Ordinary Shares or ADSs (US shareholders) may suffer adverse tax consequences.

If, for any taxable year, Hanson s passive income, or Hanson s assets which produce passive income, exceed specified levels, Hanson may be characterised as a passive foreign investment company, or PFIC, for US federal income tax purposes. This characterisation could result in adverse US tax consequences for Hanson s US shareholders, which may include having gains realised on the sale of Hanson s Ordinary Shares or ADSs treated as ordinary income, rather than as capital gains income and having potentially punitive interest charges apply to the proceeds of sales of Hanson s Ordinary Shares or ADSs. Hanson believes it was not a PFIC for the fiscal year ended December 31, 2002. However, the tests for determining PFIC status are applied annually and it is difficult to make accurate predictions of future income and assets, which are relevant to this decision. Accordingly, Hanson cannot assure US shareholders that it will not become a PFIC. In particular, depending on the composition of Hanson s assets and other factors, including Hanson s market capitalisation, there is a possibility that Hanson may become a PFIC for the fiscal year which commenced in January 1, 2003. For a more detailed discussion of the consequences of Hanson being classified as a PFIC, see Item 10.E Taxation . US shareholders are urged to consult with their own US tax advisors with respect to the US tax consequences of investing in Hanson s Ordinary Shares or ADSs.

Item 4 INFORMATION ON THE COMPANY

Item 4A History and Development of the Company

Hanson PLC, a public limited company incorporated on November 8, 1950 in England and Wales, is a leading building materials company with operations principally in North America, the United Kingdom, continental Europe, Australia and Asia Pacific. The registered office and principal place of business of Hanson are located at 1 Grosvenor Place, London SW1X 7JH, England, and its telephone number is + 44 (0)20 7245 1245. The Ordinary Shares of Hanson are listed on the Official List of the UK Financial Services Authority and admitted to trading on the London Stock Exchange; the American Depositary Shares (ADSs) of Hanson (each ADS representing five Ordinary Shares) are listed on the New York Stock Exchange (the NYSE); and the CHESS Depositary Interests (CDIs) of Hanson (each CDI representing one Ordinary Share) are listed on the Australian Stock Exchange (the ASX). The ADSs are evidenced by American Depositary Receipts issued by Citibank, N.A. at ADR Department, Shareholder Services, PO Box 2502, Jersey City, New Jersey, 07303-2502, USA. Hanson Building Materials America, Inc., whose office is at 1333 Campus Parkway, Monmouth Shores Corporate Park, Neptune, New Jersey, 07752, USA, is Hanson s agent in the United States with respect to the ADRs and Ordinary Shares.

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Hanson s principal operating businesses are grouped under:

Hanson Building Materials America, Inc. (HBMA), a leading producer of aggregates, ready-mixed and other concrete products, clay bricks and roof tiles in North America, principally the United States.

Hanson Building Materials Europe (HBME), a leading producer of aggregates, ready-mixed and other concrete products, asphalt and clay bricks in the United Kingdom, with a variety of aggregates, ready-mixed concrete and asphalt operations in Spain, Germany, the Czech Republic, the Netherlands, Belgium and Israel, as well as material joint venture interests in the United Kingdom in aggregates. This business group was formed at the beginning of fiscal 2002 when Hanson Quarry Products Europe and Hanson Bricks Europe, previously two separate divisions, were united in a single division.

Hanson Australia, a leading producer of aggregates and ready-mixed concrete in Australia, with material joint venture interests in cement and asphalt production and laying.

Hanson Pacific, a leading producer of a variety of aggregates, ready-mixed concrete and asphalt products in Malaysia, Hong Kong, Singapore, Thailand, China and Indonesia.

Hanson has pursued a strategy to become a focused heavy building materials company. The Company has divested a number of non-core businesses, and pursued a programme of greater capital investment and selective acquisitions to strengthen, develop and broaden the geographical spread of its aggregates, ready-mixed and other concrete products and clay brick activities. The fundamentals of Hanson s strategy, which is reviewed annually by the board of Hanson, remain unchanged. Hanson will continue to focus on its core products of aggregates, ready-mixed concrete, concrete products and bricks; invest further capital to reduce operating costs and increase efficiency; make disciplined bolt-on acquisitions in markets with good demographics and structure; enhance its long-term mineral reserves; and improve or dispose of underperforming assets.

Hanson s long-term strategy is to continue to grow its well-established positions in North America and the United Kingdom, while developing a larger presence in other international markets with strong long-term growth prospects. In pursuance of this strategy during fiscal 2000, Hanson acquired Pioneer International Ltd (Pioneer), an Australian based international heavy building materials company with operations in 17 countries, for approximately Australian $2,997 million in cash and 82.4 million Ordinary Shares, valuing the transaction at £1,543 million.

General Development of the Business

Over a period of 30 years Hanson had grown into a diversified industrial management company with fiscal 1996 turnover of approximately £12.5 billion and trading profits of approximately £1.5 billion. In December 1995 and January 1996, the board of directors of Hanson, following an evaluation of the Company s overall performance, determined to undertake a major disposal programme to raise cash and effect the demergers as described below (collectively the Demergers).

On October 1, 1996, Hanson demerged its chemicals businesses through the payment of a dividend pro rata to its shareholders consisting of all the then outstanding shares of Millennium Chemicals Inc. (Millennium), a NYSE listed company.

On October 1, 1996, Hanson also demerged its tobacco business through the payment of a dividend pro rata to its shareholders consisting of all the then outstanding shares of Imperial Tobacco Group PLC (Imperial), a London Stock Exchange listed company.

On February 24, 1997, Hanson demerged its energy businesses, consisting of Eastern Group PLC (Eastern), the Australian coal interests of Peabody Holding Company Inc. (Peabody) and certain of Peabody s US operations, through the payment of a dividend pro rata to its shareholders consisting of all the then outstanding shares of The Energy Group plc (Energy), a company that was listed on both the London Stock Exchange and the NYSE. On March 7, 1997 Energy acquired the remaining US operations of Peabody from Hanson. Energy was acquired by TXU Corp. in 1998.

Each of Millennium, Imperial and Energy agreed to indemnify Hanson against (inter alia) the past, present and future obligations and liabilities of the businesses transferred to it on its respective demerger while Hanson agreed to indemnify each of Millennium, Imperial and Energy against (inter alia) the past, present and future obligations of all other businesses owned or previously owned by Hanson (including the businesses transferred to the other demerged companies). In November 2002, TXU Corp. announced that several of TXU Corp. s UK subsidiaries had been placed under the administrative process in the United Kingdom (similar to bankruptcy proceedings in the United States). On December 30, 2002, Energy (now known as Energy Holdings (No 3) Limited) was put into liquidation due to its insolvency. Energy will therefore be unable to fulfil its indemnification obligations to Hanson if it were required to do so. Hanson is, however, not aware of any claim against it or its subsidiaries that would give rise to an indemnity obligation on the part of Energy.

On February 24, 1997, immediately following the demerger of Energy, Hanson effected a consolidation (reverse stock split) of all its then existing ordinary shares of 25p each by consolidating eight of such shares into one Ordinary Share, with every eight then existing Hanson ADSs, representing 40 Hanson ordinary shares of 25p each, being consolidated into one Hanson ADS, representing five Ordinary Shares.

Post Demerger Disposals

Since the demerger of Energy, Hanson has pursued a strategy of focusing on its building materials businesses and disposing of the remaining non-core activities and investments.

During 1997, Hanson sold Hanson Electrical, a UK market leader in domestic circuit protection, wiring accessories and other electrical installation products, to Cinven for £131.8 million in April, its 32% holding in Koppers Industries, Inc., a manufacturer of coke and chemicals, for $51.4 million in October, and Hanson Bank Ltd to Ansbacher (Guernsey) Ltd for £6.4 million in December.

During 1998, Hanson s Melody radio business was sold to Emap Radio Ltd for £25.4 million in February. This was followed by the sale in March of Grove Worldwide, a manufacturer of mobile hydraulic lift cranes, to Keystone, Inc. for $595 million. Also in March, Hanson completed the disposal of a portfolio of real estate properties for a consideration of £24.7 million in cash and the assumption of leasehold obligations by the purchaser, O & H Holdings Ltd. During April, Hanson sold its US industrial construction business to Skanska (U.S.A.), Inc. for $51.2 million and its US road paving business to Colas, Inc. for $90.3 million. In October, Air Hanson Ltd was sold to Lynton Group Ltd.

In March 1999, Hanson announced the sale of its 23.8% investment in Westralian Sands Ltd, a mineral sands company listed on the ASX, for aggregate net cash proceeds of Australian $224.3 million (£87 million).

During 2000, Hanson completed in March the sale of a 19.95% interest in Goldfields Ltd, a gold mining company listed on the ASX, for a consideration of approximately Australian $41 million (£15.8 million), leaving Hanson with an approximate 8% interest in that company, which was itself sold later during the year for an aggregate consideration of Australian $19.5 million (£7.6 million). In October, the gas meter operations of the UGI group were sold for £6.1 million to a subsidiary of Invensys plc. In December, Hanson announced the sale of its waste disposal business to Waste Recycling Group plc for £185 million in cash. Completion of that transaction took place on January 31, 2001.

In addition to the above disposals of non-core activities, in the second half of fiscal 2000, in accordance with the requirements of the Office of Fair Trading in the United Kingdom as a condition to its approval of the Pioneer acquisition, Hanson was required to dispose of two aggregates quarries, 25 ready-mixed concrete plants and three asphalt plants in the United Kingdom which were sold in separate transactions to the Tarmac group, RMC Group plc and Brinklow Quarry Ltd for an aggregate consideration of £15.4 million. Also in June 2000, Hanson s Acme Materials and Construction Company, an integrated producer and supplier of aggregates, asphalt, ready-mixed concrete and road construction services located in eastern Washington and western Idaho in the United States, was sold to a subsidiary of CRH Group plc for $36.6 million.

During 2001, Hanson disposed of a number of under-performing operations contained within its building materials business, including its aggregates operations in Utah and Las Vegas in the United States for sale proceeds of $24.9 million and $19.6 million respectively; its roof tile business in Australia for Australian $16 million (£6.4 million); and various ready-mixed concrete plants in Spain and Germany.

During 2002, Hanson announced in February that it had agreed to sell its Continental European brick operations located in the Netherlands, Belgium, Germany, France and Poland to Wienerberger AG for £39.3 million, subject to the receipt of appropriate regulatory approvals. Completion of the transaction took place on April 22, 2002. Hanson also sold for an aggregate consideration of over £3 million its ready-mixed concrete operations in the Philippines in March and its Texas haulage business, Aggregate Haulers, in April. In December 2002, Hanson announced the sale of its 50% interest in North Texas Cement Company for a consideration of $125.4 million, which then closed in January 2003. Also at the end of fiscal 2002, Hanson and its joint venture partner entered into a contract for the sale of their ready-mixed concrete plants in India, which completed in February 2003. In fiscal 2002, Hanson and CSR Ltd announced their intention to merge their interests in Australian Cement Holdings with Queensland Cement Ltd (a subsidiary of Holcim Ltd), with each of Hanson and CSR Ltd to receive a 25% interest in the merged entity. The arrangement is subject to formal contracts and additional due diligence.

Post Demerger Acquisitions

Since the demerger of Energy, Hanson has not only acquired Pioneer, but also made a significant number of bolt-on acquisitions to Hanson s existing building materials businesses have been made, which are listed below.

