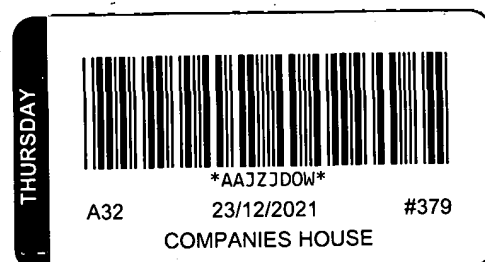


Registered number: 02301423

CIVIL AND MARINE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



CIVIL AND MARINE LIMITED

COMPANY INFORMATION

Directors	E A Gretton J Godbert (resigned 30 November 2020) Dr C M Wendt S L Willis
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Company secretary	W F Rogers
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Registered number	02301423
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Registered office	Hanson House 14 Castle Hill Maidenhead SL6 4JJ
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Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR
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CIVIL AND MARINE LIMITED

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CIVIL AND MARINE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Business review

The principal activity of the Company is the manufacture and sale of ground granulated blast furnace slag ("GGBS") primarily for use in the concrete industry.

The Company has an arrangement with Castle Cement Limited ("Castle"), a fellow group undertaking, whereby it sells all of its GGBS output to Castle who in turn will sell this product to external customers. The arrangement provides customers with a single point of contact for all of Hanson UK's cementitious products in the UK.

The impact of COVID-19 resulted in a reduction of sales volumes by 13% and turnover by 9% from £87,727,000 to £79,846,000 with operating profit, excluding exceptional items, reduced from £12,272,000 to £10,413,000, a decrease of 15%. Throughout the year, measures were introduced to further manage fixed costs in order to preserve margins, including furloughing staff and controlling repair and maintenance expenditure. In addition, redundancy costs of £213,000 were incurred at a number of sites and have been treated as an exceptional item.

During the year the Company received a dividend of £714,000 from its subsidiary undertaking, Civil and Marine (Holdings) Limited. The Company consequently impaired its investment in Civil and Marine (Holdings) Limited by £211,000, to bring the carrying amount in line with the underlying net assets. This has been treated as an exceptional item.

During the year the Directors took the decision to reinstate the secondary ball mill at the Purfleet site, in order to increase production capacity, investing over £210,000 in new plant and machinery. The Company also reopened its site at Llanwern to utilise the storage facility, incurring capital expenditure of £185,000.

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 2020 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 we 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 they foster 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.

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 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 achieving the highest standards of compliance with ISO's 9001, 14001, 45001 and 50001, together with BES 6001; 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 2°C; conserving natural resources and maximising the use of alternative materials and recycling; being a good neighbour based on transparency and consultation, staff volunteering on community projects, with local jobs and local procurement; and being a fair, respectful and inclusive company.

CIVIL AND MARINE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

Hanson UK Sustainability Policy (continued)

During 2020 the Company continued to roll out its Hanson UK 2030 commitments in relation to the six above-mentioned 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 2020 Sustainability Report sets out the KPI 2030 targets and future reports will record progress towards attainment of these objectives.

Late in 2020 Fast Track Targets were set which build upon the existing commitments and bring forward many of the deadlines that were originally targeted for 2030. Whilst 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 a social value policy was introduced 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 Social Value Measurement 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 imbed within the business.

2020

Operational investments and improvements 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 Hanson UK and our parent company and developing meaningful partnerships with our suppliers; investments in new operations facilitate reductions in energy usage, water usage and emissions, lessening the impact on both the environment and local 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, national roadshows in the form of 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 2020 and became more frequent after the onset of the COVID-19 pandemic.

With many staff working from home or furloughed due to COVID-19, communications were adapted to support those not in their normal workplace. The COVID-19 pandemic during 2020 led to many of the briefings being done online using Microsoft Teams software which were considered to be effective.

The Company continued with the Hanson UK Fairness, Inclusion and Respect steering group which implements initiatives to address diversity and gender balance within the workforce. The Company normally engages in meetings with schools and colleges for the purposes of recruiting graduates and also finding candidates for the Company's management and engineering apprenticeships, but these meetings did have to be restricted once COVID-19 measures were introduced in April.

Engagement with customers in 2020 until lockdown continued with face to face visits from our customer service centre and commercial teams. However from April onwards this was largely replaced by virtual meetings via Microsoft Teams or normal telephone interactions.

The Company has a clear focus towards 2030 and beyond and together with its ultimate parent company is developing masterplans to meet the challenges of reducing CO₂ emissions. In 2020 the Company has started to explore opportunities to reduce its CO₂ emissions. The Company's business is the production and distribution of Regen (Ground Granulated Blastfurnace Slag) which is a substitute for cement that reduces embodied CO₂ in concrete as well as increasing durability. The Company works to maximise the use of Regen within concrete, with every tonne of Regen used reducing embodied CO₂ by as much as 750kg.

