Registered number: 02182762

CASTLE CEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CASTLE CEMENT LIMITED

COMPANY INFORMATION

Directors	E A Gretton Dr C M Wendt (resigned 6 October 2021) M D Barlow S L Willis J P Morrish A Quilez Somolinos (appointed 6 October 2021)
Company secretary	W F Rogers
Registered number	02182762
Registered office	Hanson House 14 Castle Hill Maidenhead SL6 4JJ
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

CASTLE CEMENT LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Business review

The principal activity of the Company is the manufacture and sale of cement primarily for use in the ready mixed concrete and manufactured concrete products industries. The Company also acts as an intermediary agent for sales of Regen products by a fellow subsidiary undertaking Civil and Marine Limited to third party customers.

Turnover increased by 23% from £216,599,000 to £266,828,000 whilst operating profit, excluding exceptional items and profits from the sale of emission rights included within other operating income, reduced from £9,389,000 to £249,000, a decrease of 97%.

The release of pent-up demand arising from the COVID-19 pandemic caused sales volumes to exceed pre-pandemic levels, with activity significantly higher than the previous year.

Cost control measures were introduced and sale prices were increased to cover rising costs of raw materials and consumables mainly energy and CO2 in order to preserve margins. The Company also experienced an increase in other operating expenses, principally distribution expenses, which increased by 46%, due to rising energy costs in the later part of the year.

A review of sites impacted by local market conditions was undertaken during the year and as a result an impairment of £10,116,000 was made. This has been treated as an exceptional item.

Early in the year, whilst Covid-19 restrictions were still in place, the Company sold its surplus emission rights realising a profit of £13,699,000.

The business continued to invest in emission reducing activities, including the installation of the bypass at Padeswood which will facilitate the greater use of alternative fuels.

The Directors have noted the results for the year, and are satisfied with the Company's position at the year end and consider it is well placed to take advantage of opportunities as they arise in the future.

Directors' statement of compliance with their duty to promote the success of the Company

Section 172 Companies Act

This report sets out how the Directors have complied with section 172 of the Companies Act 2006 in making their strategic decisions during 2021 and in considering the likely long-term consequences of those decisions and the need to maintain a reputation for high standards of business conduct. This has involved engagement with all of the Company's key stakeholders to ensure that the Directors understand their views and interests when making decisions and when developing the Company's purpose, values and strategy. The Directors ensure that they listen to and consider the interests of the Company's employees and that it fosters relationships with the Company's customers and suppliers. The Directors work to ensure the sustainability of the Company's operations within local communities in the context of the potential impact on the local environment.

Hanson UK Sustainability Policy

Effective management of safety, health, environment, quality, carbon reduction and responsible sourcing is of key importance to the sustained success of the Company's business. The Company's sustainability objectives are reviewed regularly and communicated regularly to employees, contractors, visitors, key stakeholders and our supply chain to inform and promote wider adoption of responsible practices. As a minimum, as a Hanson UK company, the Company complies with all applicable law and regulatory requirements. Cooperation in the implementation of the Company's sustainability policy is a condition of employment, partnership and supply.

Directors' statement of compliance with their duty to promote the success of the Company (continued)

Hanson UK Sustainability Policy (continued)

Full details of Hanson UK's Sustainability Policy can be found on the Hanson UK website at www.hanson.co.uk. The policy sets out Hanson UK's sustainability focus in terms of: ensuring business and product innovation by engaging with customers and stakeholders to continually improve Hanson UK's sustainability performance and adopt an integrated approach to achieve the highest standards in complying with ISO 9001, 14001, 45001 and 50001 together with BES 6001, National Highway Sector Scheme 16 and relevant CE certification schemes; ensuring health, safety and wellbeing in the workplace; ensuring environmental responsibility to collaborate with suppliers and fulfil Hanson UK's share of responsibility to limit global temperature rise to below 1.5°C; conserving natural resources and maximising the use of alternative materials and recycling; being a good neighbour based upon transparency and consultation, staff volunteering on community projects, with local jobs and local procurement; and being a fair, respectful and inclusive company.

During 2021 the Company continued to roll out its 2030 commitments in relation to the six key sustainability topics: business and product innovation; health, safety and wellbeing; environmental responsibility; resource use and the circular economy; being a good neighbour; and fairness, inclusion and respect. The 2021 Sustainability Report sets out the 2030 targets and future reports will record progress towards attainment of these objectives.

Late in 2020 Fast Track Targets were set which built upon the existing commitments and brought forward many of the deadlines that were originally targeted for 2030. While the original 2030 commitments must still be achieved the Fast Track Targets focus on six key areas: governance framework; CO2; water; products; land use; and corporate social responsibility.

In 2020 the Company introduced its social value policy which is available on the Hanson UK website www.hanson.co.uk. The social value policy is founded on core values and responsible leadership principles and applies to all areas of our business, our employees and all parties who undertake activity on our behalf. It follows the national TOMS (Themes, Outcomes and Measures) framework and integrates our health, safety and wellbeing, and environmental commitments. A steering group has been established to ensure the principles of the policy are imbedded within the business. During 2021 further work was undertaken to enhance, measure and record Hanson UK's social value impact.

2021

The COVID-19 pandemic restricted the Company's investment activities however, the Company still progressed various strategic investments through 2021.

At Ketton, the installation of a new bag filter and heat exchanger was completed, which has reduced emissions and power consumption on the main kiln cooler.

At Padeswood a new bypass commenced, this will enable the plant to achieve an alternative fuel usage of more than 65 per cent which will reduce CO2 emissions from the kiln process. The project will be completed in March 2022 and will be a £7million investment. A further investment was made with the installation of a cross belt analyser and sampling facilities, this has improved quality control on the raw meal and will improve the process efficiency and energy consumption.

The Company, in partnership with the Minerals Products Association, completed a world first demonstration to operate a kiln with a net zero carbon fuel mix consisting of hydrogen, glycerine and animal meal on the main burner at the Ribblesdale plant. The kiln was able to operate for up to three hours with net zero carbon on the main burner – providing the proof of concept for a feasibility study completed in 2019 this further supports the commitment to finding alternative solutions to fossil fuels.

Directors' statement of compliance with their duty to promote the success of the Company (continued)

2021 (continued)

In general, all of the Company's operational investments are made in the interests of ensuring long term sustainable production to service our customers and the continuity of safe operations for our workforce, delivering value for our shareholders and developing meaningful partnerships with our suppliers. Investments in new operations facilitate reductions in energy usage, water usage and emissions, lessening the impacts on both the environment and communities.

Information relating to the Company's investments, improvements, performance, outlook and sustainability was presented to stakeholders through various channels. For employees, this included the Employee Forum, a series of virtual town hall talks presented by the Hanson UK chief executive officer, driver forums and driver engagement days and management meetings with trade unions. Regular video updates from the CEO and business line managing directors on business performance and strategy were provided to the workforce in 2021. The Company continued with the Hanson UK Fairness, Inclusion and Respect steering group which implements initiatives to help improve diversity and gender balance within the workforce.

With many staff still working from home since the beginning of the COVID-19 pandemic, communications continued to be adapted to support those not in their normal workplace and many of the briefings were held online using Microsoft Teams software.

The commercial teams continued to principally work remotely with limited face to face visits. The virtual meetings were received well by customers as no time was wasted and meetings were focused and productive. During 2021 many customers continued to advise that face to face visits were for essential purposes only to reduce the risk of spreading COVID-19. Working this way meant that geographical constraints no longer existed and commercial teams could cover larger areas and deliver initiatives quicker. The Company also benefited from reduced fuel usage and commercial teams benefited from improved wellbeing.