Acquisitions since the demerger of Energy in February 1997

Calendar Year	Geographical Region	
1997	US	Concrete Pipe and Products Company for $128 million
	UK	Walkers Ready Mix Concrete Ltd for £0.3 million
	UK	Rossington Aggregates Ltd for £2.1 million
	UK	Assets of Brevmoor Wharf for £6.2 million
	UK	Investment in 49.99% of Midland Quarry Products Ltd for £15 million
1998	US	H.G. Fenton Material Company for $87.5 million
	US	Becker Minerals Inc. for $80.5 million
	US	Condux Corporation for $68.8 million
	US	Nelson Holding Company for $37.6 million
	US	50% of Gifford-Hill-American Holdings, Inc. not already owned for $24.2 million
	UK	Pinden Ltd for £6.4 million
	UK	Seagoe Concrete Ltd for £3.5 million
	UK	Assets of T&G Concrete, Stockton Premix, Greenwaste Services and Acorn Premix for an aggregate consideration of £2.2 million
1999	Canada	Locpipe Inc. for $11 million
	Canada/US	Jannock Brick group for £177.1 million
	US	Greenwood quarry for $3.7 million
	US	Tidewater Sand and Gravel, Inc. for $44.1 million
	US	Opelika quarry for $7.9 million
	US	United Spancrete Products Corporation for $12.3 million
	US	Gainesville Limestone Products, Georgia and Conners Crushed Stone, Texas for an aggregate consideration of $10.5 million
	US	B.R. DeWitt and Superior Products Company for an aggregate consideration of $71.3 million

US	Olin Jones Sand Co., Jones Sand Co. and Brewer Sand Co., Inc. for an aggregate consideration of \$55.2 million
UK	FC Precast Concrete Ltd for £3.4 million
UK	50% of Coln Gravel Ltd not already owned for £1.4 million
UK	Albion Concrete Ltd for £1.2 million
UK	Brindister, Gamble Waste, Ashridge Concrete and Garrick quarries, ready-mixed and recycling operations for an aggregate consideration of £4 million
Germany	75% of the issued capital of RENA GmbH for £6.7 million
Holland/ Germany	Boral group for £44.7 million

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	Malaysia	Tanah Raya group for £16.8 million
	Malaysia	Guthrie quarry for £5.7 million
	Singapore	Highway International Pte Ltd for £9.1 million
	Singapore	Rite-Mix Pte Ltd for £6.1 million
	Singapore	Concrete Innovators Co. Ltd for £2.7 million
	Philippines/Malaysia	Other minor acquisitions £1.7 million
2000	US	Joelson Taylor Concrete Products, Cincinnati Concrete Pipes and Milan Concrete Products for an aggregate consideration of $135.9 million
	US	Tufco Ready Mix and Aggrock Quarries Inc. for an aggregate consideration of $18.9 million
	US	Pacific International Pipe Enterprises, Inc. for $30 million
	US	Rogers Group Inc. asset swap valued at $35 million
	US	Davon, Inc. for $100 million
	UK	Birchwood Concrete Products Ltd and Birchwood Omnia (Birchwood) Ltd for £8.5 million
	UK	Selected former Tarmac group aggregates assets for £33.5 million
	Poland	Boral Polska for £13.6 million
	Germany	ROBA Baustoff GmbH for £4.8 million
	Singapore	Megastone for £0.9 million
	Australia	Pioneer for £1,543 million
2001	Canada	Centennial Pipe and Products, Inc. for £41.1 million
	Mexico	50% interest in Piedras y Arenas Baja S de RL de CV for £17.3 million
	UK	Recycling and demolition business of John Mould for £6.7 million
	UK	51% interest in Thermaliner Insulation Systems Ltd for £3.4 million
	Spain	Gabezo Gordo quarrying assets in Murcia for £5.2 million
	Malaysia	50% interest in the aggregates and asphalt joint venture with the Sunway Holdings group not already owned for £36.7 million
2002	US	Oregon concrete pipe and related assets for $7.7 million
	US	Choctaw Inc. for a total of $137.4 million
	US	Asphalt batch plant in New York for $3.5 million
	UK	Small Lots (Mix-It) Limited and the business of Marshalls Flooring and Red Bank Manufacturing Company for an aggregate consideration of £28.1 million
	Spain	Four aggregates and sand and gravel quarries for £19 million
	Czech Republic	Lafarge Kamenivo s.r.o. for £2.4 million
	Malaysia	50% interest in the ready-mixed joint venture with an associate of the Sunway Holdings group not already owned for £2.1 million

A number of these acquisitions are described in more detail under Item 4B Business Overview of this Annual Report and the material acquisitions made in fiscal 2001 and fiscal 2002 are also referred to under Item 5A Operating Results of this Annual Report.

Although acquisitions have played a significant part in the growth of the Company since the final demerger in February 1997, significant capital expenditures have also been made in both new and replacement plant and equipment with an aggregate cost of over £850 million during the period to December 31, 2002. Over half of this sum has been spent in North America. Capital expenditures have been financed out of group cash flow and existing bank and other credit facilities.

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Item 4B Business Overview

The following table shows, for each of Hanson s last three fiscal years, profit on ordinary activities (before taxation and exceptional items) and turnover (net of inter-company transactions, which were not material) attributable to each of its principal continuing and other business segments and each geographical region, together with similar information regarding Hanson s discontinued operations.

	Year ended December 31,					
	2001		2000		2002	
	Profit	Turnover	Profit	Turnover	Profit	Turnover
	(Pounds Sterling Millions)					
Hanson Building Materials America						
Aggregates	135.7	1,154.7	175.6	1,285.3	153.8	953.2
Pipe and Products	92.5	436.1	97.2	418.3	73.8	336.4
Brick and Tile	33.9	233.4	32.6	241.2	29.8	197.8
	262.1	1,824.2	305.4	1,944.8	257.4	1,487.4
Hanson Building Materials Europe						
European Aggregates	109.1	1,184.2	101.5	1,128.1	84.2	900.5
UK Building Products	36.3	267.6	30.9	243.2	34.8	217.8
	145.4	1,451.8	132.4	1,371.3	119.0	1,118.3
Hanson Australia	24.7	442.3	4.6	379.7	16.5	286.3
Hanson Pacific	4.4	235.4	10.8	267.7	8.7	191.5
	436.6	3,953.7	453.2	3,963.5	401.6	3,083.5
Property and other income	11.6		20.6		9.1	
Central expenses	(18.0)		(17.5)		(18.1)	
Discontinued operations	3.1	46.8	7.2	215.9	24.7	333.5
	433.3	4,000.5	463.5	4,179.4	417.3	3,417.0
Operating exceptional items						
Goodwill impaired previously written off to reserves			(88.8)			
Other exceptional items	(87.6)		(102.5)		(22.7)	
	345.7	4,000.5	272.2	4,179.4	394.6	3,417.0
Non operation exceptional items	11.0		115.7		11.3	
Net interest (expense)	(83.0)		(112.5)		(98.7)	
Pre-tax profit	273.7		275.4		307.2	

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By Geographical Region (a)

	Year ended December 31,					
	2002		2001		2000	
	Profit	Turnover	Profit	Turnover	Profit	Turnover
	(Pounds Sterling Millions)					
United Kingdom	117.0	1,148.3	116.7	1,059.1	99.1	899.8
Continental Europe	19.5	303.5	19.2	312.2	5.6	218.5
North America	262.6	1,824.2	305.0	1,944.8	262.7	1,487.4
Australia	26.7	442.3	4.6	379.7	16.5	286.3
Asia	4.4	235.4	10.8	267.7	8.7	191.5
Discontinued	3.1	46.8	7.2	215.9	24.7	333.5
Operating exceptional items	(87.6)		(191.3)		(22.7)	
Operating profit and turnover	345.7	4,000.5	272.2	4,179.4	394.6	3,417.0

(a) The analysis of turnover shows the geographical segments from which products are supplied. This also represents the analysis of turnover by geographical destination. The analysis of profit is stated after including property, other income and central expenses.

Hanson Building Materials America, Inc. (HBMA)

HBMA has a broad presence across North America, operating in 27 states of the United States, as well as within Mexico and the Canadian provinces of Ontario and Quebec. In the United States, HBMA one of the largest producer of construction aggregates, ready-mixed concrete, concrete pipes and precast products, and clay bricks. In total, HBMA operates approximately 200 aggregates quarries, 144 ready-mixed concrete operations and 34 asphalt plants. HBMA has a substantial presence in aggregates in a number of key areas such as Dallas-Fort Worth, San Diego County, the San Francisco Bay area (including bay-dredged aggregates) and in parts of Arizona, North and South Carolina, New York, Pennsylvania and certain mid-western states. HBMA also owns the Permanente cement plant in northern California. In addition to the above, HBMA has approximately 26 recycling/landfill operations.

HBMA is organised into five operating groups, Hanson Aggregates East, Hanson Aggregates Central, Hanson Aggregates West, Hanson Pipe and Products and Hanson Brick and Tile. Through its aggregates divisions, HBMA controls, by ownership or long-term lease, over eight billion tons of aggregates reserves. Customers are primarily from the public and private works sectors of the construction and building materials industry, while a portion of the output is consumed internally in the production of down-stream products such as ready-mixed concrete and asphalt. As at December 31, 2002, HBMA (including joint ventures and associates), employed approximately 12,000 people, of whom approximately 11,000 were engaged in manufacturing and operating activities, while the balance were engaged in sales, distribution, corporate and administrative activities. Approximately 3,000 of these employees were salaried and approximately 9,000 were hourly paid.

Hanson Aggregates East, headquartered in Morrisville, North Carolina, operates in 11 states and in fiscal 2002 produced over 74 million tons of aggregates, over two million tons of asphalt and over 600,000 cubic yards of ready-mixed concrete.

Hanson Aggregates Central, headquartered in Dallas, Texas, operates in six states and in fiscal 2002 produced over 34 million tons of aggregates and over six million cubic yards of ready-mixed concrete. At the end of fiscal 2002, HBMA entered into an agreement to sell its 50% interest in North Texas Cement Company, which was part of the Hanson Aggregates Central division, to its joint venture partner for $125 million. The sale completed in the early part of fiscal 2003.

Hanson Aggregates West, headquartered in San Ramon, California, operates in two states and in fiscal 2002 produced over 25 million tons of aggregates, over one million tons of asphalt and over three million cubic yards of ready-mixed concrete. Within Hanson Aggregates West are the Permanente cement plant, the largest cement producer in northern California producing over one million tons of cement, and cement distribution facilities in Guam and Saipan. Late in fiscal 2001, Hanson entered into a joint venture with Grupo Amaya Curicel, S.A. de C.V. to produce aggregates in Ensenada, Mexico and to export these aggregates to California.

Hanson Pipe and Products, headquartered in Dallas, Texas, is one of the largest producers of concrete products (including concrete pipes and precast concrete products) in the United States. It now has 93 production facilities in North America and sold over 3.5 million tons of concrete products in fiscal 2002. At the end of fiscal 2001, Centennial Pipe and Products, Inc., which manufactures concrete pipes and manholes from three plants in Ontario, Canada, was acquired for Canadian $94.5 million (£41.1 million), including Canadian $6 million in cash. In April 2002, the division s interests in the north western United States were expanded with the acquisition of a pipe plant in Oregon from CSR Ltd for $7.7 million. In May 2002, Pipe and Products acquired Choctaw Inc., the leading manufacturer of concrete pipe and related drainage products in the southern United States, with 17 production facilities serving Alabama, Arkansas, Louisiana, Mississippi and Tennessee.

On May 14, 1999, HBMA completed the acquisition of the North American brick group of Jannock Ltd (Jannock), free of debt, for Canadian $413 million (£177.1 million). Jannock constitutes the fifth of HBMA s operating groups, Hanson Brick and Tile. HBMA is one of the largest producers of clay bricks in North America. From a total of 22 factories in Ontario and Quebec in Canada and in the Carolinas, Texas, Michigan and Kentucky in the United States over 1.3 billion bricks were sold in fiscal 2002. HBMA controls, by ownership or long-term lease, over 137 million tons of clay and shale reserves, which at current production represents around 50 years supply. Through the acquisition of Pioneer, Hanson acquired six roof tile plants in Florida, California and Arizona, which now form part of this division.

Hanson Building Materials Europe (HBME)

HBME was formed in January 2002 when Hanson Quarry Products Europe and Hanson Bricks Europe were united into one entity forming the European Aggregates division and, with effect from August 2002, a new UK Building Products division consisting of the UK brick and concrete product operations.

Throughout Europe (including Israel), the European Aggregates division of HBME now has just under 150 aggregates quarries and over 350 ready-mixed concrete plants, as well as over 50 asphalt plants, of which approximately 110 quarries, approximately 250 ready-mixed concrete plants and the majority of the asphalt plants are located in the United Kingdom. Supplementing its aggregates quarries is HBME s marine fleet of 11 owned dredgers, which, together with its 50% stake in United Marine Holdings Ltd, a company operating four dredgers and which became part of HBME through the acquisition of Pioneer, gives HBME an interest in 35 wharves, of which 27 are in the United Kingdom and the majority of the remainder in Belgium. Through its wharves and a network of over 20 depots in the United Kingdom, HBME is able to supply areas of greatest demand and where local aggregates are not readily available. Major customers include civil engineering contractors, steel producers and the agricultural industry. HBME s ability to serve its markets is enhanced by its strong reserve position.

HBME employs over 8,000 people, of whom approximately 7,200 are in the United Kingdom and of whom approximately 50% are salaried and 50% are hourly paid (who are represented by unions, principally the Transport & General Workers Union and the General Municipal and Boilermakers Union).