CIVIL AND MARINE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

2020 (continued)

The Company works with national bodies to ensure that industry standards in concrete mix design recognise and allow for the incorporation of Regen within concrete in the interests of CO2 reduction.

Improvements in the interest of sustainability and lessening the potential for impact on communities and the environment include: the Company's support for university research and development to drive carbon reductions: this involves work at Swansea University, focussed on burning hydrogen as a zero carbon fuel to help run the Port Talbot Regen plant; the Company's process of continuous review in water management and the establishment of ambitious targets to reduce levels of mains water usage on site; the continuous reviews of the Company's waste management processes supported again by the establishment of new objectives; and the establishment of the Company's operation within a fully integrated management system that includes an ISO 50001 certified energy management system.

The Company also invested in the Expert Systems platform to reduce energy consumption and increase process efficiency and has worked to generally increase digitalisation to improve maintenance and complement efficiency outcomes. Furthermore the Company completed its major investment project to transfer its principal front and back office financial accounting systems onto the same SAP platform as other trading companies within Hanson UK.

With respect to the Company's health and safety workplace processes, COVID-19 policies and procedures were rapidly introduced 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 2020 has included: ongoing revisions to our risk assessment processes, the holding of focused safety initiatives such as Safety Week and the introduction of quarterly Safety Stand-Downs when the Company suspended its national operations to focus on developing a culture of zero harm; tackling LTIs (lost time incidents) 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 Intelix platform for the holding and recording of everyday safety conversations on site. The Company has also recognised the importance of mental health and wellbeing with employees continuing to be trained in this area during 2020 and mental health first aiders appointed. Sessions were also held to promote the importance of mental wellbeing.

Steps taken during 2020 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 a new online reporting platform that allows concerns to be reported and investigated outside of reporting lines.

Further information relating to Regen's sustainability, including customer support for Continuing Professional Development (CPD) training, can be found on the Hanson UK website www.hanson.co.uk/regen-sustainability.

Principal risks and uncertainties

Raw material supply risk

The Company may be unable to meet demand if insufficient raw material, specifically granulated blast furnace slag, ("GBS") is available from third party suppliers. This risk is mitigated by working closely with suppliers. The Company is working with its raw material suppliers in the UK and abroad to improve productivity, efficiency and availability.

CIVIL AND MARINE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties (continued)

Market demand risk

Demand for the Company's products is predominantly from the construction sector. Confidence in the construction sector is key to maintaining demand and relevant trends are monitored closely to ensure that production capacity remains in line with demand.

Energy risk

The manufacture of GGBS consumes significant volumes of gas and electricity as part of the production process. Whilst the Company constantly reviews methods of reducing gas and electricity consumption, increases in these costs may significantly increase the cost of production. 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 actively mitigates the volatility of these costs through partial forward buying gas requirements and where appropriate, locking in to fixed prices contracts for electricity supply.

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.

Credit risk

Credit risk is the potential exposure of the Company to loss in the event of non-performance by a counter-party. The Company controls this credit risk through credit approval and appropriate limits.

Regulatory risk

The construction industry is subject to a wide range of regulatory measures, including both UK and European emission regulations through the Environment Agency and other areas such as competition law. A breach of these laws or regulations could affect some of the Company's production facilities or could result in a lengthy enquiry or management time consuming investigation. This risk is mitigated by maintaining strict policies and procedures to ensure compliance with all regulatory requirements.

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. In addition, the Company relies upon the quality of raw material granulate from its suppliers. These are monitored carefully, and where necessary are blended to ensure an optimum mix.

Financial key performance indicators

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

This report was approved by the board on 17 December 2021 and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

CIVIL AND MARINE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year, after taxation, amounted to £12,559,000 (2019 - £138,562,000).

The Directors do not recommend the payment of a final dividend (2019 - £nil).

Future developments

Following the COVID-19 lockdowns, pent-up demand has led to volume growth in 2021 which is higher than expected. Cost control remains a key focus of the business in order to preserve margins.

Going concern

The impact of COVID-19 on UK businesses is changing on a daily basis and the measures being adopted by the UK Government could have a significant impact in the foreseeable future. On the basis of their assessment of the Company's financial position and relevant enquiries, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern. The impact of recent gas and electricity price increases has been considered as part of this assessment and deemed to have no material impact on the Company's ability to meet its obligations as they fall due.

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 annual financial statements.

Directors

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

E A Gretton
J Godbert (resigned 30 November 2020)
Dr C M Wendt
S L Willis

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.

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 2020.

CIVIL AND MARINE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy and Carbon Reporting

The Streamlined Energy and Carbon Reporting ("SECR") disclosure presents the Company's 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 2020
Energy consumption used to calculate emissions (kWh)	181,364,097
Emissions from combustion of gas tCO ₂ e (Scope 1)	21,824
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	2,650
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	0
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	12,003
Total gross tCO ₂ e based on above*	36,477
Intensity ratio (tCO ₂ e/turnover in £000)	0.4568

*The presented emissions in this section differ from the total emissions of the company.