For the local communities where the Company's three cement production sites are situated, stakeholder engagement included the distribution of each site's local Open-Door community newsletter and communication through each site's community webpage. Site visits and tours were re-started during 2021, but at a much reduced level. It is hoped that these will increase back to pre-covid levels during 2022. Local face to face liaison meetings were held with community councillors from mid-year following suspension during the pandemic.

Further investments and improvements in the interest of sustainability and the lessening of the potential for impact on communities and the environment include the following:

- The Company uses domestic and industrial waste derived fuels in our cement kilns, which reduces fossil fuel usage; the Company also manufactures cements containing less clinker and a higher proportion of limestone in order to reduce the level of carbon, embedded CO2, in our product. The Company has a clear focus towards 2030 and beyond, and is developing masterplans to meet the challenges of reducing CO2 emissions working together with our parent company.

- The Company is currently working on a feasibility study for carbon capture at Padeswood. The study is 50% funded by the Business, Energy and Industrial Strategy (BEIS) Industrial Decarbonisation Challenge (IDC). A feasibility study budget of £475,000 is part of the wider HyNet IDC project. The scope of the study includes changes to the cement plant in readiness for carbon capture, the capture plant itself and the feasibility of a pipeline connecting Padeswood to the HyNet CO2 collection network.

- The Company ensures that waste bypass dust from its cement plants is diverted from landfill and has undertaken research and development to convert this into an inert non-hazardous product. Under the implementation of the Alternative Fuels Masterplan to increase alternative fuels usage, the use of alternative fuels is increasing and the Ketton site had a record year achieving 72% replacement.

Directors' statement of compliance with their duty to promote the success of the Company (continued)

2021 (continued)

The Company has also invested in the Expert Systems platform for cement to enhance digitalisation, reduce energy usage and increase process efficiency, more particularly in a planning tool to allow the plants to plan production to meet customer needs but also utilise the low power periods during the day. Furthermore, the Company is proud of the continuing operation of the 13MW (gross) solar installation at Ketton, which represents a long-term partnership with the Company's suppliers.

COVID-19 policies and procedures continued to be enforced at the Company's sites, and positive cases or self-isolations were promptly reported and closely monitored. The Company acted as an active member of the Mineral Products Association (MPA) COVID-19 task force, sharing information and best practice across the industry.

Continuing improvement in the Company's health and safety performance in 2021 has included: ongoing revisions to our risk assessment processes, with a clearly defined health and safety improvement plan which was reviewed monthly by the Managing Director and which was focused on the key business risks and actions required to either eliminate or reduce them. Other improvements included tackling Potential Fatal Incidents (PFIs) and Lost Time Incidents (LTIs) to ensure both learnings and remedial actions, as well as ensuring the establishment of root cause analysis for accidents and severe near hits, with employees being trained in basic incident investigation and root cause analysis techniques and operating the Intelex platform for the holding and recording of everyday safety conversations on site. The Company recognised the importance of mental health and wellbeing with employees continuing to be trained in this area during 2021 and mental health first aiders appointed. Company-wide sessions were also held in 2021 to promote the importance of mental wellbeing.

Steps taken during 2021 to ensure maintenance of a reputation for high standards of business conduct included training staff in many different compliance areas, covering our Code of Business Conduct, corruption and anti-bribery, competition law, data protection and modern slavery, all supported by a regime of policies and procedures that underpin the Company's purpose and values; the compliance program is supported by an online reporting platform that allows concerns to be reported and investigated outside of reporting lines.

Further information relating to the Company's work on sustainability, new rail links, site management contact details, arranging site visits, carbon reduction, energy, raw materials and water usage reduction, waste management, biodiversity, applicable quality processes, career opportunities and the minutes of each site's liaison meetings minutes can all be found on Hanson UK's websites www.hanson.co.uk, careers www.hanson-careers.co.uk and community www.hanson-communities.co.uk websites.

Principal risks and uncertainties

Market Demand Risk

The demand for many of the products produced by the Company is closely linked with economic conditions, specifically levels of infrastructure and housing construction output. As a result, depressed economic conditions in the United Kingdom could have an adverse effect on demand for and pricing of the Company's products which could result in reduced sales and profits.

The Company works to build strong relationships with its customers and to provide a high quality service to them.

Principal risks and uncertainties (continued)

Regulatory Risk

Government policy relating to the development of transport infrastructure and housing have a significant effect on demand for the Company's products and, as a result, the Company's profitability. Decreases in government funding or in the allocation of those funds for transport infrastructure and housing projects could reduce the funds available for spending on the Company's products, therefore potentially reducing sales and profits.

Changes in government policy or legislation relating to planning, the environment, health and safety and industry related taxes could significantly affect the Company's regulatory compliance and other operating costs. Numerous governmental approvals are required for the Company's operations. In the past the Company has been required to make significant capital expenditure to comply with planning, water, air and solid and hazardous waste regulations. The Company may be required to make similar expenditure in the future to ensure business continuity and these are most likely to be in the areas of Energy and Carbon in the near future.

Seasonality risk

Extended periods of inclement weather can result in a material reduction in demand for the Company's products. It may also impact the Company's ability to produce products and consequently result in reduced revenues and profits.

Energy risk

The Company is a significant purchaser of energy and fuel for the processing and transport of its products. Increases in these costs can significantly impact the Company's costs and disrupt its operations. The profitability of the Company could be adversely affected if the Company was not able to recoup such costs in the prices of its products. The Company also attempts to limit its exposure to these risks by entering into hedges where appropriate. Transport logistics play an important part in the Company's supply chain. Any material disruption to, or lack of availability, of such transport support could significantly impact operating costs and reduce profitability.

The Company makes use of purchase contracts and is also part of the wider buying group for energy, in addition the Company has invested in facilities to enable the use of alternative fuels in its production process.

Credit risk

Credit risk is the risk of the Company suffering from the failure of a counterparty to settle a debt to the Company. The Company limits financial credit risk by ensuring appropriate credit checks are carried out on new customers. Existing customers are actively monitored and steps taken to recover overdue debts.

Production risk

The Company's production facilities are highly automated and the failure of a key component can cause production to temporarily cease, with the potential impact on cost and supplies to customers.

The Company has robust assessment programmes for all equipment which includes scheduled maintenance shut-downs. Furthermore, the Company maintains stocks of critical spares.

Systems compliance risk

The implementation of software to improve the efficiency and effectiveness of various business processes is an important contributor to the Company's ongoing operations. Failure to design, select appropriate suppliers and implement such systems effectively could result in unplanned costs or reduced levels of customer satisfaction. This could adversely affect the Company's results and profitability. The Company has a strong development and implementation process with a dedicated IT team to manage and mitigate any risk in this area.

Principal risks and uncertainties (continued)

Environmental risk

The Company's impact upon the environment or the effects of climate change could expose the Company to regulatory breaches, significant disruption, reputational risk or a reduction in demand for our products. Emission restrictions and the transition to a low carbon economy could impact performance. The Company closely monitors the latest legislation and enacts internal policies to ensure the environmental impact of the business is minimised.

Pensions risk

The Company operates a defined benefit pension scheme (the "Scheme"), which is closed to future accrual. The amounts reported in the accounts for the Scheme are based on advice from independent actuaries.

Results under IAS 19 can change dramatically depending on market conditions, and will lead to volatility in the net pension asset on the Company's Balance Sheet and in Other Comprehensive Income. The actuarial assumptions have been set so that they represent a best estimate of future experience from the Scheme. In practice, the true costs for the Scheme could be different to those shown.

The Scheme exposes the Company to a number of risks, the most significant of which are:

- Asset volatility - the Scheme holds a significant proportion of growth assets, which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
- Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
- Inflation risk - A significant proportion of the Scheme's benefit obligations are linked to inflation. Meanwhile, the majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy - The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

This report was approved by the board on 2 August 2022 and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to £3,023,000 (2020 - loss £29,698,000).