HBME is the United Kingdom s largest producers of aggregates, ready-mixed concrete, concrete pipes and concrete blocks and the UK market leader in sea-dredged aggregates. With the acquisition of Pioneer, HBME not only increased the size of its operations in the United Kingdom, the Netherlands and Germany, but also acquired operations in several new territories, including a leading position in aggregates in Spain and the number two aggregates producer in Israel, as well as operations in the Czech Republic. During fiscal 2000, HBME also acquired 12 aggregates quarries from the Tarmac group which strengthened its position in the north of England and Wales. The Spanish business was expanded with the acquisition of aggregates quarrying assets near Murcia and Alicante for £5.2 million in fiscal 2001 and again in fiscal 2002 with the acquisition of two limestone quarries near Madrid and two sand and gravel operations near Valladolid for an aggregate sum of £19 million. The Czech Republic business was also expanded in fiscal 2002 with the acquisition of an additional two quarries for £2.4 million. In addition, HBME significantly increased its bagged aggregates operations in July 2002 with the acquisition of Small Lots (Mix-It) Limited. HBME is also a partner in a number of joint venture companies in the United Kingdom, the most significant of which are with the Tarmac group through Midland Quarry Products Ltd and United Marine Holdings Ltd.

In fiscal 2002, the European Aggregates division produced over 65 million tonnes of aggregates, five million tonnes of asphalt and over 12 million cubic metres of ready-mixed concrete. Under a quarter of HBME s aggregates production is processed further into ready-mixed concrete (produced in the United Kingdom under the name Premixñ), asphalt and precast concrete products. HBME also produces an extensive range of specialised products including silica sand for glass making, rock armour stone for sea defence work, burnt lime for the steel industry as well as agricultural lime and natural stone masonry.

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Hanson Recycling, a UK division of HBME set up in 1998 to specialise in sourcing and supplying recycled construction aggregates and not included in the sale of HBME s waste management operation to Waste Recycling Group plc for £185 million in cash on January 31, 2001, continued its expansion during fiscal 2001 with the acquisition in April of the John Mould recycling and demolition business for £6.7 million. Hanson Recycling now has an interest in 11 recycling plants. During fiscal 2002 the activities of the Hanson Recycling division were integrated into the European Aggregates division.

As well as being a materials producer, HBME, through Hanson Construction Projects, is also a specialist road surfacing contractor, being supplied from HBME s aggregates quarries and asphalt plants, for the construction of the road network in the United Kingdom.

The UK Building Products division was formed in August 2002 by combining HBME s UK bricks and concrete products businesses, following completion of the sale on April 22, 2002 of the Continental European brick business to Wienerberger AG for a cash consideration of Euro 64.5 million (£39.3 million). The Continental European brick business consisted of 24 brick manufacturing plants in northern Europe, of which the majority were in the Netherlands and Belgium, with the remainder in Germany, Poland and France.

UK Building Products brick operation is the second largest producer of clay bricks in the United Kingdom. It operates from 15 factories and has the capacity to produce over one billion bricks per annum. UK Building Products markets four brands: London, Kempston, Butterley and Desimpel, and the product range represents over 150 different types of brick. In the United Kingdom, bricks are classified into two categories, fletton and non-fletton, depending on the raw material used in their manufacture. UK Building Products is the only manufacturer of fletton bricks, which are made by the press moulding of high fuel content Oxford clay. Fletton bricks are sold under the London brand, which is aimed principally at the refurbishment and improvement market. At current rates of production, UK Building Products fletton clay reserves equate to approximately 50 years production. The Kempston brand consists of a range of extruded bricks produced at a number of factories and is targeted at the housing and specification markets. The Butterley brand uses a wide variety of raw materials and processes and provides a large range of facing bricks, pavers and specials for housing and architectural specification work. At current rates of production, UK Building Products non-fletton reserves equate to approximately 35 years production. As part of the arrangements for the sale of the Continental European brick operations, a long term supply agreement has been agreed with Wienerberger AG for the supply of Desimpel bricks to UK Building Products. The Desimpel brand consists of top quality bricks (including soft-mud bricks) manufactured in Belgium, the Netherlands and France and imported into the United Kingdom at strategic locations. This has widened the choice of bricks available in the United Kingdom and has opened up a valuable niche market.

UK Building Products expanded its own UK soft-mud brick capacity in fiscal 2002 with the acquisition of a factory in the Midlands from Red Bank Manufacturing Company that produces 17 million bricks per annum and has the capacity to increase output.

From 21 factories throughout the United Kingdom, UK Building Products concrete products operations supply concrete pipes, manholes, concrete blocks and ancillary products. During fiscal 2000, Hanson UK Building Products expanded its product range into concrete flooring products with its acquisition of Birchwood Concrete Products and Birchwood Omnia, and further strengthened its position in this market with the acquisition of Marshalls Flooring in fiscal 2002.

Hanson Australia

With the acquisition of Pioneer, Hanson became a leading supplier of construction materials in Australia focused on ready-mixed concrete (over 220 plants) and aggregates (45 quarries). Hanson Australia (trading as Pioneer) has national coverage in Australia with a presence in every metropolitan and major regional centre. During fiscal 2002, Hanson Australia s operations produced over 18 million tonnes of aggregates and almost five million cubic metres of ready-mixed concrete. Hanson Australia sold its roof tiles business in November 2001 to Bristile for Australian $16 million (£6.4 million), leaving Hanson Australia with a small remaining masonry products business in Queensland, as well as a small landfill business operating in Victoria and, through a joint venture, in Western Australia.

Hanson Australia s major interests outside ready-mixed concrete and aggregates quarries include its 50% share in various joint venture companies, the three most significant of which are Australian Cement Holdings Pty Ltd (ACH), jointly owned with CSR Ltd, which operates cement plants in New South Wales and Tasmania capable of producing over 1.2 million tonnes of cement annually; Pioneer Road Services Pty Ltd, jointly owned with Shell, a national asphalt and contracting business capable of producing over 1.2 million tonnes of asphalt annually; and Metromix Pty Ltd, a ready-mixed joint venture with CSR Ltd, with eight ready-mixed concrete plants. Including employees in joint venture arrangements and associates Hanson Australia employs over 3,800 people across Australia.

In November 2002, Hanson and CSR Ltd announced their intention to merge their interest in ACH with Queensland Cement Ltd (QCL), a wholly owned subsidiary of Holcim Ltd, to create the leading cement manufacturer in Australia with over 3 million tonnes of capacity. Each of Hanson and CSR Ltd will have a 25% interest and Holcim Ltd, a 50% interest, in the joint venture. The arrangement is subject to formal contracts, and additional due diligence.

Hanson Pacific

As part of its strategy to diversify its geographical presence, Hanson, during fiscal 1999, acquired through various transactions six aggregates quarries, six ready-mixed concrete plants and three asphalt plants in Malaysia and concrete products, ready-mixed concrete and asphalt businesses in Singapore.

The Pioneer acquisition provided a significant increase in scale and spread for Hanson Pacific. Hanson Pacific now has operations in six countries in Asia, covering China, Hong Kong, Malaysia, Singapore, Indonesia and Thailand, with one of the leading positions in aggregates and ready-mixed concrete in Hong Kong and Malaysia and in asphalt in Malaysia and Singapore constituting the major part of the Hanson Pacific division. In fiscal 2002 Hanson Pacific produced almost 17 million tonnes of aggregates, over three million tonnes of asphalt and over 5.5 million cubic metres of ready-mixed concrete. At the end of fiscal 2002, Hanson Pacific had entered into an agreement to sell its 50% interest in its small ready-mix concrete joint venture in India. The sale completed in February 2003.

In Hong Kong and China, Hanson Pacific operates four aggregates quarries and 12 ready-mixed concrete plants, employing approximately 670 people. In Singapore, Hanson Pacific operates five ready-mixed concrete plants, two asphalt plants and one concrete products plant and employs over 250 people. In Malaysia, following the acquisition by Hanson Pacific in April 2001 of the 50% of the aggregates and asphalt joint venture with the Sunway Holdings group which it did not previously own for £36.7 million, Hanson Pacific operates 20 quarries and 19 asphalt plants. Hanson Pacific also had a 50% interest in a ready-mixed concrete joint venture arrangement in Malaysia with an associated company of the Sunway Holdings group. In May 2002, Hanson entered into an agreement to acquire the 50% interest in the ready-mixed concrete joint venture not already owned by it for a sum of £2.1 million, and completion of the agreement took place in August 2002. Hanson Pacific now owns 59 ready-mixed concrete plants throughout Malaysia. Hanson Pacific employs over 1,500 people in Malaysia. With four aggregates quarries and over 30 ready-mixed concrete plants in the remaining countries in this division, Hanson Pacific employs over 1,400 people.

Discontinued Operations

The completion of the sale of the Continental European brick operations took place in April 2002 for £39.3 million. During fiscal 2002, HBMA also disposed of Aggregate Haulers for £3.3 million in April, an asphalt batch plant in New York in September for £2.4 million and a ready-mixed concrete and aggregates operation in Minnesota in December for £4.0 million. The Company s 50% interest in North Texas Cement

Company was sold for £78.8 million on January 3, 2003.

The completion of the £185.0 million sale of the waste management division of HBME took place in January 2001. In fiscal 2001, waste management contributed turnover of £6.8 million and operating profit of £0.6 million. In fiscal 2000, waste management contributed turnover of £74.7 million and operating profit of £13.0 million. In May 2001, HBMA sold its quarrying operations in Utah for £17.3 million. In fiscal 2000 these operations contributed turnover and operating profit of £16.3 million and £0.8 million respectively. In September 2001, HBMA sold its quarrying operations in Las Vegas for £13.6 million. In fiscal 2000, these operations contributed turnover of £42.9 million and an operating loss of £1.8 million. Other operations, which includes the investment in Pioneer Roof Tiles, were sold for an aggregate consideration of £10.7 million in fiscal 2001. These operations contributed turnover of £17.2 million and operating profit of £0.7 million in fiscal 2000.

Joint Ventures and Associates

At the end of fiscal 2002, Hanson had interests in a number of privately held companies, the principal ones being Midland Quarry Products Ltd (Midland Quarry Products) and United Marine Holdings Ltd (UMH) in the United Kingdom; Campbell Concrete & Materials LP (Campbell) and Piedras y Arenas Baja S. de R.L. de C.V. (PAB) in North America; and Australian Cement Holdings Pty Ltd (ACH), Pioneer Road Services Pty Ltd (Pioneer Road Services) and Metromix Pty Ltd (Metromix) in Australia. A brief description of each of these companies is set out below.

Midland Quarry Products

Midland Quarry Products, a UK company in which Hanson held a 49.99% interest at December 31, 2002, is a joint venture arrangement with the Tarmac group. In December 1996, HQPE and Tarmac Quarry Products Ltd merged their respective hardstone quarrying and asphalt manufacturing operations in the English midlands, creating a significant business in this area. Three Hanson representatives currently serve on Midland Quarry Products six member board of directors.

UMH

UMH, a UK company in which Hanson holds a 50% interest at December 31, 2002, is a joint venture with the Tarmac group, which operates four dredgers and a number of wharves either directly or through joint ventures, selling sand and gravel predominantly to the UK market. Three Hanson representatives currently sit on the six member board of directors.

Campbell

Campbell is a 50% partnership based in Texas with Constar Inc., a Heidelberger Zement AG company. Its principal activity is the manufacture and distribution of ready-mixed concrete from 24 facilities in Texas. Additionally, it operates 12 stabilised base plants in the Houston market and produces sand and gravel from two quarries in that market. Two Hanson representatives currently sit on the four member management board.

PAB

Hanson holds a 50% interest, with Grupo Amaya Curiel, S.A. de C.V. holding the other 50% interest, in three equivalent joint venture companies based in Ensenada, Mexico. Collectively, these joint venture companies produce sand and crushed stone near Ensenada, Mexico for export by marine barges to ports in southern California. Hanson subsidiaries in San Diego and Los Angeles, California are their principal customers. Two Hanson representatives currently serve on the four member boards of each company.

ACH

ACH, an Australian incorporated company, is a 50% joint venture with CSR Ltd which manufactures and distributes cement and related products. It operates from six sites in New South Wales, Victoria and Tasmania in Australia. Hanson has two representatives on the four member board of directors. In fiscal 2002, Hanson and CSR Ltd announced their intention to merge their interest in ACH with Queensland Cement Ltd, a wholly owned subsidiary of Holcim Ltd, with each of Hanson and CSR Ltd retaining a 25% interest in the merged entity.

