Breedon Cement Limited

Annual report and financial statements

Registered number 08284549

For the year ended 31 December 2021

Contents

Strategic report

Overview

For the year ended 31 December 2021, Breedon Cement Limited (the 'Company') reported a profit before taxation of £30,061,000 *(2020: £20,670,000)* on turnover of £195,809,000 *(2020: £141,436,000)*. Profit after taxation for the year was £20,240,000 *(2020: £14,649,000)*.

2021 was an exceptional year for the Company. Structural growth dynamics and pandemic-related disruption led to significant pent-up demand, while end markets, from housebuilding and infrastructure to repair and maintenance, experienced elevated demand throughout the year, which provided the conditions for strong and profitable revenue growth.

Our well-invested plant delivered world-class performance. It benefited from the diligent application of a rigorous safety and maintenance philosophy and the careful application of strategic investment, enabling us to drive continuous improvement in process and production.

Sustainability

Operating a sustainable business is one of our highest priorities and the lens through which all strategic decisions must pass.

During the year we developed a sustainability framework intrinsically linked to our company vision, purpose and strategy, committing to credible new targets and KPIs grounded in reality.

We made progress against these objectives, reducing our carbon emissions intensity through increasing the usage of alternative fuels and other process improvements. We are actively engaged in assessing carbon reduction technologies, including Carbon Capture and Use and Storage (CCUS), and are collaborating with the HyNet project in the UK.

We are committed to achieving net zero by 2050. Our focus on climate change reflects the increasing importance to our stakeholders alongside a clear political will for change as seen through COP26. Decarbonising the cement process emissions is a challenge faced by the whole industry and we are working collaboratively on this. We have a new target to achieve a 30% reduction in the gross carbon intensity per tonne of cementitious product by 2030.

A high-level roadmap for the cement business has been developed during the year. In the short-term, the focus remains on increasing waste-derived and biomass fuel usage in our kilns and reducing the clinker content of our cements.

In the longer term the role of CCUS is expected to be key to the full decarbonisation of our operations. This position aligns with the industry roadmap of the Global Cement and Concrete Association, and the recommendation of the UK independent Climate Change Commission, which sees CCUS as a necessity for the decarbonisation of certain industrial sectors. Therefore, we are fully engaged in the development of all aspects of CCUS implementation. We worked with Government agencies to determine how CCUS can be applied to dispersed sites such as our Hope plant in the Peak District, and are working closely with the HyNet project in the North West of England.

Strategy

Our purpose is to make a material difference to the lives of our colleagues, customers and communities. As an extractive industry, we have an obligation to limit our impact on the environment, which will help protect our licence to operate over the longer term, however we believe our obligation extends well beyond this. We have a duty to operate every area of our business in a manner to allow us create sustainable value for all of our stakeholders over the long term.

The resources we use to produce our products are scarce and valuable, so it is vital that we maximise the value of every tonne of material manufactured. We achieve this through a disciplined approach to development coupled with a culture of operational and commercial excellence to ensure our operations remain efficient and competitive irrespective of market conditions. This approach will deliver strong margins and returns over the long term.

Health & safety

Health & safety remains core to the Company's business. The Company utilises the Breedon Group's dedicated health & safety database and has a dedicated, fully qualified Health & Safety manager who reports directly to the Board.

The Company operates a Visible Felt Leadership and Behavioural Safety programme, under which senior managers undertake visits to operations to closely observe what is happening in the workplace and engage employees in dialogue about how their tasks might be undertaken more safely. In 2021 we launched our 'Home Safe and Well' campaign, aiming to encourage open and challenging conversations that promote consistent safe behaviours across all our teams and we formalised our reporting of 'high potential' incidents.

Strategic report *(continued)*

Health & safety *(continued)*

The Company adopts Group Health & Safety Standards which sets clear expectations for the safe behaviour of all Breedon colleagues. They include a root-cause analysis system which prioritises learning and accountability over blame and judgement.

Climate change and energy

As part of our legal disclosure obligations, we are required to report against the UK Government's SECR regulations.

The below statement contains the Company's annual energy consumption, associated relevant greenhouse gas emissions, and additional related information, as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The methodology applied to the calculation of Greenhouse Gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting – 2021'. Emissions are reported as CO2e. Electricity emissions have been reported as both 'location' and 'market-based' to reflect the fact that all of our electricity was purchased from renewable sources.

The table below shows the total annual energy use associated with the consumption of; electricity, natural gas, all other fuels combusted on-site, and fuel consumed for relevant business transport purposes, for the period 1 January – 31 December 2021 and a comparison with 2020. To provide a true reflection of our relevant emissions, the scope of fuels reported is broader than the minimum requirement set by the regulations and includes direct process emission associated with cement manufacture.