During the year, actuarial gains after taxation of £19,744,000 (2020 - £8,452,000 actuarial losses) were recognised in Other Comprehensive Income/(Expense) in relation to the Castle Pension Scheme.

The Directors do not recommend the payment of a final dividend (2020 - £nil).

Future developments

Following COVID-19 lockdowns, pent-up demand has led to volume growth in 2022, which is higher than expected. As a result, CO2 emissions will be greater than anticipated and the Company will be required to purchase additional allowances to cover the shortfall. Cost control will be a key focus of the business in order to preserve margins.

Investments are continuing which will reduce the use of fossil fuels and reduce CO2 emissions whilst contributing towards sustainability targets including the use of alternative fuel use and carbon capture projects.

The Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, they will continue to see strong demand for the Company's products and growth in its revenue. The Directors will continue to focus on maintaining margins during a continued period of cost pressures.

Going concern

On the basis of their assessment of the Company's financial position and relevant enquiries, the Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, they continue to see strong demand for the Company's products and growth in its revenue. Therefore no material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern.

The Directors have noted that the ultimate parent undertaking, HeidelbergCement AG ("HCAG"), has made an assessment on the impact of the Ukraine crisis upon the wider group. Whilst HCAG is not able to make a reliable forecast of the impact as a result of the Ukraine crisis, its financial statements for the year ended 31 December 2021 continue to be prepared on a going concern basis, whilst recognising that there will be volatility in energy markets ahead.

Thus the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The Directors who served during the year and up to the date of signing the financial statements were:

E A Gretton
Dr C M Wendt (resigned 6 October 2021)
M D Barlow
S L Willis
J P Morrish
A Quilez Somolinos (appointed 6 October 2021)

Research and development activities

The Company carries out research and development on its own behalf to advance the marketability of its products. Research costs are written off in the year in which they are incurred. Development costs are capitalised if they meet the criteria of IAS 38 Intangible Assets.

Engagement with stakeholders

The Directors' statement on compliance with their duty to promote the success of the Company included within the Strategic Report includes a summary of how the Company engaged with its key stakeholders during 2021.

Engagement with employees

The Company takes a number of measures to ensure proactive and meaningful engagement with its workforce - this applies to all employees and all companies within Hanson UK.

Hanson UK values engagement with its workforce, as a key stakeholder. The engagement takes place on many different levels, using a variety of formal and informal measures, which facilitates two-way dialogue to ensure employees have a direct voice to the executive team.

An employee forum has been established, with 11 active employee representatives representing the various business lines and staff functions. Historically, the forum met once a year with additional meetings held at the request of either the employee representatives or management. However weekly meetings with the employee forum were held from the start of the COVID-19 crisis, and continued in 2021 keeping the representatives abreast of changing policies, business impact and performance with the forum members raising questions and providing feedback on behalf of their constituents.

Four members of the forum also sit on the ultimate parent company's European Works Council, which the Directors believe represents a positive opportunity for the UK workforce to make its voice heard directly at the level of the ultimate parent company.

The employee forum acts as a key information and discussion channel between employees and executive management. At the September 2021 meeting, Hanson UK's chief executive officer (CEO), together with business line managing directors, provided detailed updates on health and safety progress and related improvement plans, on sustainability and our commitment to achieving carbon neutrality, on business performance and market outlook, as well as on the core objectives of our strategy.

Employee representatives raised numerous points of discussion during the meeting, with employees invited to anonymously submit questions in advance. These processes lead to a combination of management commitments, reviews and explanations on a wide range of safety, environmental, operational and commercial matters. Minutes are taken which are published on the Hanson UK intranet, together with the questions and answers. The Directors believe that the employee forum provides a positive and transparent means of engaging with the workforce as a key stakeholder, in the interests of the long term sustainability of the Company and its operations.

In addition to the employee forum, the CEO delivers a national leadership communication roadshow each year. These take the form of informal town hall talks, with the CEO providing detailed updates to staff regarding business performance, strategy and the priorities for the year ahead, as well as giving the workforce the opportunity to put questions directly to the senior management in attendance.

Other measures to facilitate effective engagement with employees include the use of regular business update videos by executive management, as well as the quarterly publication of Hanson UK's Team magazine, which is sent to every employee's home address, and includes regular updates through the year on business performance and strategy. Hanson UK's Team magazine also communicates to employees the many positive measures Hanson UK takes to support our local communities as key stakeholders in the context of the long-term sustainability of our operations.

Engagement with employees (continued)

Since the COVID-19 crisis started, the CEO issued frequent business updates via video to all employees and regular announcements were issued outlining Hanson UK's actions relating to COVID-19. Generally, digital communications increased and the regular newsletters to employees, including those furloughed, continued.

The Directors also value the consultations undertaken with trade unions, setting out detailed business performance updates when meeting with them. Driver forums have also been established, allowing focused engagement and briefings with the personnel in the supply chain. The Head of Human Resources supervises all of these processes and as a member of the Hanson UK executive team reports back on a monthly basis on feedback received from employees and on how the Company's values and culture are embedded within the workforce. Employee surveys have also been carried out periodically as a further means of monitoring the culture and values within our workforce, leading to the development of plans for managers to address feedback received. The 2021 employee survey showed a 10% increase in employee engagement. The results were cascaded throughout the organisation and action plans are developed and implemented within each business line as well as Hanson UK. The next survey will be carried out in Autumn 2022.

Hanson UK values the importance of visible felt leadership in managing all its operations. This involves executive management regularly attending site, to lead by example and engage with staff with regard to the vision, values and culture of Hanson UK, in order to ensure the health and safety of our employees and to monitor the degree to which our values are embedded within our operations. Site visits were disrupted by COVID-19 and only direct line management attended during this time as only essential visits were permitted since the commencement of the coronavirus crisis.

A further component of engagement with employees is the annual Hanson UK return to work carried out on the first working day of the New Year, with a Back to Work safety stand down before the year's operations commenced, in order to cascade the 2021 year end performance and to communicate the plans for 2022. Each business line has put in place health and safety improvement plans which cover a range of topics throughout the year.

Further to the establishment of a health and wellbeing steering group, chaired by a managing director of Hanson UK, which is responsible for the supervision of Hanson UK's health and wellbeing campaign, a range of themed activities took place throughout 2021. The health and wellbeing of employees are priorities which impact the success of the business. The steering group advocates mental and physical wellness for everyone at Hanson UK and encourages employees from all operations to become involved. Specialist Start the Conversation training is provided to line managers and supervisors and the Company works closely with the charity Mates in Mind to raise awareness of mental health issues among staff and provide mental health first aid training, so that managers feel able to recognise warning signs and ensure support. Sessions available to Hanson UK were held in 2021 which concentrated on the importance of mental wellbeing amongst the workforce.

Employees are provided with an occupational health program that includes annual and biennial medicals depending on job profile. An Employee Assistance Programme (EAP) provides employees with immediate access to confidential 24-hour telephone counselling and support. The helpline is available to support all Hanson UK employees and provides support through work and life issues and problems arising, ranging from legal to medical, stress and general health, fitness and wellbeing advice. The EAP is completely confidential, with high level statistical information relating to usage level being passed to management for periodic review.

Hanson UK's values are also underpinned by a broad range of policies ranging from management responsibilities and matters of legal compliance, to dignity at work and ensuring fairness, inclusion and respect in the workplace at all times. Where employees do not feel able to express concerns within the structure of reporting lines, an online reporting platform has been established to provide employees with an opportunity to address any compliance related concerns and matters of potential policy transgression, within a safe and protected process; issues raised are reviewed and investigated, with reporting back to the Hanson UK executive team.