Pioneer Road Services

Pioneer Road Services is a 50% joint venture with a subsidiary of the Shell group in asphalt production and laying, with 34 production sites based in Australia, Hong Kong, Shanghai and Papua New Guinea. Hanson has two representatives on the four member board of directors.

Metromix

Metromix is a 50% ready-mixed joint venture with CSR Ltd based in New South Wales, Australia, with eight production sites. Hanson has two representatives on the four member board of directors.

Seasonality

Seasonality is a significant factor affecting all of Hanson s operations. In Hanson s major markets in the United States, the United Kingdom and northern continental Europe, activity is very much concentrated during the period between March and November, while the winter in Australia and the rainy season and Chinese New Year in Asia Pacific cause a material slow-down in operations during these periods. Unusual weather patterns, in particular heavy and sustained rainfall, during peak construction periods can cause significant delays and have an adverse impact on Hanson s businesses.

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Sources and Availability of Raw Materials

Except as otherwise specifically identified above, Hanson generally owns or leases the real estate on which the raw materials, namely aggregates and clay reserves, essential to its main businesses are found, although in the case of the marine businesses of HBME and HBMA, it operates under licences from the relevant national and local authorities.

Hanson is also a significant purchaser of certain important materials such as cement, bitumen, gas, fuel and other energy supplies, the cost of which can fluctuate by material amounts and consequently have an adverse impact on Hanson s businesses. Hanson is not generally dependent on any one source for the supply of these products, other than in certain jurisdictions with regard to the supply of gas and electricity. Competitive markets generally exist in the jurisdiction in which Hanson operates for the supply of cement, bitumen and fuel. In fiscal 2002, percentage price changes in the cement market ranged from a decrease of 12.8% in Asia to an increase of 7.5% in Australia. Bitumen prices are affected by general oil price changes which in fiscal 2002 rose across Hanson s operations, ranging from 10% in Europe to 19.6% in Asia.

Sales and Marketing

Although sales and marketing activities are more important in connection with Hanson s brick business in both the United States and the United Kingdom, where branding of the product is a factor, in general the nature of the group s major products, i.e. rock, sand, gravel and concrete, and the cost of transportation mean that marketing and selling is conducted on a more localised basis, with an emphasis on service and delivery. Sales and marketing costs tend to be relatively low in relation to the overall delivered price of Hanson s products.

Governmental Regulation (including Environmental)

Many products produced by Hanson s operating units are subject to government regulation in various jurisdictions regarding their production and sale. Hanson believes that its operating units have taken, and continue to take, measures to comply with applicable laws and government regulations in the jurisdictions in which they operate so that the risk of sanctions does not represent a material threat to any of the operating units individually or to Hanson as a whole. Hanson also believes that compliance with these regulations does not substantially affect the ability of its subsidiaries to compete with similarly situated companies.

In addition to the regulatory framework described above, Hanson s operating units are subject to extensive regulation by national, state and local agencies concerning such matters as zoning, environmental and health and safety compliance. In addition, numerous governmental permits and approvals are required for Hanson s operations. Hanson believes that its operating units are currently operating in substantial compliance with, or under approved variances from, various national, state and local regulations. Hanson does not believe that such compliance will materially adversely affect its business or results of operations. In the past, Hanson s subsidiaries have made significant capital and maintenance expenditures to comply with zoning, water, air and solid and hazardous waste regulations and these subsidiaries may be required to do so in the future. From time to time, various agencies may serve cease and desist orders or notices of violation on an operating unit or deny its applications for certain licences or permits, in each case alleging that the practices of the operating unit are not consistent with the regulations or ordinances. In some cases, the relevant operating unit may seek to meet with the agency to determine mutually acceptable methods of modifying or eliminating the practice in question. Hanson believes that its operating units should be able to achieve compliance with the applicable regulations and ordinances in a manner which should not have a material adverse effect on its business, financial condition or results of operations.

Approximately 95 present and former US operating sites, or portions thereof, currently or previously owned and/or leased by current or former companies acquired by Hanson (responsibility for which remains with a member of the Hanson group) are the subject of claims, investigations, monitoring or remediation under the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the federal Resource Conservation and Recovery Act or comparable state statutes or agreements with third parties. These proceedings are in various stages ranging from initial inquiries to active settlement negotiations to implementation of response actions. In addition, a number of present and former Hanson operating units (responsibility for which remains with a member of the Hanson group) have been named as Potentially Responsible Parties (PRPs) at approximately 40 off-site landfills under CERCLA or comparable state statutes. In each of these matters the Hanson operating unit is working with the governmental agencies involved and other PRPs to address environmental claims in a responsible and appropriate manner. A substantial majority of these operating and landfill sites are covered by the environmental insurance policy referred to in Item 10C Material Contracts of this Annual Report.

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Hanson does not believe that any of the proceedings relating to operating sites and off-site landfills not covered by the environmental insurance policy will materially adversely affect its business, financial condition or results of operations. At December 31, 2002, Hanson had accrued £177.2 million for environmental obligations, including legal and other costs, at such sites as are not covered by the above-mentioned environmental insurance policy. Costs associated with environmental assessments and remediation efforts are accrued when determined to represent a probable loss and to be capable of being reasonably estimated. There can be no assurance that the ultimate resolution of these matters will not differ materially from Hanson s estimates.

Hanson cannot predict whether future developments in laws and regulations concerning environmental and health and safety protection will affect its earnings or cash flow in a materially adverse manner or whether its operating units will be successful in meeting future demands of regulatory agencies in a manner which will not materially adversely affect Hanson s business, financial condition or results of operations.

For other legal proceedings against Hanson, see Legal Proceedings in Item 8A Consolidated Statements and Other Financial Information of this Annual Report.

Patents and Trademarks

Hanson s operating units have various United States and foreign patents, registered trademarks, trade names and trade secrets and applications for, or licences in respect of, the same that relate to various businesses. Hanson believes that certain of these intellectual property rights are of material importance to the businesses to which they relate. Hanson believes that the material patents, trademarks, trade names and trade secrets of its operating subsidiaries and divisions are adequately protected and that the expiration of patents and patent licences will not have a material adverse effect upon Hanson s business, financial condition or results of operations.

Item 4C Organisational Structure

Hanson is the holding company of the Hanson group of companies. Its significant subsidiaries are set out below (each listed subsidiary being a wholly owned subsidiary of the Hanson group):

Company	Country of incorporation or residence	Field of activity
Hanson Quarry Products Europe Ltd	The Ridge Chipping Sodbury Bristol BS17 6AY UK	Supply of aggregates and other materials and services to the construction industry

Aylett Corporation	PO Box 280 Hirzel House Smith Street St. Peter Port, Guernsey Channel Islands GY1 4LS	Investment
Harshaw Incorporated	PO Box 280 Hirzel House Smith Street St. Peter Port, Guernsey Channel Islands GY1 4LS	Investment
Hanson Pipe and Products, Inc.	2900 Terminal Avenue Richmond, Virginia 23234 USA	Concrete pipe and products producer
Hanson Aggregates Southeast, Inc.	100 Crescent Centre Parkway Crescent Centre Suite 1240 Tucker, Georgia 30084 USA	Aggregates producer

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Item 4D Property, Plants and Equipment

As of December 31, 2002, Hanson s operating units owned 1,041 plants and other properties, of which 303 were located in the United Kingdom, 36 were located in continental Europe, 427 were located in North America, 267 were located in Australia and eight were located in Asia. The remaining properties of Hanson s operating units throughout the world, including other manufacturing facilities, warehouses, stores and offices, were leased. None of the individual properties is considered to have a value that is significant in relation to Hanson s assets as a whole. For a description of certain environmental issues that may affect Hanson s utilisation of its assets, see Governmental Regulation (including Environmental) under Item 4B Business Overview of this Annual Report.

Item 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Item 5A Operating Results

The following discussion is based on the Consolidated Financial Statements of Hanson included in this Annual Report. These financial statements are prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. Reconciliations to US GAAP are set forth in Note 26 of the Notes to Consolidated Financial Statements.

During the periods presented, the operations of Hanson were conducted principally in the United Kingdom and the United States, and to a lesser extent in other regions of the world. For purposes of the Consolidated Financial Statements, the results of Hanson s US and other overseas subsidiaries were translated at the average rates of exchange in respect of the profit and loss account and the year end rates in respect of the balance sheet (see Note 1 of the Notes to Consolidated Financial Statements). Consequently, Hanson s reported results were affected by fluctuations in the rates of exchange between the pound sterling and the other currencies in which it received revenues and incurred expenses, principally the US dollar. For purposes of the following discussion, percentage figures for increases and decreases of individual business units are calculated based on results in local currencies, principally the pound sterling and US dollar.

Operations are classified as heritage after the first 12 months of Hanson ownership.

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RESULTS OF OPERATIONS

Fiscal year to December 31, 2002 compared to the fiscal year to December 31, 2001

Consolidated Results

Turnover, including Hanson s share of joint ventures and associates turnover, totalled £4,000.5 million, a decrease of £178.9 million (4.3%) over fiscal 2001. Fiscal 2002 turnover included £46.8 million from discontinued operations, compared to £215.9 million in fiscal 2001. Turnover from joint ventures in fiscal 2002 was £268.3 million and from associates was £83.3 million. Turnover from joint ventures in fiscal 2001 was £271.8 million and from associates was £83.9 million. Turnover from continuing operations in fiscal 2002 was £3,548.3 million, a reduction of £90.2 million (2.5%) over fiscal 2001. Turnover from acquisitions increased fiscal 2002 turnover by £70.1 million. Operating profit, defined as pre-tax profit (including joint ventures and associates) before interest and non-operating exceptional items, totalled £345.7 million in fiscal 2002, an increase of £73.5 million (27.0%) over fiscal 2001. Acquisitions contributed £9.0 million to operating profit. Discontinued operations generated operating profit of £3.1 million in fiscal 2002, compared to £7.2 million in fiscal 2001. Operating profit from continuing operations was £333.6 million in fiscal 2002, an increase of £68.6 million (25.9%) over fiscal 2001. This increase arose largely as a result of a reduction in the amount of operating exceptional items, as explained in Note 4 of the Notes to Consolidated Financial Statements.

Non-operating exceptional items were a net profit of £11.0 million in fiscal 2002. In fiscal 2001, these were a net profit of £115.7 million. Fiscal 2002 profit included the following: provision for a loss on the sale of Hanson s Texas cement operations of £15.2 million; a loss on disposal of North American operations of £8.8 million; insurance receipts of £6.0 million; a net loss on disposal and termination of other operations totalling £10.4 million; the release of demerger provisions of £37.4 million; and a profit on disposal of fixed assets of £2.0 million.

Trading Operations

Trading profit from continuing operations (which excludes operating exceptional items, property and other income, central expenses and discontinued operations, items that are all included in operating profit) for fiscal 2002 reduced by £16.6 million (3.7%) from £453.2 million in fiscal 2001 to £436.6 million. The majority of the reduction was attributable to the HBMA division. Turnover from continuing operations, including joint ventures and associates, for fiscal 2002 was £3,953.7 million, £9.8 million (0.2%) below fiscal 2001.

HBMA

Trading profit for HBMA for fiscal 2002 decreased by £43.3 million (14.2%) from £305.4 million in fiscal 2001 to £262.1 million, after charging goodwill of £29.2 million in fiscal 2002 compared to £28.2 million in fiscal 2001. Turnover, including group share of joint ventures and associates, was £1,824.2 million, £120.6 million (6.2%) below fiscal 2001. The weakness of the US dollar relative to sterling accounted for a currency translation effect of £12.5 million in fiscal 2002. Heritage earnings decreased by £54.1 million, including the aforementioned exchange effect, as the softening market experienced in the second quarter of the year carried through to the second half. Pricing benefits were significant, but were offset by the effect of lower volumes on fixed operating costs. The depletion of the highly profitable Radum quarry in California also had a major impact on the trading result.

Acquisitions, which were principally in the Pipe and Products division, added £11.8 million in profit. Poor weather in November and December also impacted trading and aggregates volumes fell 11.5% over the year. Heritage pipe and products shipments and volumes for ready-mixed concrete were below 2001 by 5.7% and 4.6% respectively. Brick shipments were down 1.8%, although the roof tile business increased shipments by 1.3% compared to fiscal 2001.

Acquisitions

Acquisition activity increased compared to fiscal 2001, with £101.1 million spent on three acquisitions during the year.

A pipe plant in Oregon was acquired for £5.0 million on April 23, 2002.