Energy Efficiency Action Summary

The Company forms part of the Hanson UK operating division of HeidelbergCement AG (HCAG). The Directors believe that effective management of safety, health, environment, quality, energy, carbon, and responsible sourcing is of key importance to the sustained success of the business. The Company has adopted a systematic and integrated approach to energy and carbon reductions and are committed to achieving the highest standards being certified to both ISO 14001 Environmental Management and ISO 50001 Energy Management. The Energy Management system covers Hanson UK's entire UK business, which includes the Company.

The Company considers lifecycle analysis in the purchase of plant and equipment with the intention of reducing both the pass-through costs and minimising the effect on the environment. The Company is committed to fulfilling its share of the responsibility to keep the global temperature rise below 1.5° C and it will continue to reduce its impact on air, land and water. The Company sets science-based targets to reduce carbon emissions and energy consumption, reduce the use of fossil fuel through efficiency improvements and the use of alternative and renewable sources.

The Company is constantly looking for improvement opportunities across its sites and have recently completed a number of projects including:

The Company introduced plant optimization software colloquially known as an "expert system", which was installed at our Purfleet site with great success. This upgraded plant control system allows far greater control for optimising both product quality and reducing energy consumption. This investment in technology also allowed the knowledge and experience of our operators to be put to its best use. Additionally, at Purfleet significant upgrades to the secondary ball mill have been undertaken including modifications to the electrical distribution systems.

A wide variety of plant efficiency projects are now in place across the business including oil sampling and plant vibration analysis, which includes ongoing monitoring. Site engineering teams have been able to significantly improve the levels of plant reliability "up time" and as such make significant improvements in energy efficiency. The teams have also focused on the compressed air used throughout the process. The Teesside plant completed an upgrade of the new compressor control systems and also upgraded its predryer system reducing the use of natural gas.

Improvements to the lighting systems have been made at the Port Talbot site, which completed the upgrade of available speed drives on the grinding mill, in addition to a classifier improvement project.

CIVIL AND MARINE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy and Carbon Reporting (continued)

Energy Efficiency Action Summary (continued)

The Company's primary electricity supply is a zero carbon "BLUE for business" Tariff from EDF and the Directors are pleased to say the Company has significant solar generation in partnership with suppliers at the Company's sites within the wider supply chain. All the Company's operating plants are designed to save energy by accurate control of inputs, which are often the result of an energy intensive process. The Company aims to conserve natural resources, using resources appropriately and sustainably and where possible by substituting primary resources with alternative materials. The Company is also certified to ISO 6001 Responsible Sourcing of Construction Products.

Methodology Notes

Reporting Period	January – December 2020
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Civil and Marine Limited's annual accounts made up to 31 December 2020
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2020 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020
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 ₂ e) 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 Civil and Marine Limited employee numbers of the total employee numbers (2.1%) 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 3.85 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.
Exclusions	There is no system in place to capture scope 3 transport fuels as it is not in the company's policy to use personal cars. The diesel and petrol usage of the grey fleet is based on a mileage extracted from Hanson UK's Concur (Expenses) system. The mileage is collected on a department level then allocated to the reporting companies. The diesel and petrol usage of the hire cars is based on a cost extract from Hanson UK's Concur (Expenses) system. The cost is collected on a department level, converted to miles using a fixed 0.45 £ per mile reimbursement rate. A split of 80% petrol and 40% diesel is applied to the mileage as its not collected separately. Source: https://www.gov.uk/government/collections/vehicles-statistics The mileage is collected on a department level then allocated to the reporting companies. For both grey fleet and hire cars the recorded miles are converted to litres using MPG (miles per gallon) factor; Diesel 57.9 MPG and Petrol 50.5 MPG. Source: https://www.racfoundation.org/motoring-facts/environment/#a27 Also, a standard conversion factor is used for 'litres per gallon' of 4.546092 For Diesel, Litres per mile = 4.546092 / 57.9 = 0.078516269 For Petrol, Litres per mile = 4.546092 / 50.5 = 0.09021624 The estimated usage is 324 liter diesel and 408 liter petrol. Using 2020 DEFRA for conversion, these add up to 1.7 tCO ₂ , below 0.005% of the company's total annual emissions. It is excluded from reporting as it is not practical to obtain. 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.

CIVIL AND MARINE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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:

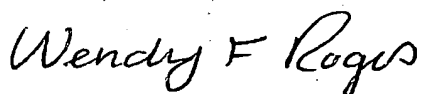
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors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

Independent auditors

Due to the introduction of EU Regulations regarding audit rotation of the Company's ultimate parent company, HeidelbergCement AG, the Company's previous auditors, Ernst & Young LLP, did not seek re-appointment.