The various measures described in this report are reviewed annually by the Hanson UK executive team and the Company believes that collectively they allow for a strong level of communication and engagement with employees.

Disabled employees

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide future training and career development.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

	Year to 31 Dec 2021	Year to 31 Dec 2020
Energy consumption used to calculate emissions (kWh)	358,310,664	334,433,475
Emissions from combustion of gas tCO_2e (Scope 1)	113	106
Emissions from combustion of fuel for transport purposes tCO_2e (Scope 1)	10,369	11,967
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO_2e (Scope 3)	0	0
Emissions from purchased electricity tCO_2e (Scope 2, location-based)	66,504	66,059
Total gross tCO_2e based on above*	76,986	78,132
Intensity ratio (tCO_2e/Turnover in £000)	0.2885	0.2876

Energy Efficiency Action Summary

The Company forms part of the Hanson UK operating division of HeidelbergCement AG. The Directors believe that effective management of safety, health, environment, quality, energy, carbon, and responsible sourcing is of key importance to the continued and sustainable success of the business. The Company continues to use a systematic and integrated approach to energy and carbon reductions through its accredited management systems and is certified to both ISO 14001 Environmental Management and ISO 50001 Energy Management. The Energy Management system covers Hanson UK, which includes the Company.

The Company takes a holistic approach to net zero and is developing strategic carbon roadmaps across each product group to help fulfil its share of the responsibility to keep the global temperature rise below 1.5°C. Science-based targets have been set and, as a group, HeidelbergCement aims to lead the market in sustainable action and ambition.

The Company strives for improvement opportunities across sites and operations and has recently completed a number of projects including:

- The Company has worked with the Mineral Products Association and key customers as well as suppliers to develop new products with lower embodied carbon. These products retain the same strength and durability as traditional products whilst using a higher proportional of alternative materials emitting less CO2 in production. This has proven to be a significant milestone for the reduction of lower carbon cement products.

Streamlined Energy and Carbon Reporting (continued)

- The cement kiln at the Ribblesdale works in Lancashire has successfully been operated using a net zero fuel as part of a world first demonstration using hydrogen technology. The Company worked with the Department for Business, Energy and Industrial Strategy (BEIS) and the Mineral Products Association (MPA). The trial used a mix of 100 per cent carbon neutral fuels including hydrogen for commercial scale cement manufacture for the very first time. During the demonstration, which is the culmination of several years of work, the proportion of fuels in the cement kiln's main burner was gradually increased to a wholly net zero mix. In addition to this Ribblesdale and Ketton works have conducted separate trials using locally produced hydrogen from hydrolysis. These follow-up projects demonstrate that hydrogen can be used successfully with a range of alternative fuels enabling a greater knowledge of potential low carbon combustion configurations to be developed.

- The Company is also pleased to be a partner in the HyNet North West consortium, which aims to create the world's first low carbon industrial cluster. The proposed hydrogen and carbon capture and storage (CCS) project will play a critical role in the UK's transition to net zero greenhouse gas emissions. The project will reduce annual regional CO2 emissions by up to 10 million tonnes – including 800,000 tonnes from our Padeswood plant. The first step, which started in 2021, is a detailed feasibility study. This will provide a clear design and cost estimate for both a carbon capture plant and connection to the planned HyNet North West CO2 network.

- The Company carried out a series of engineering reviews such as compressed air requirements and has subsequently made changes for key equipment in the generation, drying and importantly the use of compressed air. A number of projects have been developed for significantly improved efficiency in the energy intensive process of cement milling. Improved monitoring, expert control system upgrades and the use of special additives has significantly reduced energy consumption. The timing of cement milling is now optimised through links with the national supply grid to ensure that our impacts on the wider network are minimised. This means that less "top-up" or "balancing" generation is required at a grid level and grid carbon impacts are minimised.

- With increasing volatility in the supply of fuels the Company has taken the opportunity to increase its resilience with capability to use a wider variety of alternative fuels. The Company has worked with key stakeholders to ensure that supplies are robust while continuing to maximise the potential for low carbon and alternatives.

- The Company is continuing to see the benefits of the revised quarry development plans working in partnership with Heidelberg's mobile plant specialist engineers and respected suppliers. The plans are designed to reduce vehicle movements whilst also reducing inclines through better ramp design. Results have been very good providing high levels of efficiency through lean management and good quarry practice including digital blast triggers for increased efficiency and yield, again working with key suppliers. These are expected to develop further in 2022 as more opportunities are realised.

- The Company has developed a number of railheads at strategic locations to receive supplies by rail in addition to the completion of the Padeswood rail distribution silo. This is as part of a UK rail strategy to reduce road vehicle movements and cut associated CO2 emissions where possible.

- The Company has also embedded a culture of proactive and preventative maintenance using advanced tools such as vibration analysis and oil sampling. These systems maximise the effectiveness of process equipment and reduce destructive down time. An assessment of carbon and energy efficiency benefits is now standard on all relevant capital expenditure.

Streamlined Energy and Carbon Reporting (continued)

The Company's primary electricity supply remains the zero carbon "BLUE for business" tariff from EDF. The Directors continue to support development projects for renewable energy including solar generation in partnership with suppliers at the Company's sites and within the wider supply chain. The Company has committed to decarbonising Company cars and vans and has now started to progressively increase the installation of charging points across its sites and electric vehicles are available as a choice.

The Company aims to conserve natural resources using resources appropriately and sustainably and, where possible, by substituting primary resources with alternative and recycled materials. The Company is also certified to ISO 6001 Responsible Sourcing of Construction Products.

Streamlined Energy and Carbon Reporting (continued)

Methodology Notes

Reporting Period	January 2021 – December 2021
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Castle Cement Limited's annual accounts made up to 31 December 2021
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2021 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Conversion factor source	Natural Gas and gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel: U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020 LPG: Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance Direct Emissions from Stationary Combustion Sources 2008
Calculation method	Activity Data x Emission Factor = GHG emissions (tCO_2e) Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors The percentage of the Castle Cement Limited employee numbers of the total employee numbers (22%) is applied to the total transport diesel and petrol amount to estimate the company's usage. Diesel usage by forklift trucks is not yet tracked separately. An average 3.95 litre per hour consumption is assumed. Source: https://forkliftbriefing.com/save-money/the-forklift-fuel-robbery/ Based on experience an average of 2 hours per run time a day for all working days in the UK is estimated for 2 machines that work on sites. 1% of the total electric power consumption has been based on estimated consumption figures. Depending on the nature of the missing data the following estimation methods were used: Average value of +/-2 surrounding months; Average value from past 3 months; Value from the same month of the prior year.
Exclusions	The Scope 3 transport fuels and the associated emissions were calculated in the first reporting year and were found to be de minimis. The usage was 820 litres of diesel and 813 litres of petrol in financial year 2020. Using the 2021 DEFRA factors for conversion these add up to 3.84 tCO_2e, which is less than 0.005% of the company's total annual emissions. As the information is not practical to obtain routinely and is immaterial, we have excluded this category from our annual reporting. The usage of the truck fleet is non reportable as the company hires a franchise company.
Reason for the intensity measurement choice	For consistency, due to the cement market data order, turnover has been chosen for our intensity metric as the company is precluded by law from publishing production data. Turnover reflects business performance and following the recommendations of the SECR reporting guidance on financial metrics.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' indemnity

HeidelbergCement AG has indemnified, by means of directors' and officers' liability insurance, one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

The articles of association also provide for the Directors to be indemnified by the Company subject to the provisions of the Companies Act.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP having indicated their willingness to act will continue in office, as auditors of the Company, in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on 2 August 2022 and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