Choctaw Inc, a manufacturer of concrete pipes and products based in the South Eastern United States, was acquired for £92.5 million on May 28, 2002.

An asphalt batch plant in New York was acquired for £3.6 million on August 21, 2002.

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Disposals

HBMA made three disposals in fiscal 2002.

April Aggregate Haulers, a haulage business based in Texas was sold for £3.3 million.

September an asphalt batch plant in New York was sold for £2.4 million.

December a ready-mixed concrete and aggregates operation located in Minnesota was sold for £4.0 million.

Market Environment

The downturn in the US economy and the subsequent fall in demand for heavy building materials began in late 2001. During fiscal 2002, aggregates volumes fell by 11.5% as the market suffered its first annual decline for 11 years. HBMA s mainstream markets remained challenging throughout the year, but were particularly difficult during November and December as the weather returned to more normal patterns in comparison to a very mild early winter in 2001. Despite these conditions, US heritage margins fell by only 1.2% to 16%.

Market conditions in the United States are likely to remain difficult in fiscal 2003, although continued margin focus should help to mitigate weakness in volumes and exchange rates. Infrastructure, which drives 40% of HBMA s business, has seen lower state spending during fiscal 2002 which is likely to continue into fiscal 2003. Fiscal 2003 is also the final year of the TEA-21 highway funding programme, although Hanson anticipates a slightly higher six year plan to be enacted in due course. Residential demand is likely to see a modest decline from the very high levels seen in recent years. Industrial and commercial construction is not expected to recover during fiscal 2003. Hanson was, however, encouraged to see some stability in the fourth quarter in fiscal 2002 in its important eastern US and California markets, but demand in Texas dipped late in fiscal 2002 across all products, and the indications are that this important market will remain challenging throughout 2003.

Aggregates

Trading profit before goodwill for the division was down 21% at £150.9 million, as volumes fell 11.5% to 133.8 million tons, but margins were supported by limiting spending early in the year in response to the anticipated fall in demand. Volumes dropped across all of HBMA s aggregates regions as conditions in the commercial market deteriorated and fiscal constraints on state infrastructure spending began to take effect. Against this background, prices came under pressure in the second half, although the headline figure for the year showed an increase of 3%. HBMA expected the depletion of its Radum quarry in California to present a formidable hurdle to overcome. Recognising that new land-based reserves are very difficult to secure, it has established water borne supplies through a combination of local dredging and importing from British Columbia in Canada. These operations should ensure that HBMA retains a firm presence in the important San Francisco Bay market and, over time, should help to compensate for the loss of Radum. Regionally, aggregate demand was varied. A slight increase in shipments in Southern California was experienced due to the strength of non-residential construction. However, all other regions of the country reported declining volumes, most notably in the South East, encompassing principally the Carolinas and Georgia, the South Central Region (mainly Texas) and the Mountain Region (Arizona). Underlying demand and weather, as well as the selected shutdown of marginally performing sites, all combined to lower shipments in these markets. The outlook for fiscal 2003 is uncertain with aggregates demand likely to decline marginally. Production costs will continue to be a focus and a challenge in the face of lower volumes.

Ready-mixed Concrete/Cement

Heritage ready-mixed concrete shipments were down 4.6%, but improved margins just offset the volume declines to result in an earnings increase. These declines ranged from 2% in San Diego and Arizona to 5 7% in the group s other main markets, including Texas. In cement, an agreement was established to market exclusively product from an importer in the San Francisco Bay area, which has allowed the division to overcome the decline from record market volumes. Overall shipments improved by 2.6% but prices fell, reflecting weaker demand as commercial development reduced considerably.

Recovery in fiscal 2003 will be difficult, particularly with the challenges facing the technology sector which had previously fuelled economic growth in the region.

Pipe and Products

Trading profit before goodwill fell in Pipe and Products by 2.6% to £100.8 million, including acquisitions, reflecting a decline in heritage volumes and the adverse effects of the exchange rate. Regionally, the performance was mixed, with generally stronger results in the division s principal markets in Texas and Arizona. The Eastern and South Eastern markets, in particular, suffered from lower demand and the mid-West was highly competitive.

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As a result, and with poor weather in the second half of the year, heritage volumes fell 5.7%, but prices increased 2.7%. Pressure pipe declined from a record year in fiscal 2001, due mainly to lower volumes and the delay of a major project in Dallas, but progress was made with prices across most of the regions. The acquisitions of Centennial in Canada in fiscal 2001 and Choctaw in the South Eastern United States in fiscal 2002 also made an important contribution, increasing overall volumes by 12.7%.

Overall, the division s order book remains relatively healthy and pressure pipe is expected to recover lost ground, aided by an expansion in production capacity, which will be operational from mid-2003.

Brick and Tile

Trading profit before goodwill from the Brick and Tile division improved by 1% to £39.6 million, benefiting from strong housing demand and leading to record margins. Despite a 1.8% decline in volume and the effect of reorganisation costs, brick unit margins increased slightly, reflecting higher prices. The decline in volumes was primarily due to the sale of a brick plant in Mississippi and production difficulties at some of the division s operations, which have now been overcome. Demand in Canada and Texas remained strong but conditions in the Carolinas were difficult.

Forecasts suggest that the housing market will slow in fiscal 2003 from the very high levels seen in 2002. However, Brick and Tile is expected to have another strong year as benefits from the recent reorganisation and significant capital investment are realised.

HBME

HBME s trading profit for fiscal 2002, before goodwill amortisation, increased by £13.5 million (9.6%) from £140.3 million to £153.8 million. Turnover, including joint ventures and associates, for fiscal 2002 was £1,451.8 million, an increase of £80.5 million (5.9%) over fiscal 2001.

This result was achieved in spite of flat or declining volumes in HBME s major UK market. Every division showed an improvement apart from marine dredging, which was impacted by higher than expected maintenance costs and adverse weather.

Acquisitions

During fiscal 2002, HBME made six acquisitions totalling £49.5 million.

April two quarries in the Czech Republic for £2.4 million.

June to November Small Lots (Mix-It) Limited, an aggregates bagging operation and the assets and liabilities of Marshalls Flooring, a concrete flooring company and of Red Bank Manufacturing Company, a soft mud brick business, all based in the United Kingdom, for an aggregate consideration of £28.1 million.

October two limestone quarries in Spain for £13.3 million.

November two sand and gravel quarries also in Spain for £5.7 million.

Disposals

On April 22, 2002, HBME s Continental European brick division was sold to Wienerberger AG for £39.3 million. The operating results of this division are included as discontinued operations in Hanson s results.

Market Environment

Demand declined from the middle of the year, reflecting general economic conditions and the impact of the UK Government s aggregates levy. The £1.60 a tonne levy, introduced in April 2002 on all construction aggregates, was recovered in full but had an impact on sales of some lower grade products.

Profit growth was also achieved in Spain and the newly-restructured UK building products division, which brought together the concrete products and brick businesses.

With the United Kingdom accounting for almost 90% of the profit before goodwill of HBME in fiscal 2002, the outlook for 2003 is heavily dependent on the UK Government s programmes for hospitals, schools and infrastructure. There are indications that some of this work will begin to filter through in 2003, supported by projects such as the new Terminal 5 at London Heathrow airport and the potential for increased spending on water and sewerage systems following substantial declines in recent years.

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European Aggregates

UK Aggregates

Trading profit in the UK aggregates business before goodwill increased by 5.1% to £84.7 million for fiscal 2002.

A major reorganisation of the UK aggregates business was also completed in fiscal 2002. This has been a significant development for the business with the establishment of a national administration centre serving seven geographical areas. Reorganisation costs were incurred in fiscal 2002 and the benefits, in particular, improved customer service, are expected to be realised in fiscal 2003.

Aggregates volumes remain a key driver to the division s underlying results. The good start to the year was followed by an unexpected slowdown influenced, to some extent, by the introduction of the aggregates levy in April. This, along with a combination of poor weather in November and December and a lack of major contract work, led to overall volumes dropping by 5.6% compared to fiscal 2001.

An improvement in asphalt sales of 3.3% was offset by falls in sales of sand and gravel, dry stone and Premix concrete. Dry stone volumes fell by 8.6% primarily as a result of customers turning from low-grade quarried stone to cheaper recycled or secondary products that do not attract the aggregates levy.

Demand held up in the Midlands and the North underpinned by rising asphalt sales, but was weaker in the division s traditionally strong markets in the South East and South West.

Despite these falling volumes, the division made further progress to move heritage margins, before reorganisation costs, ahead by 0.4% during fiscal 2002 to 11.4%. Price increases of 4.4% for aggregates and 6.0% for ready-mixed concrete were achieved, resulting in a direct profit increase as improved cost performance enabled the group to absorb the effects of inflation. The aggregates levy was also recovered in full.

Among the major projects supplied during the year was the Channel Tunnel Rail Link, the new high speed railway line between Folkestone and London, which continued to absorb large volumes of aggregates and ready-mixed concrete. Supplies exceeded one million tonnes during the year, with a further 600,000 tonnes on the order books for fiscal 2003.

Marine Aggregates

Marine aggregates had a difficult year, with bad weather restricting dredging operations and causing trading profit before goodwill to reduce 1.9% to £14.6 million compared to fiscal 2001. A total of 103 days were lost to weather the worst for many years.

Despite these adverse conditions, operating margins increased by 2.7% to 24.5% across the division as satisfactory price increases of 8.4% more than offset the increases in costs.

As noted within the land-based aggregates operations in the South of England, demand was strong in the early part of the year and declined in the second half. Trading in Continental Europe was better, particularly in Belgium and Holland, and the joint-venture business, United Marine Holdings Limited, made an improved contribution.

Continental European Aggregates

Spain had another good year with profit up £0.4 million at £14.9 million. Demand remained buoyant in all major markets, particularly Barcelona and Madrid. The aggregates business was expanded with the acquisition of two adjoining limestone quarries near Madrid and two neighbouring sand and gravel operations near Valladolid.

The division s other continental European operations increased trading profit before goodwill by £3.8 million. Israel continued to make steady progress in a difficult economic and political environment, while there was an improvement in Germany resulting from the ongoing disposal of a number of loss-making ready-mixed concrete operations. The Czech Republic benefited from heritage gains and the acquisition of two quarries in May.

UK Building Products

This new division was formed in August 2002 by combining the UK bricks and concrete products businesses, to create a fully-integrated building products operation. With a new and refocused management team, the division made a strong start, increasing trading profit before goodwill amortisation by 17.5% to £36.9 million and improving heritage margins by 0.9%. The division expects to see further improvements during fiscal 2003.

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UK Bricks

The bricks business, which accounts for 80% of the division s profit, produced a very good performance, increasing profit and heritage margins on volumes that were only marginally ahead. Reduced overheads and increased prices underpinned the result, along with an improvement in production at a number of sites. Demand remained robust in the repair, maintenance and improvement sector, the principal outlet for the division s leading London brand bricks.

The acquisition of a soft mud brick factory in the Midlands in October provided a valuable addition to the division s product portfolio. Soft mud bricks are made by throwing clay into a mould, simulating the appearance of traditional hand-made bricks. They are increasingly popular with house builders and represent around a third of total UK brick sales.

Concrete Products

The concrete products business recovered from a very difficult fiscal 2001 to see trading profit before goodwill more than doubled at £7.1 million. A strong performance from the flooring and precast business, coupled with improvements in concrete blocks and drainage products, were the highlights.

The acquisition of Small Lots (Mix-It) Limited and its successful integration gives the division a significant presence in the bagged aggregates business in the United Kingdom with improved national coverage. Also the division s position in the hollow-core flooring market was strengthened by the acquisition in December of Marshalls Flooring. Further strategic acquisitions are planned for 2003.

Hanson Australia

Hanson Australia enjoyed a highly successful year, underpinned by an increase in demand for all products. The trading profit of the Australian operations for fiscal 2002 increased by £20.4 million to £34.9 million, before £10.2 million of goodwill amortisation, compared with trading profit of £14.5 million in respect of fiscal 2001, before £9.9 million of goodwill amortisation. Turnover, including joint ventures and associates, for fiscal 2002 was £442.3 million or £62.6 million more than for fiscal 2001.

Market Environment

The rise in demand for all products during the year was reflected in a notable increase in average selling prices of 7.2% in aggregates and 7% in ready-mixed concrete. Whilst average prices rose approximately 7% in the year, prices rose by over 15% in the nine months to December 31, 2002 following the initial price increase on April 1.

The prime driver for the improvement in performance was the strength of the Sydney metropolitan market, triggered by growing infrastructure, residential and commercial work.