PricewaterhouseCoopers LLP were appointed as auditors for the year ended 31 December 2020. 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 17 December 2021 and signed on its behalf.



W F Rogers
Secretary

CIVIL AND MARINE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

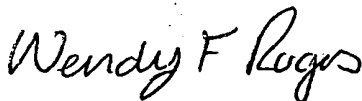
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This Responsibilities Statement was approved by the board on 17 December 2021 and signed on its behalf.



W F Rogers
Secretary

Report on the audit of the financial statements

Opinion

In our opinion, Civil and Marine Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit 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: the Balance Sheet as at 31 December 2020; 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIVIL AND MARINE LIMITED

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 2020 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.

CIVIL AND MARINE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIVIL AND MARINE LIMITED

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK environmental regulations, health, safety and employment regulations 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 the potential for management bias in accounting estimates or judgements. 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 represented 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 obtained 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 and the related estimated costs

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.

CIVIL AND MARINE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIVIL AND MARINE LIMITED

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
Date: 21 December 2021

CIVIL AND MARINE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	3	79,846	87,727
Change in stocks of finished goods and work in progress		(346)	318
Other operating income	4	687	1,044
Raw materials and consumables		(40,732)	(49,829)
Other operating expenses	5	(19,045)	(21,475)
Exceptional items	12	(424)	(27,550)
Staff costs	6	(3,165)	(3,773)
Depreciation, amortisation and impairment		(5,984)	(1,740)
Operating profit/(loss)		10,837	(15,278)
Income from shares in group undertakings	8	714	152,992
Interest receivable and similar income	9	631	1,356
Interest payable and expenses	10	(238)	(245)
Profit on ordinary activities before taxation		11,944	138,825
Tax on profit on ordinary activities	11	615	(263)
Profit for the financial year		12,559	138,562
Total comprehensive income for the year		12,559	138,562

All amounts relate to continuing operations.

The notes on pages 18 to 44 form part of these financial statements.

CIVIL AND MARINE LIMITED
REGISTERED NUMBER: 02301423

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Goodwill	13	80,379	80,379
Other intangible assets	14	2,546	2,829
Tangible assets	15	12,907	17,939
Investments	16	90,862	91,073
		<u>186,694</u>	<u>192,220</u>
Current assets			
Stocks	17	5,217	9,448
Debtors: amounts falling due after more than one year	18	1,714	1,895
Debtors: amounts falling due within one year	18	440,349	419,344
		<u>447,280</u>	<u>430,687</u>
Creditors: amounts falling due within one year	19	(99,316)	(100,219)
Net current assets		<u>347,964</u>	<u>330,468</u>
Total assets less current liabilities		<u>534,658</u>	<u>522,688</u>
Creditors: amounts falling due after more than one year	20	(6,332)	(6,794)
		<u>528,326</u>	<u>515,894</u>
Provisions for liabilities			
Other provisions	23	(552)	(679)
Net assets		<u><u>527,774</u></u>	<u><u>515,215</u></u>

CIVIL AND MARINE LIMITED
REGISTERED NUMBER: 02301423

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Capital and reserves			
Called up share capital	24	-	-
Share premium account		248,071	248,071
Profit and loss account		279,703	267,144
Total equity		<u>527,774</u>	<u>515,215</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 December 2021



Dr C M Wendt
Director

The notes on pages 18 to 44 form part of these financial statements.

CIVIL AND MARINE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	248,071	128,582	376,653
Comprehensive income for the year				
Profit for the year	-	-	138,562	138,562
Total comprehensive income for the year	-	-	138,562	138,562
At 1 January 2020	-	248,071	267,144	515,215
Comprehensive income for the year				
Profit for the year	-	-	12,559	12,559
Total comprehensive income for the year	-	-	12,559	12,559
At 31 December 2020	-	248,071	279,703	527,774

The notes on pages 18 to 44 form part of these financial statements.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

1.1 General information

Civil and Marine 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) except where otherwise indicated.

The principal accounting policies adopted by the Company 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 accounts by virtue of section 400 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 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- 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

This information is included in the consolidated financial statements of HeidelbergCement AG as at 31 December 2020 and these financial statements may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.4 Going concern

The impact of COVID-19 on UK businesses is changing on a daily basis and the measures being adopted by the UK Government could have a significant impact in the foreseeable future. On the basis of their assessment of the Company's financial position and relevant enquiries, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern. The impact of recent gas and electricity price increases has been considered as part of this assessment and deemed to have no material impact on the Company's ability to meet its obligations as they fall due.

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 annual 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 when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the revaluation model, intangible assets shall be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated amortisation and subsequent impairment losses - provided that the fair value can be determined by reference to an active market.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the balance sheet date.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.7 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the Company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view.