This report was approved by the board on 2 August 2022 and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

Independent auditors' report to the members of Castle Cement Limited

Report on the audit of the financial statements

Opinion

In our opinion, Castle Cement Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries; omitting, advancing or delaying recognition of events and transactions that have occurred during the reporting period, and management bias in accounting estimates or judgements to manipulate results. Audit procedures performed by the engagement team included:

- Reviewing meeting minutes of the board for evidence of breaches of regulations and further reviewing any relevant correspondence.
- Identifying and testing journal entries based on our risk assessment and evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud.
- Inquiries of management in respect of any known or suspected instances of non compliance with laws and regulations and fraud.
- Challenging assumptions and judgements made by management in their significant accounting estimates and obtaining corroborative evidence to support their reasonableness.
- Incorporating an element of unpredictability into the audit procedures performed.
- Reviewing outstanding legal cases and claims against the Company.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
3 August 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Turnover	3	266,828	216,599
Change in stocks of finished goods and work in progress		2,004	5,015
Other operating income	5	16,176	4,042
Raw materials and consumables		(134,492)	(88,459)
Other operating expenses	6	(79,194)	(73,289)
Exceptional items - Impairment of tangible fixed assets	13	(10,116)	(42,646)
Staff costs	7	(43,631)	(39,969)
Depreciation and amortisation	14	(13,743)	(14,550)
Operating profit/(loss)		3,832	(33,257)
Interest receivable and similar income	9	135	161
Interest payable and similar expenses	10	(587)	(698)
Other finance income	11	771	1,396
Profit/(loss) before tax		4,151	(32,398)
Tax on profit/(loss)	12	(7,174)	2,700
Loss for the financial year		(3,023)	(29,698)
Other comprehensive income/(expense)			
Actuarial gain/(loss) on defined benefit schemes	25	21,415	(11,662)
Movements of deferred tax relating to pension (deficit)/surplus	21	(1,671)	3,210
		19,744	(8,452)
Total comprehensive income/(expense) for the year		16,721	(38,150)

All amounts relate to continuing operations.

The notes on pages 24 to 52 form part of these financial statements.

CASTLE CEMENT LIMITED
REGISTERED NUMBER: 02182762

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £000		2020 £000
Fixed assets					
Tangible assets	14		113,994		119,574
Investments	15		63,908		63,908
Defined benefit pension scheme asset	25		81,310		59,435
			259,212		242,917
Current assets					
Stocks	16	51,263		30,607	
Debtors: amounts falling due within one year	17	152,378		110,083	
Cash at bank and in hand		3		4,602	
		203,644		145,292	
Creditors: amounts falling due within one year	18	(153,963)		(130,513)	
Net current assets			49,681		14,779
Total assets less current liabilities			308,893		257,696
Creditors: amounts falling due after more than one year	19		(8,699)		(11,359)
			300,194		246,337
Provisions for liabilities					
Deferred taxation	21	(15,794)		(6,990)	
Other provisions	22	(34,702)		(6,370)	
			(50,496)		(13,360)
Net assets			249,698		232,977

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Capital and reserves			
Called up share capital	23	70,000	70,000
Profit and loss account		179,698	162,977
Total equity		249,698	232,977

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 August 2022.

A Quilez Somolinos
Director

The notes on pages 24 to 52 form part of these financial statements.

CASTLE CEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2020	70,000	201,127	271,127
Comprehensive expense for the year			
Loss for the year	-	(29,698)	(29,698)
Actuarial loss on pension scheme, net of deferred tax	-	(8,452)	(8,452)
Other comprehensive expense for the year	-	(8,452)	(8,452)
Total comprehensive expense for the year	-	(38,150)	(38,150)
At 1 January 2021	70,000	162,977	232,977
Comprehensive expense for the year			
Loss for the year	-	(3,023)	(3,023)
Actuarial gain on pension scheme, net of deferred tax	-	19,744	19,744
Other comprehensive income for the year	-	19,744	19,744
Total comprehensive income for the year	-	16,721	16,721
At 31 December 2021	70,000	179,698	249,698

The notes on pages 24 to 52 form part of these financial statements.

1. Accounting policies

1.1 General information

Castle Cement Limited ("the Company") is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Company Information.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have, unless otherwise stated, been consistently applied to all periods presented.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.3 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of HeidelbergCement AG as at 31 December 2021 and these financial statements may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.

1. Accounting policies (continued)

1.4 Going concern

On the basis of their assessment of the Company's financial position and relevant enquiries, the Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, we continue to see strong demand for our products and growth in our revenue. Therefore no material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern.

The Directors have noted that the ultimate parent undertaking, HeidelbergCement AG ("HCAG"), has made an assessment on the impact of the Ukraine crisis upon the wider group. Whilst HCAG is not able to make a reliable forecast of the impact as a result of the Ukraine crisis, its financial statements for the year ended 31 December 2021 continue to be prepared on a going concern basis, whilst recognising that there will be volatility in energy markets ahead.

Thus the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- Up to 50 years
S/Term Leasehold Property	- Over the lease term
Plant and machinery	- 5 - 20 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.7 Investments

Investments in subsidiaries are held at historical cost less provision for impairment.

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Financial Instruments

Financial Assets

Financial assets are initially measured at fair value plus, in the case of a financial asset not subsequently measured at fair value through profit or loss, transaction costs.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The Company's financial assets comprise cash, trade and other receivables.

Debt instruments at fair value through profit or loss

Debt instruments are subsequently measured at fair value where they are financial assets held within a business model whose objective is to sell the financial asset, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Any fair value gains or losses at each reporting period is recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

In addition financial assets where the contractual terms of the financial asset do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are also subsequently measured at fair value.

1. Accounting policies (continued)

1.9 Financial instruments (continued)

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The ECL required for other debt instruments is determined using a three stage model.

• At the initial recognition of the financial asset an expected credit loss provision is recorded for the twelve month period following the reporting date. Any interest revenue is calculated on the gross carrying amount of the financial asset.

• If the credit risk of that financial instrument has increased significantly since initial recognition, a loss allowance for full lifetime expected credit losses is recorded. Any interest revenue is calculated on the gross carrying amount of the financial asset. Should the significant increase in credit risk reverse within subsequent reporting periods then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the twelve month expected credit losses.

• If objective evidence of impairment exists, a loss allowance for full lifetime expected credit losses is recognised. Any interest revenue is calculated on the net carrying amount of the financial asset.

Financial liabilities

Financial liabilities are initially measured at fair value and, in the case of loans and borrowing and payables, net of directly attributable transactions costs.

The subsequent measurement of financial liabilities depends on their classification, as described below:

1. Accounting policies (continued)

1.9 *Financial instruments (continued)*

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of Comprehensive Income.

1.11 Pensions

The Company has operated one defined benefits pension scheme and the pension charge is based on their full actuarial valuation dated 31 December 2018 for the Castle Pension Scheme.

1. Accounting policies (continued)

1.11 Pensions (continued)

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the Statement of Comprehensive Income on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the scheme assets reflects the gain or loss which is recognised in the Statement of Comprehensive Income. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on scheme assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of scheme assets of contributions received and benefits paid during the year. The difference between the expected return on scheme assets and the interest cost is recognised in the Statement of Comprehensive Income as other finance income or expenses.

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the Balance Sheet comprises the total of the present value of the scheme's defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

The Company also participates in the Hanson Industrial Pension Scheme (Defined Contribution Section). Company contributions are expensed to the Statement of Comprehensive Income as incurred.

1.12 Emission Allowances

The Company, as a manufacturer of cement, is involved in the United Kingdom Emission Trading Scheme ('UK ETS'), which aims to reduce greenhouse gas emissions.