Review of Operations

In addition to the strength of the Sydney metropolitan market, a strong second half was recorded by the Western region, where volumes were also ahead. In the Southern region, aggregates and ready-mixed concrete volumes moved forward in Melbourne and sales strengthened in most country markets as infrastructure spending increased in these areas.

The building products division had a record year with a particularly notable December.

Australian Cement Holdings Pty Ltd, the cement joint-venture with CSR Ltd, achieved increases in both prices and volumes. The planned merger of this business, announced in November 2002 and recently approved by the Australian competition authorities is expected to improve returns further through both administrative and operational synergies, although these are not expected to emerge fully until fiscal 2004.

Management believe that demand for the division s products will remain strong throughout 2003, supported by infrastructure projects in New South Wales and Victoria and resource-related projects in Western Australia and Queensland. The substantial Sydney market is believed to look positive, with large volumes from the cross-city tunnel and Western orbital highway expected towards the end of the year.

Hanson Pacific

Hanson Pacific had a difficult year, with its major markets, particularly Hong Kong, suffering from both volume and price reductions. This manifested itself in a £5.7 million fall in trading profit before goodwill amortisation during fiscal 2002.

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Hanson Pacific s trading profit for fiscal 2002 was £15.7 million before charging goodwill amortisation of £11.3 million. This compared with a trading profit of £21.4 million before goodwill amortisation of £10.6 million in fiscal 2001. Turnover reduced to £235.4 million in fiscal 2002 from £267.7 million in fiscal 2001.

Market Environment

The downturn in construction activity in Hong Kong, the division s largest operation, was the principal reason behind its performance. Other key markets of Malaysia and Singapore remained at the depressed levels experienced in fiscal 2001. The one notable exception to this trend was in Thailand, where a good year-on-year improvement was driven by a strong performance from the ready-mixed concrete operations.

Review of Operations

In August the division acquired the remaining 50% of its Sunway ready-mixed concrete joint-venture, to give it one of the leading positions in aggregates, asphalt and ready-mixed concrete in Malaysia. These businesses have now been reorganised into a single unit.

Output in Malaysia was hit in August when the construction industry was brought to a near stand-still as the Government removed all non-approved foreign workers. Many of them have subsequently been readmitted, but the subsequent recovery in demand came too late to make up lost volumes. Despite this, there was significant profit improvement in the newly-combined operations, and further growth is targeted for 2003.

Overall the division is expected to face another tough year in fiscal 2003. Malaysia is believed to be the most positive prospect with encouraging signs of volume growth, albeit from a low base, complemented by the benefits coming from the restructured business.

Thailand s performance is expected to remain steady, but the position in Hong Kong and Singapore is not as encouraging. The medium term prospects for both countries remain positive, but in the current climate any improvements are likely to come from operational enhancements and cost reductions.

Discontinued Operations

Discontinued operations reported a trading profit of £3.1 million in fiscal 2002 compared to a £7.2 million profit in fiscal 2001. Turnover from these operations was £46.8 million, £169.1 million (78.3%) lower than for fiscal 2001.

The discontinued operations in fiscal 2002 included the group s 50% interest in North Texas Cement Company which was sold in January 2003, the Continental European brick operations sold in April 2002 and Aggregate Haulers also sold in April 2002.

Joint Ventures and Associates

The contribution from joint ventures and associates was £44.3 million in fiscal 2002, an increase of £3.5 million trading profit over the £40.8 million reported in fiscal 2001. Turnover was £351.6 million in fiscal 2002 compared to £355.7 million in fiscal 2001. A detailed analysis of profits from joint ventures and associated companies is given in Notes 1 and 10 of the Notes to Consolidated Financial Statements.

Property and Other Income

Profit from property and other income was £11.6 million in fiscal 2002 compared to £20.6 million in fiscal 2001.

Central Expenses

Central expenses were £18.0 million in fiscal 2002, an increase of £0.5 million over fiscal 2001. As a percentage of trading profit, central expenses increased from 3.8% in fiscal 2001 to 4.1% in fiscal 2002, due to the inclusion of restructuring costs incurred during fiscal 2002.

Exceptional Items

Total exceptional items after tax were a net charge of £71.4 million in fiscal 2002 compared to a net credit of £33.7 million in fiscal 2001. Operating profit included integration and reorganisation costs of £0.6 million associated with the reorganisation of the US Brick and Tile division. A further £61.9 million related to the recognition of impairment in the value of Hanson Pacific s operations. Other impairments totalled £25.1 million and relate to impairment provisions against the carrying values of various operations within HBMA and HBME. Included in pre-tax exceptional items were the following: a provision for loss on the disposal of the 50% interest in North Texas Cement Company of £15.2 million; a loss of £8.8 million on the disposal of North American operations; insurance receipts relating to terminated operations of £6.0 million; losses on other disposals and terminations of £10.4 million; the release of demerger provisions of £37.4 million; and a profit of £2.0 million on the sale of fixed assets and investments.

The exceptional tax credits totalled £5.2 million and consisted of: receipts for group relief of £15.0 million; receipts in respect of environmental tax credits of £13.4 million; £5.6 million of tax credits relating to other environmental spend; a deferred tax charge of £20.8 million in respect of tax payable on the disposal of the 50% interest in North Texas Cement Company; a deferred tax charge in respect of environmental spend of £5.9 million; and a deferred tax charge on insurance settlements and other items of £2.1 million.

Interest and Similar Charges

The net interest payable in fiscal 2002 was £83.0 million compared to £112.5 million in fiscal 2001. This included £4.5 million in fiscal 2002 relating to the unwinding of the FRS 12 discount, a reduction of £1.5 million against fiscal 2001.

The reduction in the remainder of the interest charge reflects a lower average level of debt during the year and reduced levels of interest rates. Net debt at December 31, 2002 was £1,169.9 million compared to £1,429.7 million at the start of fiscal 2002.

Taxation

The tax rate on pre-exceptional profit was 26.1% in fiscal 2002 (30.2% in fiscal 2001). On a pre-goodwill, pre-exceptional basis, this equates to 22.2% (25.8% in fiscal 2001). Two per cent of the reduction in the rate reflects the recognition of Australian tax losses as a deferred tax asset, with the balance due to a lower proportion of US earnings which attract a relatively high tax rate.

Fiscal year to December 31, 2001 compared to the fiscal year to December 31, 2000

Consolidated Results

Turnover, including Hanson s share of joint ventures and associates turnover, totalled £4,179.4 million, an increase of £762.4 million (22.3%) over fiscal 2000. Fiscal 2001 turnover included £215.9 million from discontinued operations compared to £333.5 million in fiscal 2000. Turnover from joint ventures and associates in fiscal 2001 was £271.8 million and £83.9 million, respectively. Turnover from joint ventures and associates in fiscal 2000 was £173.8 million and £107.1 million, respectively. Turnover from continuing operations in fiscal 2001 was £3,615.4 million, an increase of £783.6 million (27.7%) over fiscal 2000. Turnover from acquisitions increased fiscal 2001 turnover by a further £23.1 million. Operating profit, defined as pre-tax profit (including joint ventures and associates) before interest and non-operating exceptional items, totalled £272.2 million in fiscal 2001, a decrease of £122.4 million (31.0%) over fiscal 2000. Acquisitions contributed £0.4 million to operating profit. Discontinued operations generated operating profits of £7.2 million in fiscal 2001 compared to £24.7 million in fiscal 2000. Operating profit from continuing operations was £264.6 million in fiscal 2001, a reduction of £105.3 million (28.5%) over fiscal 2000. This reduction arose as a result of a number of operating exceptional items as explained in Note 4 of the Notes to Consolidated Financial Statements.

Non-operating exceptional items were a net profit of £115.7 million in fiscal 2001. In fiscal 2000 they were a net profit of £11.3 million. Fiscal 2001 profit comprised the following: profit on the sale of Hanson s waste management division of £125.2 million; a loss on disposal and termination of other operations totalling £26.7 million; receipt of an insurance settlement relating to environmental provisions of £5.6 million; release of demerger provisions and other creditors of £12.1 million; and a loss on disposal of fixed assets of £0.5 million.

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Trading Operations

Trading profit from continuing operations (which excludes property and other income, central expenses and discontinued operations, items that are all included in operating profit) for fiscal 2001 increased by £51.6 million (12.8%) from £401.6 million in fiscal 2000 to £453.2 million. The majority of the increase was attributable to the HBMA division. Turnover from continuing operations, including joint ventures and associates, for fiscal 2001 was reported at £3,963.5 million, £880.0 million (28.5%) ahead of fiscal 2000.

HBMA

Trading profit for HBMA for fiscal 2001 increased by £48.0 million (18.6%) from £257.4 million (fiscal 2000 restated figure) to £305.4 million after charging goodwill of £28.2 million in fiscal 2001 (arising as a result of the acquisition of Pioneer being included for a full fiscal year) compared to £22.2 million in fiscal 2000. Turnover, including group share of joint ventures and associates, was £1,944.8 million, £457.4 million (30.8%) ahead of fiscal 2000. This increase is to a large extent the result of turnover from the Pioneer acquisition made on April 26, 2000, being included for the first full year. The strength of the US dollar relative to sterling also gave a favourable currency translation effect of £14.1 million in fiscal 2001. Heritage earnings increased by £47.4 million, excluding the aforementioned exchange effect, buoyed by strong volume increases in aggregates, ready-mixed concrete and concrete products of 14.3%, 41.4% and 11.9%, respectively. Trading margin before goodwill amortisation fell by 1.3 percentage points to 17.2% in fiscal 2001, partly as a result of the change in product mix resulting from the inclusion of a full year of Pioneer and partly due to higher costs in some areas, such as in cement, which was adversely affected by the power crisis in California during the year.

Acquisitions

Acquisition activity was significantly reduced compared to fiscal 2000, with £58.4 million spent on two acquisitions in December.

Centennial Pipe and Products, Inc., a manufacturer of concrete pipes and manholes based in Ontario, Canada, for £41.1 million.

Piedras y Arenas Baja S. de R.L. de C.V., a joint venture investment in a producer and distributor of sand and gravel based in Ensenada, Mexico, was acquired for £17.3 million.

Disposals

HBMA made two disposals in fiscal 2001.

May aggregates and ready-mixed concrete operations located in Utah were sold for £17.3 million.

September aggregates and ready-mixed concrete operations located in Las Vegas were sold for £13.6 million.

Market Environment

Some regional variations in demand were experienced during the year. Aggregates and ready-mixed concrete demand levels in Texas (Dallas/Fort Worth and Houston) and in San Diego remained strong. This was offset by weakening demand in California. Trading conditions in the Canadian brick operations were sound, while demand for concrete pipe and products was flat overall. Market activity in general was assisted by the continuing flow of funds released through TEA-21 and in the second half of the year by favourable weather compared to the very wet autumn and early winter experienced in fiscal 2000. Demand in the industrial and commercial sector had started to slow in some areas as office vacancy and unemployment rates rose and some weakening in housing demand was also being seen.

Aggregates

Total aggregates volume increased by 14.3% to 151.2 million tons and underlying volumes in HBMA s heritage operations increased by 0.8%. The principal areas of strong demand occurred in Texas, New York and Pennsylvania. Weaker markets were experienced in California, South Carolina and Georgia.

Aggregates selling price increases of 2.7% overall were achieved in fiscal 2001, which, combined with cost savings in heritage operations, resulted in a heritage margin percentage improvement of 0.6%.

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Ready-mixed Concrete

HBMA s major ready-mixed concrete operations are located in Texas, Southern California, and New York. Demand patterns in these markets were mixed. In Texas, demand remained relatively high for the whole year, boosted by the favourable weather in the last quarter of fiscal 2001. In Southern California and New York, some market softening was experienced in the second half and this in turn started to affect adversely pricing patterns for new work.

The strength of demand in Texas, however, outweighed other factors and including the effect of acquisitions, total ready-mixed concrete volumes increased by 41.4% in fiscal 2001, with selling prices up by 6.0%.

Cement

Approximately two thirds of HBMA s cement shipments were made in northern California and the remainder were made in Texas through the North Texas Cement Company joint venture. Demand in northern California softened in fiscal 2001 and, as a consequence, cement volume declined by 2.9% in this market. Costs were adversely affected by the power crisis. In Texas, the demand pattern was good, as construction activity remained strong. Cement imports contributed to downward pressure on pricing in both of these markets. As a result of these differing patterns, volumes for heritage cement operations rose by 0.4% and prices fell by 1.6%.