1.8 Tangible fixed assets

Tangible fixed assets under the cost model 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 20-25 years
S/Term leasehold property	- over the life of the lease
Plant and machinery and motor vehicles	- 3-20 years
Fixtures, fittings and office equipment	- 3-4 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.9 Investments

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

1.10 Stocks

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

1.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.12 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 include 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.

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.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.12 Financial instruments (continued)

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 Company's financial liabilities include trade and other payables, and amounts owed to group undertakings.

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

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.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.12 Financial instruments (continued)

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.

1.13 Government grants

Government and similar grants received for the acquisition of assets are recognised only when there is reasonable assurance that they will be received and any conditions attached to them have been fulfilled. The grant is held in the Balance Sheet within deferred income and released to the Statement of Comprehensive Income over the periods necessary to match the related depreciation charges or other expenses of the asset as they are incurred.

1.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

1.15 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.16 Pensions

During the year, the Company participated in the Hanson Industrial Pension Scheme (Defined Benefit Section). Funds are held externally under the supervision of the corporate trustee.

The Hanson Industrial Pension Scheme is a group defined benefit plan which is participated in by entities under common control. As such the net defined benefit cost is recognised in the financial statements of a fellow group subsidiary, Hanson Quarry Products Europe Limited, which is considered to be legally responsible for the plan. All other group entities recognise a cost equal to their contribution payable for the period.

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

1.17 Interest income

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

1.18 Provisions for liabilities

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 profit or loss 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.

1.19 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.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.19 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.

1.20 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.

1.21 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.

1.22 Leases

The Company as a lessee

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.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.22 Leases (continued)

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.

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.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.22 Leases (continued)

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. Judgments 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.

Restoration and other provisions

Provisions for damages 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 income statement 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 23.

3. Turnover

All (2019 - All) turnover arose within the United Kingdom.

CIVIL AND MARINE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****4. Other operating income**

	2020	2019
	£000	£000
Other operating income	526	741
Net rents receivable	22	177
Foreign exchange gains	139	126
	<u>687</u>	<u>1,044</u>

5. Other operating expenses

	2020	2019
	£000	£000
Selling and administrative expenses	46	42
Distribution expenses	13,065	15,810
Expenses for third party repairs and services	1,276	1,356
Rental and leasing expenses	369	364
Foreign exchange losses	139	81
Loss on disposal of tangible assets	-	1
Other expenses	4,150	3,821
	<u>19,045</u>	<u>21,475</u>

6. Employees

	2020	2019
	£000	£000
Wages and salaries	2,537	3,123
Social security costs	308	335
Cost of defined contribution scheme	320	315
	<u>3,165</u>	<u>3,773</u>

The Directors of the Company are also directors of a number of the group's fellow subsidiaries. The Directors received total remuneration of £1,410,000 (2019: £1,581,000) which was paid by various subsidiaries. The Directors do not believe that it is practical to apportion this amount between their services as Directors of the Company and their services as directors of fellow subsidiary companies.

CIVIL AND MARINE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****6. Employees (continued)**

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

	2020 No.	2019 No.
Production and distribution	51	62
Management, selling and administration	12	7
	<u>63</u>	<u>69</u>

7. Auditors' remuneration

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

8. Income from investments

During the year, the Company received a dividend of £714,000 (2019: £152,992,000) from its subsidiary undertaking, Civil and Marine (Holdings) Limited.

9. Interest receivable

	2020 £000	2019 £000
Interest receivable from group companies	553	1,233
Other interest receivable	78	123
	<u>631</u>	<u>1,356</u>

10. Interest payable and similar expenses

	2020 £000	2019 £000
Interest on lease liabilities	238	244
Other interest payable	-	1
	<u>238</u>	<u>245</u>

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

11. Taxation

	2020 £000	2019 £000
Current tax		
Current UK Corporation tax on profit for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(167)	197
Adjustment in respect of prior periods	(448)	66
Total deferred tax	(615)	263
Taxation on (loss)/profit on ordinary activities	(615)	263

Reconciliation of the tax credit for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	11,944	138,825
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	2,269	26,377
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	23	5,234
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	61	216
Non-taxable income	(140)	(29,072)
Group relief	(2,397)	(2,567)
Transfer pricing adjustments	16	32
Changes in tax rates	(20)	(23)
Adjustments in respect of prior years	(427)	66
Total tax charge for the year	(615)	263

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

11. Taxation (continued)

Change in corporation tax rate

The main rate of corporation tax is 19% (2019 - 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 19% (2019 - 17%), being the enacted main rate of corporation tax at the balance sheet date on which the deferred tax asset/liability is expected to be realised/settled. The deferred tax asset/liability as at 31 December 2020 but recognised at 25% would be £1,054,000.

12. Exceptional items

	2020 £000	2019 £000
Impairment of fixed asset investments	(211)	(27,549)
Restructuring costs	(213)	(1)
	<u>(424)</u>	<u>(27,550)</u>

During the current year the Company impaired its investment in Civil and Marine (Holdings) Limited by £211,000 to bring the carrying amount in line with the underlying net assets. The Company also incurred redundancy costs of £213,000 relating to a number of different operating sites.