Emission rights are shown as intangible assets. Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment. Provisions for the obligation to return emission rights are recognised if the actual CO_2 emissions up to the reporting date are not covered by emission rights granted free of charge.

The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date. The market value of the emissions allowances is measured according to the trade weighted average price of the futures market for United Kingdom Allowances.

1. Accounting policies (continued)

1.13 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest rate method.

1.14 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Provisions for the expected costs of rectification, kiln repairs and rationalisation are charged against profits when required. The effect of the time value of money is not material and therefore the provisions are not discounted.

1.15 Restoration

The Company aims to reinstate land following mineral extraction or industrial occupation to a beneficial use as soon as is reasonably practicable. This is done by consulting with interested parties to ensure that the after use is appropriate to both the needs of local people and the natural environment.

The Company makes a provision on a discounted basis to return a quarry site to a decontaminated, cleared and improved site and to make provision to restore the present extracted areas to currently anticipated after use. The unwinding of discounts relating to restoration are expensed to the Statement of Comprehensive Income and included in interest payable.

1.16 Current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

However, for taxable temporary differences associated with investment in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised in accordance with IAS 12.39.

1. Accounting policies (continued)

1.16 Current and deferred taxation (continued)

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

1.17 Exceptional items

The Company presents as exceptional items those material items of income and expense which because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

1.18 Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the assets begins when development is completed and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

1.19 Exploration for and evaluation of mineral resources

All costs associated with exploration and evaluation of mineral resources as well as the research phase, are expensed to the Statement of Comprehensive Income as incurred. Property, plant & equipment that is acquired in the exploration, evaluation or development phase which can then be further utilised within the business irrespective of the outcome of the exploration, evaluation or development phase is capitalised and depreciated over its useful economic life.

1. Accounting policies (continued)

1.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.21 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Leases for quarries do not fall within the scope of IFRS 16. These leases are considered pending transactions and the expenses are recognised in the material costs in the period in which they arise.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The interest rates were calculated on the basis of the remaining term of the leases.

Lease payments included in the measurement of the lease liability comprise:
• fixed lease payments (including in-substance fixed payments), less any lease incentives;
• variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
• the amount expected to be payable by the lessee under residual value guarantees;
• the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
• payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance Sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

• the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
• the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
• a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

1. Accounting policies (continued)

1.21 Leases (continued)

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are included in the Tangible Fixed Assets in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in Exceptional Items.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Impairment of investments

The Company reviews investments in subsidiaries and other investments for impairment if there are any indications that the carrying values may not be recoverable. The carrying value of the investment is compared to the recoverable amount and where a deficiency exists, an impairment charge is considered by management.

The recoverable amount represents the net assets of the investment at the time of the review or where applicable is represented by an estimate of future cash flows expected to arise from the investment. A suitable discount rate is applied to the future cash flows in order to calculate the present value.

Reversals of impairments are recognised where there is a favourable change in the economic assumptions in the period since the provision was made.

Recoverability of amounts owed by group undertakings

The Company recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Impairment of tangible fixed assets

A cash flow-based method in accordance with IAS 36 (Impairment of Assets) is used to determine the recoverable amount of cash-generating units as part of the impairment test for tangible fixed assets. In particular, estimates are required in relation to future cash flows of the groups of cash-generating units as well as to the discount rates used (discounted cash flow method). A change in the influencing factors may have a significant impact on the existence or amount of impairment losses.

Estimating the defined benefits pension scheme obligations

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate. See note 25 for further details.

Restoration and environmental provisions

Provisions for restoration and environmental obligations are measured on the basis of an extrapolation of the claims and estimates of the development of costs. A change in the influencing parameters may have an impact on the Statement of Comprehensive Income as well as the amounts recognised in the Balance Sheet. The recognition and measurement of the other provisions are based on estimates of the probabilities of future outflow of resources and on the basis of empirical values and the circumstances known at the reporting date. The actual outflow of resources may differ from the outflow of resources expected at the reporting date and may have an impact on the recognition and measurement. Further explanations on provisions can be found in note 22.

3. Turnover

Turnover, pre-tax profit and net assets are attributable to the Company's principal activity, the manufacture and sale of cement primarily for use in the ready mixed concrete and manufactured concrete products industries.

All turnover arose within the United Kingdom.

4. Auditors' remuneration

Fees for audit services provided to the Company have been borne by other group undertakings. It is not practicable to ascertain what proportion of such fees relates to the Company.

5. Other operating income

	2021 £000	2020 £000
Profits from sale of emissions rights	13,699	-
Profit on disposal of tangible assets	864	-
Net rents receivable	416	423
Foreign exchange gains	117	101
Other operating income	1,080	3,518
	16,176	4,042

6. Other operating expenses

	2021 £000	2020 £000
Selling and administrative expenses	5,239	5,145
Distribution expenses	41,583	28,412
Expenses for third party repairs and services	8,256	8,547
Rental and leasing expenses	2,971	2,671
Other taxes	102	191
Foreign exchange losses	114	222
Loss on disposal	52	403
Other expenses	20,877	27,698
	79,194	73,289

7. Staff costs

	2021 £000	2020 £000
Wages and salaries	37,010	33,515
Social security costs	3,803	3,675
Other pension costs	2,818	2,779
	43,631	39,969

The average monthly number of employees, including the Directors, during the year was as follows:

	2021 No.	2020 *No.*
Production and distribution	610	594
Management, selling and administration	155	161
	765	755

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	-	127
Company contributions to defined contribution pension schemes	-	14
	-	141

During the year retirement benefits were accruing to no Directors (2020 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £nil (2020 - £127,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2020 - £14,000).

The Directors of the Company are also directors of a number of the group's fellow subsidiaries. In addition to the remuneration paid directly by the Company, the Directors received total remuneration of £1,780,000 (2020 - £1,522,000), which was paid by various fellow subsidiaries. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as directors of fellow subsidiary companies.

9. Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from group companies	135	123
Foreign exchange gains	-	38
	135	161

10. Interest payable and similar expenses

	2021 £000	2020 £000
Discount adjustments on provisions	37	57
Interest on lease liabilities	392	441
Other interest payable	158	200
	587	698

11. Other finance income

	2021 £000	2020 £000
Net interest income on defined benefit asset	771	1,396

12. Tax

	2021 £000	2020 £000
Corporation tax		
Current UK Corporation tax on results for the year	41	128
Total current income tax	41	128
Deferred tax		
Origination and reversal of timing differences	1,688	(4,951)
Changes to tax rates	5,890	2,527
Adjustments in respect of previous periods	(445)	(404)
Total deferred tax	7,133	(2,828)
Taxation on profit/(loss)	7,174	(2,700)

Reconciliation of the tax charge/(credit) for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit/(loss) before tax	4,151	(32,398)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	789	(6,156)
Effects of:		
Expenses not deductible for tax purposes	(41)	67
Changes to tax rates	6,296	2,527
Adjustments to tax charge in respect of prior periods	(445)	(404)
Book profit on chargeable assets	(158)	(98)
Group relief	730	1,358
Transfer pricing adjustments	3	6
Total tax charge/(credit) for the year	7,174	(2,700)

12. Tax (continued)

Change in corporation tax rate

The main rate of corporation tax is 19% (2020 - 19%). On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax would increase from 19% to 25% from 1 April 2023.

Deferred tax has been recognised at 25%, being the enacted main rate of corporation tax at the balance sheet date on which the deferred tax liability is expected to be settled. The deferred tax liability as at 31 December 2021 but recognised at 19% would be £13,581,000.

13. Exceptional items

	2021 £000	2020 £000
Impairment of tangible fixed assets	10,116	42,646

An impairment assessment undertaken during the year resulted in charges of £10,116,000 (2020 - £42,646,000) against tangible fixed assets, as management identified some sites which have been impacted by the local market conditions.