Pipe and Products

Profitability in Pipe and Products improved again. Further gains in heritage operations, combined with a contribution of £5.7 million from acquisitions, yielded record trading profit before goodwill of £103.5 million in this division.

Overall demand levels were in line with expectations, with regional strength in Texas, particularly for pressure pipe, and Ontario offsetting some weakness in Florida and Minnesota. Pipe and Products continued to be HBMA s leading divisional performer in terms of trading profit and operating margins.

Bricks

Brick prices increased by 4.0% in fiscal 2001. However, volumes declined by 3.9% due principally to reductions in residential demand in North Carolina. The other major markets for bricks are Texas and Ontario, and both of these held up well, in particular Ontario where demand outstripped supply for most of fiscal 2001. The previously announced reorganisation of these operations commenced during fiscal 2001, with benefits accruing during the course of fiscal 2002 and expected to continue into fiscal 2003.

HBME

European Aggregates

European Aggregates trading profit for fiscal 2001 after goodwill amortisation increased by £17.3 million (20.5%) from £84.2 million to £101.5 million. Turnover, including joint ventures and associates, for fiscal 2001 was £1,128.1 million, an increase of £227.6 million (25.3%) over fiscal 2000.

At the heart of this improvement was a 16.5% increase in the heritage UK aggregates business. This, together with excellent results from Spain and cost improvements in Israel, offset declines in Germany and concrete products. Underlying the improvement were Pioneer and Tarmac synergies in the United Kingdom.

Acquisitions

During fiscal 2001, European Aggregates made two acquisitions totalling £11.9 million.

April the John Mould aggregates recycling business, based in the United Kingdom, for £6.7 million.

September the Gabezo Gordo quarrying assets in Murcia, Spain for £5.2 million.

Disposals

In January 2001, HBME s waste management division was sold to Waste Recycling Group PLC for £185.0 million, in line with the strategy of focusing exclusively on heavy building materials. The operating results of this division are included as discontinued operations in Hanson s results.

Market Environment

The United Kingdom accounted for 88% of the profit before goodwill of European Aggregates in fiscal 2001. Demand for sand and gravel and asphalt improved during fiscal 2001, and was particularly strong in the southeast. Government infrastructure spend, important for aggregates, increased and included large projects such as the Channel Tunnel Rail Link, the A2/M2 and the M27 motorways and the Birmingham Northern Relief Road. In addition, commercial demand was strong and included projects such as Canary Wharf in London.

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UK housing, an important end use for bricks and ready-mixed concrete, remained subdued in fiscal 2001, although demand picked up in the final quarter aided by favourable weather. Demand for concrete pipes fell significantly in the year, largely due to the cyclical nature of spending on water utilities, and demand for concrete blocks remained flat in a competitive market.

Volumes in Spain continued to be strong in fiscal 2001, supported by government infrastructure spend such as the high-speed rail link between Madrid and Barcelona. Construction in Spain has also benefited from a high level of European Economic Union funding during the year. In contrast, the construction market in Germany remained in recession, partly as a result of low levels of government infrastructure spend. The housing market in Germany also slipped from a relatively robust condition in the middle of fiscal 2000 and was depressed throughout fiscal 2001. Demand in Israel remained low due to the current political and economic situation there.

UK Aggregates

Earnings in the UK aggregates business increased by 22.9% to £82.0 million for fiscal 2001, and by 16.5% to £77.9 million, excluding acquisition earnings. Heritage margins improved by 0.9% for fiscal 2001. This was a strong result, with improved volumes and price increases more than offsetting additional costs.

The strong demand experienced in the second quarter of fiscal 2001 continued throughout the second half of the year in the United Kingdom. This contrasted with the second half of fiscal 2000 when poor weather adversely affected demand. As a result, volumes for fiscal 2001 showed a significant increase against fiscal 2000. Excluding acquisitions, aggregates volumes increased by 5.9%, asphalt 1.8% and ready-mixed concrete by 4.4% compared to fiscal 2000.

Price increases ahead of inflation were achieved on all product groups. Year on year, average selling prices for aggregates increased by 5.5%, asphalt by 7.2% and ready-mixed concrete by 5.8%. These price increases were necessary to recover higher input costs, and also to reflect the increasingly high cost of replacing aggregates reserves.

Costs again came under significant pressure during fiscal 2001. Gains were made from increased buying power for raw materials, such as cement and bitumen, following the Pioneer acquisition. In addition, new truck utilisation systems were introduced. Other cost reduction initiatives included setting up a new, consolidated management structure, and a single administration and information technology centre. The new arrangements were was also intended to improve national co-ordination and support area teams to provide local customer focus.

Marine Aggregates

Marine aggregates earnings improved by 10.1% to £14.2 million, partly due to the inclusion of a full year of the United Marine Holdings joint venture with Tarmac, acquired with Pioneer. The marine operations benefited from increased volumes in the United Kingdom, which were offset, however, by lower volumes in continental Europe. Selling price increases averaged 10.0%. Vessel downtime was also reduced in the year following a switch to a revised maintenance programme.

Continental European Aggregates

Earnings in the continental European aggregates, asphalt and ready-mixed concrete operations were £13.6 million compared to £8.2 million in fiscal 2000. Excluding acquisition earnings, this increase was a 32.9% improvement to £10.9 million, driven principally by continued growth in demand in Spain and significant cost improvements in Israel.

Spain remained the most profitable operation in continental Europe, benefiting from strong local market positions in aggregates and ready-mixed concrete. Good volume and price increases were achieved in some markets, reflecting the strong construction demand and increasingly scarce resources in Madrid and Barcelona. During fiscal 2001, the under-performing southern Spanish ready-mixed concrete operations were sold and two aggregates operations were acquired to improve the product balance in the country.

Israel s results improved significantly compared to fiscal 2000, largely due to cost reductions. Volumes were generally flat and a small increase in aggregates prices was offset by reduced ready-mixed concrete prices in continued difficult trading conditions.

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Results in Germany continued to be poor, and further declines in both aggregates and ready-mixed concrete volume were experienced. Prices in aggregates and ready-mixed concrete also remained depressed. Significant progress was made in reducing costs through reorganisation and plant rationalisation, with the sale of the ready-mixed concrete plant in Hamburg and several other closures and disposals. Elsewhere in Europe, ready-mixed concrete operations in the Netherlands performed strongly, offsetting a decline in Belgian earnings. The small aggregates operations in the Czech Republic again delivered a positive result.

UK Building Products

UK Bricks

Sales volumes increased by 1.0% in fiscal 2001 compared to fiscal 2000. This increase primarily resulted from increased demand in the last quarter and strong demand throughout the year for the London brand products in the repair, maintenance and improvement sector. Sales of these products increased by 2.0% in fiscal 2001, although this was partially offset by a decline in sales of other products due to a slow housebuilding market. Price increases of 4.2% were achieved overall, principally based on London brand bricks.

Total revenue increased by 5.9%. However, production yield problems and a £1.1 million increase in energy costs, mainly in the first half of fiscal 2001, meant that profit declined overall.

Concrete Products

Fiscal 2001 was a very difficult year for this division, with earnings falling from £7.0 million in fiscal 2000 to £3.1 million. Demand for concrete pipes fell approximately 12.0% compared to fiscal 2000 as a consequence of reduced investment by water utilities and concrete block volumes were also down 3.0%. Selling price declines resulted in negative margins in some areas, with increased input costs from cement and aggregates not being recovered. Plant rationalisation and cost saving capital expenditure was instituted during fiscal 2001, but, fundamentally, selling prices remained unsustainably low. In contrast, both the precast concrete structures business and aggregates bagging business showed good year on year improvement.

Hanson Australia

The trading profit of the Australian operations for fiscal 2001 was £4.6 million, after £9.9 million of goodwill amortisation, compared with a £16.5 million trading profit in respect of fiscal 2000, after £7.1 million of goodwill amortisation. Turnover, including joint ventures and associates, for fiscal 2001 was £379.7 million, or £93.4 million more than for fiscal 2000.

Market Environment

Construction demand fell significantly from the middle of fiscal 2000 following the boom associated with the Sydney Olympics and the acceleration of housing build in advance of the Goods and Services Tax introduction in July 2000.

The first quarter of fiscal 2001 was particularly poor for demand in Australia, with a 20.0% fall in ready-mixed concrete volumes compared to the first quarter of fiscal 2000. Demand gradually improved during the year, and both aggregates and ready-mixed concrete volumes in the last eight months of fiscal 2001 were above the corresponding period in fiscal 2000.

Review of Operations

Hanson s operations in Australia are highly integrated, with over half of the aggregates being sold internally for use in the ready-mixed concrete business. In fiscal 2001, Hanson also had a significant investment in Australian Cement Holdings Pty Ltd, a joint venture with CSR Ltd, which supplies a significant proportion of its cement production to its two shareholders.

In such an integrated business, the selling price of ready-mixed concrete is critical to earnings. During fiscal 2001, the rapid decline in volume led to intense price competition. This resulted in a 4.2% average price fall, which was distorted by product mix, meaning that the underlying decrease in margin was more than 10.0%. Aggregates prices on average held at similar levels to fiscal 2000, and the 3.0% decrease was due to change in product and geographic mix.

During fiscal 2001, sophisticated new end-to-end systems were introduced across the aggregates and ready-mixed concrete business nationwide. Implementation is now complete, but the cost and disruption was estimated to have reduced fiscal 2001 earnings by around £5.0 million. A legal provision of £3.5 million was also made in the year.

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Cement volumes in ACH were maintained by supplying to external customers, and heritage volumes were similar to fiscal 2000. This allowed ACH to operate at near capacity for much of fiscal 2001, which, combined with cost saving initiatives at both production sites, helped prevent earnings falling below those of fiscal 2000.

During fiscal 2001, Hanson Australia s roof tile operations were sold to Bristile. The building products division now consists of the masonry business in Queensland and, although small, has a strong local market position. Earnings for these operations in fiscal 2001 were similar to fiscal 2000.

Hanson Pacific

Hanson Pacific s trading profit for fiscal 2001 was £10.8 million after charging goodwill amortisation of £10.6 million. This compares with a trading profit of £8.7 million after goodwill amortisation of £7.4 million in fiscal 2000. Turnover increased to £267.7 million in fiscal 2001 from £191.5 million in fiscal 2000.

Significant improvement has been achieved in trading profit due to the focus on cost control and further consolidation and rationalisation of the existing operations in the region. These improvements were realised against a background of generally declining demand.

Hanson Pacific has leading market positions in Malaysia, Hong Kong and Singapore, which accounted for more than 85% of the trading profit in the region.

Market Environment

Demand in Hanson Pacific s three major markets was generally below expectations in the second half of fiscal 2001. Both Hong Kong and Singapore recorded negative gross domestic product growth in fiscal 2001 together with reduced government expenditure. Demand in Malaysia was flat. Overall for the region, additional sales of large-sized stone in Hong Kong kept heritage aggregates volumes similar to fiscal 2000.

Review of Operations

Hong Kong

Despite a 20.0% decline in ready-mixed concrete market volumes, earnings remained strong for fiscal 2001. This was due partly to selling prices secured prior to the volume decline and partly to cost reduction measures. The additional large sized stone sales in fiscal 2001 were at a lower average selling price than for fiscal 2000 and accounted for most of the 6.8% price decrease in the region.

Malaysia

The acquisition of the remaining 50% of the aggregates and asphalt joint-venture operations in April 2001 from the Sunway Holdings group allowed Hanson Pacific to integrate fully this business with its own aggregates operations and improve significantly the cost base by rationalising operations and reducing headcount. Overall, cost reductions in a flat market led to an improvement in trading profit in fiscal 2001.

Singapore

Trading profit in Singapore fell slightly compared to fiscal 2000. Ready-mixed concrete volumes fell by over 40% during the year compared to fiscal 2000, and prices remained at unsustainably low levels. The asphalt market was much stronger in comparison, albeit slightly below fiscal 2000 volumes. Costs were further reduced by the creation of a single shared customer service centre for all of the Singapore operations.

Other countries

Earnings from each of the operations in Thailand, China, Indonesia, India and Philippines improved compared to fiscal 2000.

Discontinued Operations

Discontinued operations reported a trading profit of £7.2 million in fiscal 2001 compared to a £24.7 million in fiscal 2000. Turnover from these operations was £215.9 million, £117.6 million (35.3%) lower than for fiscal 2000.