During the prior year the Company impaired its investment in Civil and Marine (Holdings) Limited by £27,549,000 to bring the carrying amount in line with the underlying net assets. The Company also incurred restructuring costs of £1,000 relating to a number of different operating sites.

13. Goodwill

	2020 £000
Cost and Net book value	
At 1 January 2020 and 31 December 2020	<u>80,379</u>

The goodwill arose on the transfer of the trade and assets into the Company.

The Companies Act 2006 requires goodwill to be reduced by provisions for depreciation of a systematic basis over a period chosen by the directors as its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a "true and fair view override" to overcome the prohibition on the non-amortisation of goodwill in the Companies Act 2006. If the Company had amortised goodwill, a period of 20 years would have been chosen as its useful economic life. Profit for the year would have been £5,742,000 lower (2019 - £5,742,000 lower) if goodwill had been amortised on this basis.

CIVIL AND MARINE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Intangible assets

	Supply Agreements £000
Cost	
At 1 January 2020	9,051
At 31 December 2020	<u>9,051</u>
Amortisation	
At 1 January 2020	6,222
Charge for the year on owned assets	283
At 31 December 2020	<u>6,505</u>
Net book value	
At 31 December 2020	<u>2,546</u>
At 31 December 2019	<u>2,829</u>

The balance relates to supply agreements which end in 2029.

CIVIL AND MARINE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Tangible fixed assets

	Freehold Property £000	S/Term Leasehold Property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2020	10,340	28	34,080	198	44,646
Additions	-	-	668	-	668
Transfer from provisions	-	-	1	-	1
Disposals	-	-	(19)	-	(19)
At 31 December 2020	10,340	28	34,730	198	45,296
Depreciation					
At 1 January 2020	2,139	28	24,342	198	26,707
Charge for the year on owned assets	105	-	838	-	943
Charge for the year on right-of-use assets	85	-	38	-	123
Disposals	-	-	(19)	-	(19)
Impairment charge	2,205	-	2,430	-	4,635
At 31 December 2020	4,534	28	27,629	198	32,389
Net book value					
At 31 December 2020	5,806	-	7,101	-	12,907
At 31 December 2019	8,201	-	9,738	-	17,939

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

	2020 £000	2019 £000
Tangible fixed assets owned	12,215	14,936
Right-of-use tangible fixed assets	692	3,003
	<u>12,907</u>	<u>17,939</u>

CIVIL AND MARINE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Tangible fixed assets (continued)

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

Net book value

	2020 £000	2019 £000
Property	624	2,891
Plant and machinery	68	112
	<u>692</u>	<u>3,003</u>

Depreciation charge for the year ended

	2020 £000	2019 £000
Property	(85)	(234)
Plant and machinery	(38)	(25)
	<u>(123)</u>	<u>(259)</u>

Plant and machinery includes £5,000 (2019: £492,000) in respect of assets in the course of construction.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2020	248,071
At 31 December 2020	<u>248,071</u>
Impairment	
At 1 January 2020	156,998
Charge for the period	211
At 31 December 2020	<u>157,209</u>
Net book value	
At 31 December 2020	<u>90,862</u>
At 31 December 2019	<u>91,073</u>

During the year the Company impaired its investment in Civil and Marine (Holdings) Limited by £211,000 to bring the carrying amount in line with the underlying net assets.

Direct subsidiary undertakings

The investment in which the Company directly held any class of share capital is as follows:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Civil and Marine (Holdings) Limited	England and Wales	Ordinary	100%	Investment holding company

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

16. 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
Appleby Group Limited	England and Wales	Ordinary	100%	Investment holding company
Calumite Limited	England and Wales	Ordinary	51%	Manufacture of glass making materials
Calumite s.r.o. *	Czech Republic	Ordinary	100%	Manufacture of glass making materials
Rezincote (1995) Limited	England and Wales	Ordinary	100%	Dormant
Civil and Marine Slag Cement Limited	England and Wales	Ordinary	100%	Investment holding company
The Purfleet Ship to Shore Conveyor Company Limited	England and Wales	"B" Ordinary	100%	Group finance company

* The effective holding in Calumite s.r.o., which is owned by Calumite Limited, is 51%

The registered office of the investments incorporated in England and Wales is Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ.

The registered office of Calumite s.r.o. is Lihovarská 636/44, Ostrava - Kuncicky, 718 00, Czech Republic.