14. Tangible fixed assets

	Freehold property £000	S/Term Leasehold Property £000	Plant and machinery £000	Right of use property assets £000	Right of use other assets £000
Cost or valuation					
At 1 January 2021	55,356	37	457,715	8,666	16,163
Additions	-	-	16,254	314	2,045
Disposals	(108)	-	(34,907)	-	(291)
Transfer to provisions	-	-	(53)	-	-
At 31 December 2021	55,248	37	439,009	8,980	17,917
Depreciation					
At 1 January 2021	38,840	37	370,466	1,230	7,790
Charge for the year on owned assets	748	-	8,349	-	-
Charge for the year on right-of-use assets	-	-	-	437	4,209
Disposals	(71)	-	(34,933)	-	(21)
Impairment charge	190	-	9,926	-	-
At 31 December 2021	39,707	37	353,808	1,667	11,978
Net book value					
At 31 December 2021	15,541	-	85,201	7,313	5,939
At 31 December 2020	16,516	-	87,249	7,436	8,373

14. Tangible fixed assets (continued)

	Total £000
Cost or valuation	
At 1 January 2021	537,937
Additions	18,613
Disposals	(35,306)
Transfer to provisions	(53)
At 31 December 2021	521,191
Depreciation	
At 1 January 2021	418,363
Charge for the year on owned assets	9,097
Charge for the year on right-of-use assets	4,646
Disposals	(35,025)
Impairment charge	10,116
At 31 December 2021	407,197
Net book value	
At 31 December 2021	113,994
At 31 December 2020	119,574

Included in freehold property is freehold land at a cost of £11,972,000 (2020 - £12,005,000).

Plant and machinery includes £13,177,000 (2020 - £9,359,000) in respect of assets in the course of construction.

14. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2021 £000	2020 £000
Tangible fixed assets owned	100,742	103,765
Right-of-use tangible fixed assets	13,252	15,809
	113,994	119,574

Information about right-of-use assets is summarised below:

Net book value

	2021 £000	2020 £000
Property	7,313	7,436
Plant and machinery	5,499	7,848
Motor vehicles	440	525
	13,252	15,809

Depreciation charge for the year ended

	2021 £000	2020 £000
Property	437	609
Plant and machinery	3,970	2,814
Motor vehicles	239	260
	4,646	3,683

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2021 and 31 December 2021	64,622
Impairment	
At 1 January 2021 and 31 December 2021	714
Net book value	
At 31 December 2021	63,908
At 31 December 2020	63,908

There is no impairment during the year as net assets exceed or equal the carrying value.

Direct subsidiary undertakings

The investments in which the Company directly held any class of share capital are as follows:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Castle Building Products Limited	England and Wales	Ordinary	100%	Dormant
Castle Cement (Ketton) Limited	England and Wales	Ordinary	100%	Investment holding company
Castle Cement (Ribblesdale) Limited	England and Wales	Ordinary	100%	Investment holding company
		Deferred	100%	
Castle Lime Limited	England and Wales	Ordinary	100%	Dormant
Mantle & Llay Limited	England and Wales	Ordinary	100%	Dormant
Minster Quarries Limited	England and Wales	Ordinary	100%	Investment holding company
Scancem Energy and Recovery Limited	England and Wales	Ordinary	100%	Investment holding company
Tunnel Cement Limited	England and Wales	Ordinary	100%	Investment holding company

The Company also held a 100% capital interest in Castle Pension Scheme Trustees Limited and CSPS Trustees Limited, two companies which are limited by guarantee without share capital. These companies are also incorporated in England and Wales.

15. Fixed asset investments (continued)

Indirect subsidiary undertakings

The investments in which the Company indirectly held any class of share capital are as follows:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Castle Cement (Chatburn) Limited	England and Wales	Ordinary	100%	Group finance company
Castle Cement (Clyde) Limited	England and Wales	Ordinary	100%	Group finance company
Castle Cement (Padeswood) Limited	England and Wales	Ordinary	100%	Group finance company
Castle Cement (Pitstone) Limited	England and Wales	Ordinary	100%	Group finance company
Chemical Manufacture and Refining Limited	England and Wales	A Ordinary	100%	Group finance company
		B Ordinary	100%	
		Ordinary	100%	
Ketton Cement Limited	England and Wales	Ordinary	100%	Dormant
Scancem Recovery Limited	England and Wales	Ordinary	100%	Investment holding company
Solrec Limited	England and Wales	Ordinary	100%	Group finance company
Thistleton Quarries Limited	England and Wales	Ordinary	100%	Dormant

The registered office of the investments is Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ.

16. Stocks

	2021 £000	2020 £000
Raw materials and consumables	35,340	8,932
Work in progress	11,802	16,910
Finished goods and goods for resale	4,121	4,765
	51,263	30,607

The difference between purchase price or production cost of stocks and their replacement cost is not material.

17. Debtors

	2021 £000	2020 £000
Due within one year		
Trade debtors	26,727	17,724
Amounts owed by group undertakings	125,559	92,136
Prepayments and accrued income	92	223
	152,378	110,083

Included within amounts owed by group undertakings is an amount of £110,361,000 (2020 - £74,579,000) which is unsecured, repayable on demand and accrues interest at overnight GBP LIBOR + 0.4% (2020 - overnight LIBOR + 0.45%) which is yet to transition to SONIA (Sterling Overnight Index Average).

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. SONIA replaced GBP LIBOR on 1 January 2022. There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. SONIA is a 'backward-looking' rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which SONIA currently does not. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences will need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

The replacement of LIBOR is not expected to materially impact the financial statements of the entity when adopted in 2022. No other changes to the terms of the floating-rate instruments are anticipated.

18. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Bank overdrafts	2,775	-
Trade creditors	52,131	35,501
Amounts owed to group undertakings	74,062	75,866
Other taxation and social security	5	3
Lease liabilities	3,520	3,740
Other creditors	5,551	3,986
Accruals and deferred income	15,919	11,417
	153,963	130,513

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Lease liabilities	8,699	11,359

20. Leases

Company as a lessee

The Company leases property, plant and machinery as well as motor vehicles.

Lease liabilities are due as follows:

	2021 £000	2020 £000
Not later than one year	3,520	3,740
Between one year and five years	5,250	7,220
Later than five years	3,449	4,139
	12,219	15,099

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2021 £000	2020 £000
Interest expense on lease liabilities	392	441
Expenses relating to short-term leases	2,971	2,628
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	43

21. Deferred taxation

	2021 £000	2020 £000
At 1 January	(6,990)	(13,028)
Credited/(charged) to the Statement of Comprehensive Income	(7,133)	2,828
Credited/(charged) to other comprehensive income	(1,671)	3,210
At 31 December	(15,794)	(6,990)

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	3,617	3,517
Other temporary differences	917	786
Deferred tax on defined benefit pension	(20,328)	(11,293)
	(15,794)	(6,990)

22. Provisions

	Restoration provisions £000	Restructure provisions £000	Carbon emission provisions £000	Other provisions £000	Total £000
At 1 January 2021	4,590	270	-	1,510	6,370
Charged to profit or loss	-	-	28,496	508	29,004
Discounted adjustments	(37)	-	-	-	(37)
Transfer from fixed assets	(53)	-	-	-	(53)
Utilised in year	(310)	(270)	-	(2)	(582)
At 31 December 2021	4,190	-	28,496	2,016	34,702

22. Provisions (continued)

Restoration provisions

Restoration provisions relate mainly to the costs of restoring quarries and other sites after use as required by legal or other constructive requirements. Restoration and environmental provisions will be utilised as and when mineral reserves at the Company's quarries are extinguished.