	2021 MWh	2020 MWh
On-site combustion	**1,254,871**	1,107,234
Electricity	**181,813**	164,305
Road transport	**17,503**	15,888
	1,454,187	1,287,427

	2021 tCO2e	2020 tCO2e
Process emissions scope 1	**757,587**	655,529
Scope 1	**405,351**	315,538
Scope 2	**38,604**	38,306
Total (location based)	**1,201,542**	1,009,373
Total (market based)	**1,162,938**	971,066
Intensity (tCO2e/£'000 revenue)	6.14	7.14

Strategic report *(continued)*

Climate change and energy *(continued)*

For purposes of baselining and ongoing comparison, it is required to express the emissions using a carbon intensity metric. The intensity metric chosen is £'000 revenue.

During the course of 2021, we have invested significantly in activities and equipment designed to reduce our energy consumption and carbon emissions, improving processes in our cement manufacturing plant to achieve reductions in carbon emissions per £'000 revenue.

Risk management

The Board is ultimately responsible for risk management and continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk, but they cannot entirely eliminate it. The Board has identified the following key areas of risk to the business:

- *Climate change*
  Risks related to the physical impacts of climate change such as increased severity of extreme weather events:

  - Disruption to production caused by extreme weather events.
  - Loss of sites due to rising sea levels.
  - Availability, accessibility and affordability of key operational resources such as water, electricity and fuels.
  - Supply chain disruption and increased operational costs.

  Risks related to the transition to a lower-carbon economy:
  - Failure to achieve expected reductions towards net zero carbon commitments could damage our reputation and reduce attractiveness to stakeholders such as customers, employees and investors, resulting in failure to win key contracts and an increased cost of capital.
  - Rising input costs in areas such as electricity, alternative fuels, and carbon emissions allowances are likely to arise as a result of the transition to a low carbon economy.
  - Significant capital investment might be required to transition our business to net zero.
  - Increased consumer preference for lower carbon products could result in the emergence of substitute products.

- *Digitalisation* - Customers, suppliers and government agencies are increasingly seeking to simplify how they do business through digital solutions. Failure to keep up to date with advances in technology could lead to loss of custom and increases in the cost of doing business.

- *Market conditions* - Changes in the macroeconomic environment, including shifts in government policy and the level of competition within the market, could all have an impact on demand for our products and utilisation of our assets. In the current high inflation environment, there is a risk that rising construction costs might impact the level of demand for our products if projects become too costly and are deferred.

- *Mineral reserves* - Failure to replenish our mineral reserves and resources on an adequate and timely basis could deprive the Company of a key raw material. Planning, licensing and emissions restrictions could prevent us from operating facilities or extracting mineral reserves economically

- *People* - Failure to recruit, develop and retain the right people could have an adverse impact on our ability to meet our strategic objectives, as could failing to maintain a positive culture and working environment.

Strategic report *(continued)*

Risk management *(continued)*

- *Environmental impact* - The Company's impact on the environment, including the treatment of water, waste disposal and our impact on biodiversity could expose us to regulatory breaches, disruption and increased reputational risk. The growing focus on biodiversity net gain, natural capital and COP26's new commitment to reverse deforestation by 2030 brings forward the need to ensure that our land holdings deliver a positive contribution to nature.

- *Failure of a critical asset* - An unplanned production outage at our cement plant could cause significant operational disruption. Possible reasons for an unplanned production outage include:

    - Failure due to mechanical or electrical breakdowns.
    - Site infrastructure could be lost or damaged because of fire, flood, frost or explosion.
    - Loss of rail or road access to the plant.
    - Supplier non-delivery of key raw materials to our cement plant.
    - Breach of planning authorisation, permitted emission levels or a major health and safety incident could lead to our approval to operate being withdrawn.

- *Health, safety and wellbeing* - Failure to manage adequately health, safety and wellbeing risks could result in harm to colleagues, contractors, others working on behalf of the Company or to the public. This could additionally expose the Group to significant disruption, financial liabilities and reputational damage.

- *Input costs* - Along with the rest of the industry and wider economy, the Company has seen significant increases in the cost of a number of key inputs in 2021 and volatility is expected to continue into 2022. These increases in input costs could significantly impact profitability.

- *IT and cyber security* - Disruption to the IT environment, whether due to a failure of infrastructure or a cyber security breach, could affect our operational performance and lead to reputational damage, regulatory penalties and significant financial loss.

- *Legal and regulatory* - The Company and all our employees and business partners are required to comply with all applicable laws and regulations, including taxation, and we conduct our operations in accordance with accepted principles of good corporate governance. A legal or regulatory breach could result in significant disruption, financial liabilities and reputational damage.

- *Product specification* - Although the Company does not have a history of significant quality claims, our materials need to meet customer and regulatory specifications, and failure to deliver to this standard could result in customer claims and impact upon the Group's reputation. New materials or construction methods and technologies could reduce the demand for our core products and services, which could have an adverse effect on our business, finances and operations.

- *Credit risk* - Difficult economic conditions could increase our exposure to credit risk from our customers. Although we have not experienced significant credit losses, these may be more likely to arise in coming years with companies weakened in the aftermath of the pandemic and as government support measures become due for repayment.