17. Stocks

	2020 £000	2019 £000
Raw materials and consumables	3,385	7,003
Consumables stock and spares	1,008	1,338
Finished goods and goods for resale	824	1,107
	<u>5,217</u>	<u>9,448</u>

Replacement costs of stock

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

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. Debtors

	2020 £000	2019 £000
Due after more than one year		
Rents receivable	1,714	1,895
	<u>1,714</u>	<u>1,895</u>
Due within one year		
Trade debtors	292	212
Amounts owed by group undertakings	435,944	416,989
Other debtors	3,082	617
Prepayments and accrued income	-	1,110
Deferred taxation	786	171
Rents receivable	245	245
	<u>440,349</u>	<u>419,344</u>

Amounts owed by group undertakings are unsecured, repayable on demand and interest free, except for an amount of £336,669,000 (2019 - £316,073,000) which receives interest calculated on a daily basis at the prevailing overnight LIBOR.

Included within prepayments and accrued income is £nil (2019 - £984,000) relating to consideration owing from the divestment of one of the Company's active sites in 2015.

19. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	15	-
Trade creditors	3,803	5,731
Amounts owed to group undertakings	90,220	90,187
Lease liabilities	443	669
Other creditors	166	168
Accruals and deferred income	4,669	3,464
	<u>99,316</u>	<u>100,219</u>

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

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 £000	2019 £000
Lease liabilities	6,233	6,671
Accruals and deferred income	99	123
	<u>6,332</u>	<u>6,794</u>

Accruals and deferred income relate to government grants to be released to the Statement of Comprehensive Income in more than one year. Of this, £nil (2019 - £25,000) is due in more than five years.

21. Leases

Company as a lessee

The Company leases property as well as vehicles used by its employees.

Lease liabilities are due as follows:

	2020 £000	2019 £000
Not later than one year	443	669
Between one year and five years	2,655	2,475
Later than five years	3,578	4,197
	<u>6,676</u>	<u>7,341</u>

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

	2020 £000	2019 £000
Interest expense on lease liabilities	<u>238</u>	244

22. Deferred taxation

	2020 £000
At beginning of year	171
Credited to the Statement of Comprehensive Income	615
At end of year	<u><u>786</u></u>

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	696	74
Other temporary differences	90	97
	<u>786</u>	<u>171</u>

23. Provisions

	Restoration provision £000	Onerous lease provision £000	Other provisions £000	Total £000
At 1 January 2020	451	102	126	679
Charged to profit or loss	-	-	24	24
Transfer to fixed assets	1	-	-	1
Unwind of discount	4	-	-	4
Utilised in year	-	(102)	(54)	(156)
At 31 December 2020	<u>456</u>	<u>-</u>	<u>96</u>	<u>552</u>

Restoration provision

Provisions for terminal restoration have been discounted at 1.3% (2019 - 1.3%) 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. The restoration provision is held to cover the costs of restoring land to its original state. The costs will be incurred over the useful life of the land, most of which is over 12 months.

Onerous lease provision

An onerous lease contract reflects the unavoidable cost of meeting the obligation under the lease where this exceeds the economic benefit to be received. The provision reflects the net cost of exiting the lease, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The onerous lease provision was utilised in full in the year with no leases remaining.

Other provisions

Other provisions relate to restructuring costs and technical claims. Amounts have not been discounted as they are expected to be realised in less than 12 months.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

24. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
101 (2019 - 101) ordinary shares of £1 each	101	101

25. Pension commitments

During the year, the Company participated in the defined benefit section of the Hanson Industrial Pension Scheme (the "Scheme") and relevant employees are eligible for benefits under this funded defined benefit Scheme. Funds are held externally under the supervision of the corporate trustee. The Company participates in the Scheme along with several other UK companies forming part of the HeidelbergCement AG group (the "Group").

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 Scheme was closed to future accrual in September 2010. Scheme assets are stated at their market values at the respective balance sheet dates.

The assets and liabilities of the Scheme are recognised in the financial statements of Hanson Quarry Products Europe Limited and the balances at 31 December were:

	2020 £000	2019 £000
Scheme assets at fair value		
Cash and cash equivalents	29,957	21,035
Equity	146,974	206,493
Interest rate swaps	(240)	(281)
Nominal government bonds	782,345	674,366
Nominal corporate bonds	122,941	143,383
Index linked bonds	1,085,360	985,679
Real estate	98,955	105,358
Insurance policies	10,832	10,835
Other	103,389	101,036
Fair value of Scheme assets	2,380,513	2,247,904
Present value of Scheme liabilities	(1,865,761)	(1,686,834)
Defined benefit Scheme asset	514,752	561,070

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. Pension commitments (continued)

The majority of these assets have a quoted market price in an active market.

The value of the "buy-in" insurance policies held in the name of the Trustee has been set equal to the value of the matched liabilities.

The Company and the Trustee 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 Scheme by investing in assets such as swaps which perform in line with the liabilities of the Scheme so as to protect against inflation being higher than expected.

The Trustee aims to achieve the 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 Scheme's liabilities. A number of investment managers are appointed to promote diversification by assets, organisation and investment style.