Provisions for terminal restoration have been discounted at 1.152% (2020 - 0.452%) per annum on current prices and where appropriate have been established after taking account of the advice of suitably qualified and experienced consultants and after establishing the costs in line with current practice and standards. All amounts greater than 12 months are discounted.

Restructure provisions

The restructuring provision relates to redundancy costs where the affected employees have been notified.

Carbon emission provisions

Carbon Emission provisions relate to the obligation to return emission rights. These obligations are recognised if the actual C02 emissions up to the reporting date are not covered by emission rights granted free of charge. The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date. Amounts have not been discounted as they are expected to be realised in less than twelve months

Other provisions

This relates primarily to the specific provision held for required works improvements as well as claims for defective materials. Amounts have not been discounted as they are expected to be released in less than twenty-four months.

23. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
70,000,000 (2020 - 70,000,000) ordinary shares of £1 each	70,000	70,000

The Company has no authorised share capital limit.

24. Contingent liabilities

A subsidiary company has an obligation to undertake decontamination work which the Company has guaranteed. At present it is not practical to estimate the liability due to the significant uncertainty regarding the likely cost of the remedial work together with the timing of any payment.

The Company has been notified of a number of claims from former employees in relation to alleged health related issues. The Directors do not consider it probable that an outflow of economic resources will be required to settle the obligation nor can the amount of any obligation be measured with sufficient reliability.

25. Pension commitments

Main Scheme

During the year, the Company participated in the Castle Pension Scheme (the "Main Scheme") and relevant employees are eligible for benefits under the main scheme, which is of the defined benefit type. Funds are held externally under the supervision of the corporate trustee.

The results of the latest funding valuation at 31 December 2018 have been adjusted to the balance sheet date by an independent actuary from AON Hewitt Limited taking account of experience over the period since 31 December 2018, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

The Main Scheme was closed to future accruals in September 2010. Main Scheme assets are stated at their market values at the respective Balance Sheet dates.

The assets and liabilities of the Main Scheme at 31 December are:

	2021 £000	2020 £000
Main Scheme assets at fair value		
Equities	41,763	38,590
Debt securities	129,918	129,980
Other	196,830	204,294
Fair value of Main Scheme assets	368,511	372,864
Present value of Main Scheme liabilities	(287,201)	(313,429)
Defined benefit Main Scheme asset	81,310	59,435

25. Pension commitments (continued)

The majority of these assets have a quoted market price in an active market. The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Main Scheme by investing in assets such as swaps which perform in line with the liabilities of the Main Scheme so as to protect against inflation being higher than expected.

The Trustees aims to achieve the Main Scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than low risk assets like cash and gilts. This is done within a broad liability driven investing framework that uses cash, gilts and other hedging instruments like swaps in a capital efficient way. In combination this efficiently captures the trustee risk tolerances and return objectives relative to the Main Scheme's liabilities. A number of investment managers are appointed to promote diversification by assets, organisation and investment style.

The Main Scheme has not invested directly in any of the Company's own financial instruments nor in properties or other assets used by the Company.

Included within the Statement of Comprehensive Income/(expense)

	2021 £000	2020 £000
Expected return on Main Scheme assets	(4,756)	(6,819)
Interest on Main Scheme liabilities	3,985	5,423
Included within other finance income	(771)	(1,396)
Administrative expenses	341	240
Past service cost	-	5
Total	(430)	(1,151)

Included within Other Comprehensive Income/(expense)

	2021 £000	2020 £000
Actuarial gain on Main Scheme assets	(4,979)	(32,250)
Actuarial (gain)/loss on Main Scheme liabilities	(16,436)	43,912
Total actuarial (gain)/loss	(21,415)	11,662

25. Pension commitments (continued)

Changes in present value of the defined benefit obligations are analysed as follows:

	2021 £000	2020 £000
Opening defined benefit obligation	313,429	278,167
Interest cost	3,985	5,423
Actuarial (gains)/losses	(16,436)	43,912
Benefits paid	(13,777)	(14,078)
Past service cost	-	5
Closing defined benefit obligation	287,201	313,429

The main actuarial assumptions used in the valuation are set out below:

	2021 %	2020 %
Rate of increase in pension payments	3.16	2.83
Discount rate	2.00	1.30
RPI inflation assumption	3.30	2.90
CPI inflation assumption	2.75	2.20

The mortality assumptions are based on recent actual mortality experience of members within the Main Scheme with an allowance for future improvements. The assumptions mean that a member currently aged 65 is expected to live on average for a further 21.4 years if they are male (2020 - 21.4 years) and for a further 23.4 years if they are female (2020 - 23.4 years).

For a member who retires in 2042 (2020 - 2041) at the age of 65 the assumptions are that they will live on average for a further 22.8 years after retirement if they are male (2020 - 22.8 years), and for a further 25.2 years after retirement if they are female (2020 - 25.2 years).

The sensitivity of the present value of Main Scheme liabilities to changes in the principal assumptions used is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase / decrease 0.5%	Decrease 9% / increase 10%
Rate of pension increase	Increase / decrease 0.25%	Increase 3% / decrease 3%
Life expectancy	Increase / decrease 1 year	Increase 5% / decrease 5%

25. Pension commitments (continued)

Changes in the fair value of the Main Scheme assets are analysed as follows:

	2021 £000	2020 £000
Fair value of plan assets at beginning of year	372,864	348,108
Expected return on plan assets	4,756	6,819
Administrative expenses paid by the plan	(341)	(240)
Actuarial gain on plan assets	4,979	32,250
Employer contributions	30	5
Benefits paid from plan	(13,777)	(14,078)
Total	368,511	372,864

Amounts for the current and previous four years:

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Fair value of Main Scheme assets	368,511	372,864	348,108	326,507	337,709
Defined benefit obligation	(287,201)	(313,429)	(278,167)	(280,844)	(328,366)
Surplus/(deficit) in Main Scheme	81,310	59,435	69,941	45,663	9,343
Experience gains/(losses) on Main Scheme assets	4,979	32,250	25,055	(9,549)	10,682
Experience (losses)/gains on Main Scheme liabilities *	(3,160)	2,903	15,640	2,934	3,070

* This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

UK legislation requires that pension schemes are funded prudently. The latest funding valuation as at 31 December 2018 was agreed on 27 November 2019. The valuation showed a deficit of £6.6million. The Company paid deficit contributions of £6.6 million in 2019 which has made good the shortfall. Administrative expenses, including levies payable to the Pensions Protection Fund (PPF), are now met by the Scheme directly via a technical provisions funding reserve. The next funding valuation is due no later than 31 December 2021.

The Company recognises the Main Scheme surplus in accordance with the requirements of IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The Trustees of the scheme do not have the unilateral right to commence wind-up of the scheme. Thus, the Company assumes that the scheme continues in existence until the last benefit payments are made to members, at which point any residual assets are returned to the employer in line with the rules of the scheme.

The Company is not yet clear on whether the IASB's proposed amendments to IFRIC 14 will affect its ability to receive a refund of surplus in this situation. Once the amendments have been finalised, management will review the likely impact.

26. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with wholly owned subsidiaries in the group headed by HeidelbergCement AG. Balances outstanding at 31 December with related parties, are as follows:

	2021 £000	2020 £000
Amounts owed by fellow subsidiary undertakings	15,198	17,557
Amounts owed by ultimate parent undertaking	110,361	74,579
Amounts owed to direct subsidiary undertakings	(45,890)	(45,892)
Amounts owed to indirect subsidiary undertakings	(15,945)	(15,945)
Amounts owed to fellow subsidiary undertakings	(12,227)	(14,029)
	51,497	16,270

27. Ultimate parent undertaking and controlling party

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