The discontinued operations included the UK waste management operation, which was sold in January 2001, the quarrying and ready-mixed concrete operations in Utah and Las Vegas, sold in May and September 2001, respectively, the Hamburg ready-mixed concrete operation sold in October 2001, Pioneer s Australian roof tiles business sold in November 2001, the Continental European brick operations sold in April 2002, Aggregate Haulers sold in April 2002 and the 50% interest in North Texas Cement Company, the sale of which completed on January 3, 2003.

Joint Ventures and Associates

The contribution from joint ventures and associates was £40.8 million in fiscal 2001, an increase of £6.9 million from the £33.9 million reported in fiscal 2000. Turnover was £355.7 million in fiscal 2001 compared to £280.9 million in fiscal 2000. A detailed analysis of profits from joint ventures and associated companies is given in Notes 1 and 10 of the Notes to Consolidated Financial Statements.

Property and Other Income

Profit from property and other income was £20.6 million in fiscal 2001 compared to £9.1 million in fiscal 2000. Property profit amounted to £14.2 million. Other income of £6.4 million mainly came from the release of insurance reserves relating to the previous disposal of an offshore captive insurance company.

Central Expenses

Central expenses were £17.5 million in fiscal 2001, a decrease of £0.6 million over fiscal 2000. As a percentage of continuing trading profit, central expenses reduced from 4.5% in fiscal 2000 to 3.9% in fiscal 2001.

Exceptional Items

Total exceptional items after tax were a net credit of £33.7 million in fiscal 2001 compared to £18.1 million in fiscal 2000. Operating profit included integration and reorganisation costs of £24.3 million associated with the Pioneer acquisition. A further £163.4 million related to the recognition of impairment in the value of Hanson s Continental European brick assets and the write back of goodwill previously written off to reserves. Other impairments totalled £3.6 million. Included in pre-tax exceptional items were the following: a gain of £125.2 million in respect of the disposal of Hanson s UK waste management operations; losses of £26.7 million on the disposal and termination of other operations; environmental settlement proceeds of £5.6 million; and the release of demerger provisions of £12.1 million.

The exceptional tax credits totalled £109.3 million and consisted largely of £100.0 million released from tax provisions, which were no longer considered necessary following a review of outstanding tax issues.

Interest and Similar Charges

The net interest payable in fiscal 2001 was £112.5 million compared to £98.7 million in fiscal 2000. This included £6.0 million in fiscal 2001 relating to the unwinding of the FRS 12 discount, a reduction of £0.8 million against fiscal 2000.

The increase in the remainder of the interest charge reflects a higher average level of debt after the acquisition of Pioneer with a higher proportion of fixed as opposed to floating rate debt. Net debt at December 31, 2001 was £1,429.7 million compared to £1,819.2 million at the start of fiscal 2001.

Taxation

The tax rate on pre-exceptional profit was 30.2% in fiscal 2001 (31.5% in fiscal 2000). On a pre-goodwill, pre-exceptional basis, this equates to 25.8% (27.8% in fiscal 2000), which was slightly higher than the mid-year rate because of the stronger than anticipated performance of HBMA in the fourth quarter. The adoption of the new UK accounting standard on deferred tax during the second half of fiscal 2001 did not have a material impact on Hanson s initial expectations for the fiscal 2001 tax rate, although the pre-exceptional tax charge for fiscal 2000 had to be restated and increased by £9.8 million.

Critical accounting policies

The Company s significant accounting policies are discussed in the Notes to Consolidated Financial Statements. The Company s critical accounting policies are subject to management estimates and judgments which affect the application of such policies, and the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company s critical accounting policies include:

Asbestos

The Company estimates that the gross liability for the cost of resolving current and probable future asbestos claims against its US subsidiaries until 2010 will be approximately $235 million, including defence costs, but before tax benefit and not discounted to present value. At December 31, 2002, net provisions totalling $123 million were in place to cover these estimated costs, after taking into account expected insurance recoveries of approximately $112 million. In establishing the provisions, assumptions have been made as to the number, disease mix and location of future claims, trends in dismissal rates, settlement and defence costs, resolution of all existing claims and time scale of resolution of new claims five years after receipt and the continued solvency of co-defendants. In light of the significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims until 2010 will be an accurate prediction of the actual costs that may be incurred and as a result the provisions will be subject to potential revision from time to time as additional information becomes available and developments occur.

Factors which could cause actual results to differ from such estimates and expectations include: (i) adverse trends in the ultimate number of asbestos claims filed against the Company s US subsidiaries; (ii) increases in the cost of resolving current and future asbestos claims as a result of adverse trends relating to settlement costs, dismissal rates, legal fees and/or judgment sizes; (iii) decreases in the amount of insurance available to cover asbestos claims as a result of adverse changes in the interpretation of insurance policies or the insolvency of insurers; (iv) the emergence of new trends or legal theories that enlarge the scope of potential claimants; (v) the impact of bankruptcies of other companies whose share of liability may be imposed on the Company s US subsidiaries under certain state liability laws: (vi) the unpredictable aspects of the US litigation process; (vii) adverse changes in the mix of asbestos-related diseases with respect to which asbestos claims are made against the Company s US subsidiaries, and (viii) potential legislative changes.

In light of such factors, the liability of the Company s US subsidiaries for resolving asbestos claims may be materially different from current estimates and the impact of such claims, both before and after 2010, might have a material adverse effect on the Company s consolidated financial condition, results of operations and cash flow. However, assuming that current trends continue, the Company does not expect that the liability and costs associated with its asbestos claims will have such a material adverse effect and, even assuming a deterioration in current trends, on the evidence available to it the Company does not expect that such claims would impact the ability of the Company to continue as a going concern.

See Note 19 of the Notes to Consolidated Financial Statements for further discussion of asbestos matters.

Impairment

The Company adopts FRS 11 Impairment of fixed assets and goodwill under UK GAAP and has adopted SFAS 121 Accounting for the impairment of long lived assets and for long lived assets to be disposed of together with the SFAS 142 Goodwill and other intangible assets under US GAAP.

The Company assesses the fair value and recoverability of assets, including goodwill, by calculating the implied fair value of goodwill and comparing this with the actual goodwill attributable to the reporting unit. This involves comparing the fair value of the reporting unit with the sum of any unrecognised separate intangible assets included in the goodwill figure and the fair value of the recognised net assets attributed to the reporting unit. The use of different estimates, assumptions and judgments, especially those involved in ascribing a value to intangible assets and other assets, together with the expectations of future industry conditions and operations, would likely result in materially different carrying values of assets.

Pensions and other post-retirement benefits

The Company currently adopts under UK GAAP SSAP 24 Accounting for pension costs in the Consolidated Financial Statements. The Company has also included in the Consolidated Financial Statements additional disclosures showing, inter alia, the effect that the alternate accounting standard FRS 17 Retirement Benefits , would have had on the Consolidated Financial Statement had it been adopted by the Company. Under US GAAP, the Company adopts SFAS 87 Employers Accounting for Pensions and SFAS 106 Employers Accounting for Post-retirement Benefits Other Than Pensions .

These accounting standards require the Company to make assumptions including, but not limited to, future asset returns and health care costs, rates of inflation and discount rates. The use of different assumptions, whether under FRS17 or otherwise, could have a material effect on the relative accounting values of the relevant assets and liabilities which could result in a material change to the cost of such liabilities as recognised in the profit and loss account over time. These assumptions are subject to periodic review. At the end of fiscal 2002, asset return assumptions were revised downwards, reflecting the generally less optimistic outlook for investment returns over the medium term.

See Notes 21 and 26 of the Notes to Consolidated Financial Statements for additional information regarding the Company s pension and other post-retirement benefits.

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Item 5B Liquidity and Capital Resources

Fiscal 2002 net cash inflow as illustrated in the table below was £65.8 million as compared with £382.3 million in fiscal 2001 and £183.9 million in fiscal 2000.

	Year Ended December 31		
	2002	2001	2000
	(Pounds Sterling Millions)		
Net cash inflow from operating activities	585.9	625.5	507.6
Dividends received from associates	8.3	7.6	14.6
Dividends received from joint-ventures	26.9	19.5	10.0
Returns on investments and servicing of finance			
Interest received	38.8	67.1	67.7
Interest paid	(125.3)	(173.8)	(156.5)
Interest element of finance lease rental payments	(0.4)	(0.6)	(0.8)
Net cash (outflow) from returns on investment and servicing of finance	(86.9)	(107.3)	(89.6)
Taxation	(19.7)	(73.0)	(60.3)
Capital expenditure and financial investments			
Purchase of tangible fixed assets	(143.2)	(161.4)	(176.0)
Purchase of fixed asset investments	(30.6)	(18.4)	(2.8)
Purchase of current asset investments	(0.2)		
Sale of tangible fixed assets	32.5	49.2	18.4
Sale of fixed asset investments	2.1		23.4
Net cash (outflow) from capital expenditure and financial investments	(139.4)	(130.6)	(137.0)
Acquisitions and disposals			
Cash in acquired and disposed subsidiary undertakings	6.6	7.1	20.6
Demerger costs		(3.1)	(0.2)
Acquisition of subsidiary undertakings	(152.7)	(57.8)	(1,420.8)
Disposal of subsidiary undertakings	41.9	224.0	30.2
Net cash (outflow)/inflow from acquisitions and disposals	(104.2)	170.2	(1,370.2)
Dividends paid	(103.8)	(101.3)	(91.7)
Management of liquid resources			
Decrease in current asset investments	347.0	51.5	71.8
Cash (added to)/withdrawn from deposits	(674.3)	163.1	562.8

	(327.3)	214.6	634.6
Net cash (outflow)/inflow before financing	(160.2)	625.2	(582.0)
Financing			
Issue of ordinary share capital	2.6	1.9	1.7
Proceeds from/(repayments of) short term loans	227.8	(179.7)	440.1
Proceeds of debenture loans		1.3	506.6
Repayments of bank loans		(3.6)	
Repayments of debenture loans	(3.1)	(57.1)	(175.9)
Capital element of finance lease rental payments	(1.3)	(5.7)	(6.6)
Net cash inflow/(outflow) from financing	226.0	(242.9)	765.9
Net cash inflow for the year after financing	65.8	382.3	183.9

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The change in net debt can be summarised as follows in respect of fiscal 2002, fiscal 2001 and fiscal 2000:

	Year Ended December 31		
	2002	2001	2000
	(Pounds Sterling Millions)		
Net cash inflow after financing	65.8	382.3	183.9
Decrease/(increase) in long term debt	4.4	65.1	(324.1)
Cash added to/(withdrawn from) deposits	674.3	(163.1)	(562.8)
Decrease in liquid resources	(347.0)	(51.5)	(71.8)
(Increase)/decrease in short term loans	(227.8)	179.7	(440.1)
Change in net debt resulting from cashflows	169.7	412.5	(1,214.9)
Loans and finance leases acquired with subsidiaries	(0.2)		(237.0)
Loans and finance leases relating to disposals	0.2		0.5
Deposits and liquid resources of businesses acquired			31.3
Other financing movements	(0.7)	(6.8)	(0.4)
Exchange movement	90.8	(16.2)	(127.0)
Movement in net debt in the year	259.8	389.5	(1,547.5)
Opening net (debt)	(1,429.7)	(1,819.2)	(271.7)
Closing net (debt)	(1,169.9)	(1,429.7)	(1,819.2)

In addition to the high level of free cashflow of the group, Hanson operates a prudent approach to liquidity management using a mixture of long term debt together with short term cash and investments. At the end of fiscal 2002, Hanson s net debt of £1,169.9 million represented gross debt of £2,553.3 million offset by cash and securities of £1,383.4 million. To improve its liquidity position, Hanson has a £900.0 million revolving credit facility, £600.0 million of which expires in 2006, while £300.0 million expires on March 28, 2003 but may be extended for a further year at the option of Hanson. Hanson has given notice to the bank syndicate to extend the £300 million portion of the facility until March 28, 2004, and the majority of the banks in the syndicate with aggregate commitments of £259.9 million have agreed to extend the facility. At December 31, 2002, £561.7 million of this facility was unused. Accordingly, Hanson believes the funding available from these and other sources will be sufficient to satisfy the group s working capital requirements in the near to medium term.

The first of Hanson s three $750.0 million bonds matured on January 15, 2003. The remaining two issues mature in 2005 and 2010 respectively.

The net liquidity position of Hanson at December 31, 2002 was as follows:-

	(Debt)	Cash and Investments	(Net Debt)	Available Maturing Committed	Cumulative Net Liquidity Surplus

				Credit Facilities	(Deficit)
	(Pound Sterling Millions)				
2003	(1,581.0)	1,383.4	(197.6)	991.5	793.9
2004	(33.9)		(33.9)	(365.2)	394.8