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

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

	2020 %	2019 %
Rate of salary increases*	2.70	2.55
Rate of increase in pension payments	2.83	2.68
Discount rate	1.30	2.00
RPI inflation assumption	2.90	2.75
CPI inflation assumption	2.20	2.05

* For 2020 this reflects CPI inflation + 0.5% p.a. (2019 - CPI inflation + 0.5% p.a.).

The mortality assumptions are based on recent actual mortality experience of members within the 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 21.6 years if they are male (2019 - 21.5 years) and for a further 23.5 years if they are female (2019 - 23.3 years).

For a member who retires in 2041 (2019 - 2040) at the age of 65 the assumptions are that they will live on average for a further 22.5 years after retirement if they are male (2019 - 22.4 years), and for a further 24.8 years after retirement if they are female (2019 - 24.6 years).

Sensitivity analysis

The sensitivity of the present value of 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 8% / increase 9%
Rate of pension increases	Increase / decrease 0.25%	Increase 3% / decrease 3%
Life expectancy	Increase / decrease 1 year	Increase 5% / decrease 5%

CIVIL AND MARINE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****25. Pension commitments (continued)**

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

	2020 £000	2019 £000
Opening defined benefit obligation	1,686,834	1,566,352
Current service cost	3,355	2,629
Interest cost	32,774	44,004
Actuarial losses/(gains) on Scheme liabilities	238,839	171,806
Net benefits paid out	(96,239)	(97,957)
Past service cost	198	-
	<u>1,865,761</u>	<u>1,686,834</u>
Closing defined benefit obligation		

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

	2020 £000	2019 £000
Opening fair value of Scheme assets	2,247,904	2,131,717
Expected return on Scheme assets	44,018	60,426
Administrative expenses paid by the Scheme	(858)	(856)
Actuarial gains/(losses) on Scheme assets	182,621	151,897
Contributions paid by the employers	3,067	2,677
Net benefits paid out	(96,239)	(97,957)
	<u>2,380,513</u>	<u>2,247,904</u>
Closing fair value of Scheme assets		

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. Pension commitments (continued)

Amounts for the current and previous four years:

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Fair value of Scheme assets	2,380,513	2,247,904	2,131,717	2,211,669	2,172,968
Defined benefit obligation	(1,865,761)	(1,686,834)	(1,566,352)	(1,769,104)	(1,804,967)
Surplus in Scheme	514,752	561,070	565,365	442,565	368,001
Experience gains/(losses) on Scheme assets	182,621	151,897	(38,285)	58,099	391,132
Experience gains/(losses) on Scheme liabilities *	17,984	2,818	(8,309)	8,913	12,205

* 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. Under the recovery plan agreed as part of the valuation, contributions of 1.9% of pensionable salaries in respect of death in service, incapacity retirement and redundancy retirement benefits that contain an element of service after 30 September 2010 in their calculation are made. The valuation showed a surplus of £150,000,000, therefore no deficit recovery contributions are required. Expenses, including levies payable to the Pensions Protection Fund (PPF) are now met out of the Scheme assets. The actuarial method used in the calculation of the technical provisions underpinning the recovery plan was the projected unit method. The forecast contributions payable for the year ending 31 December 2021 are expected to be £3,067,000, which is net of unallocated funds within the Scheme. The Company does not contribute to the employer contributions payable. Note that these contributions could be subject to change at the next triennial valuation.

The Scheme also has a contingent funding mechanism in place whereby further contributions are payable to the Scheme based on operating income targets agreed between the employers and the Trustee. Once the Scheme is in surplus, contingent funding mechanism contributions are no longer payable.

The Company has guaranteed a proportion of the funding obligations that the other funding sponsors of the Scheme have to the Scheme. In addition, the ultimate parent undertaking, HeidelbergCement AG has guaranteed the entire funding obligations of the Scheme.

The Scheme is recognised on the balance sheet of Hanson Quarry Products Europe Limited, a fellow subsidiary, as this entity is considered to bear the risks relating to the plan due to the proportion of members employed by the entity. The number of current and deferred members employed directly by the Company is an insignificant percentage of the total membership.

CIVIL AND MARINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. Pension commitments (continued)

Hanson Quarry Products Europe Limited recognises the Scheme surplus in accordance with the requirements of IFRIC 14. The Trustee of the Scheme does not have the unilateral right to commence windup 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. Contingent liabilities

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.

27. 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:

	2020 £000	2019 £000
Amounts owed by ultimate parent undertaking	336,669	316,059
Amounts owed by subsidiary undertakings	247	93
Amounts owed by fellow subsidiary undertakings	99,028	100,837
Amounts owed to subsidiary undertakings	(87,949)	(87,987)
Amounts owed to fellow subsidiary undertakings	(2,271)	(2,200)
	<u>345,724</u>	<u>326,802</u>

28. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Hanson Holdings 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.