Strategic report *(continued)*

Statement by the directors in respect of s172(1) Companies Act 2006

The Board of Breedon Cement Limited is of the opinion that it has acted in a way which would be likely to promote the success of the Company for the benefit of stakeholders through the decisions it has taken in the year to 31 December 2021.

The Board is committed to and actively encourages effective relationships and communication with the Company's stakeholders. This will realise a greater understanding of each stakeholder's needs. The Board believes that by taking into account these needs and interests, this in turn will help maximise value for the Company and thus ensure the continued long-term success of the Company.

The Board considers the Company to have four distinct groups of key stakeholders. These groups and examples of how the Board has considered their interests in the year are set out below:

- *Colleagues* - We recognise our dedicated workforce as a key driver of the value derived from the business. Our colleagues are offered development opportunities to further fulfil their potential. All colleagues are offered a fair benefits and compensation package relative to their role and level in the organisation.

- *Customers and Suppliers* - We work alongside our customers by striving to deliver the best customer service and seek innovative solutions to support many of the major projects on which we operate. We pride ourselves on going the extra mile and recognise customer loyalty as a key part of our long-term success. The Group also recognises the huge role its suppliers play in its long-term success. We endeavour to maximise value from our suppliers and work with them to support the delivery of our customers' needs.

- *Communities* - We are at the heart of the communities in which we operate so recognise our responsibility to be good, supportive and engaged neighbours. Our businesses have active liaison programmes with the communities in which they operate, and they seek to take into account their interests and concerns in their operational activities. Our communities are firmly featured within our three strategic pillars.

- *Regulators, Local Government, and Trade Associations* - Developing and sustaining good relationships with the many regulators who govern our business is central to the success of our business and maintaining our license to operate. We are committed to adherence to our legal and regulatory requirements. We actively support our industry representatives in pursuing the best regulatory regime for our business.

Further information on business model, risk and performance

The Company is part of Breedon Group plc. Further details on the business model, risks and performance of the Group can be found in the Consolidated financial statements for Breedon Group plc, which can be obtained from the Company Secretary, Breedon Group plc, 28 Esplanade, St Helier, Jersey JE2 3QA.

By order of the Board

J W Atherton-Ham
Director

27 June 2022

Directors' report

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

Principal activities

The principal activity of the business is the production and sale of cement.

Results

For the year ended 31 December 2021, the Company reported a profit before taxation of £30,061,000 *(2020: £20,670,000)* on turnover of £195,809,000 *(2020: £141,436,000)*. Profit after taxation for the year was £20,240,000 *(2020: £14,649,000)*.

Dividends

No dividend has been declared or paid during the year *(2020: £nil)*.

Directors

The directors who held office during the year were as follows:

R Wood
RE McDonald (resigned 1 March 2022)
PR Ward (resigned 31 March 2021)
IM Smith (appointed 1 March 2021)
JE Brotherton (appointed 16 March 2021)
JW Atherton-Ham (Appointed 1 March 2022)

Employees

The Company recognises the importance of employee involvement in the operation and development of its business units, to enable management to be fully accountable for their own actions and gain maximum benefit from local knowledge. Employees are informed by regular consultation and newsletters of the progress of both their own business units and the wider Breedon Group.

The Company is committed to providing equal opportunities for individuals in all aspects of employment and considers the skills and aptitudes of disabled persons in recruitment, career development, training and promotion. If existing employees become disabled, every effort is made to retain them and retraining is arranged whenever possible.

Political contributions

The Company did not make any contributions to political parties during either the current or the previous year.

Going Concern

The financial statements have been prepared on a going concern basis. This has been disclosed further in note 1.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

JW Atherton-Ham
Director

Pinnacle House
Breedon Quarry
Breedon on the Hill
Derby, DE73 8AP
27 June 2022

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Breedon Cement Limited

Opinion

We have audited the financial statements of Breedon Cement Limited ("the company") for the year ended 31 December 2021 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify any unusual or unexpected relationships.

Independent auditor's report to the members of Breedon Cement Limited *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the estimation of restoration and decommission provisions. On this audit we do not believe there is a fraud risk related to revenue recognition because product revenue recognition is straightforward and contains limited management judgement, therefore limiting the opportunity to commit a material fraud.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Breedon Cement Limited *(continued)*

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Breedon Cement Limited *(continued)*

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Craig Parkin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

28 June 2022

Profit and loss account
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover		**195,809**	141,436
Cost of sales		**(134,258)**	(94,778)
Gross profit		**61,551**	46,658
Distribution costs		**(25,887)**	(19,090)
Administrative expenses		**(7,278)**	(4,608)
Operating profit	2	**28,386**	22,960
Interest receivable and similar charges	5	**4,207**	-
Interest payable and similar charges	5	**(2,532)**	(2,290)
Profit before taxation		**30,061**	20,670
Tax on profit	6	**(9,821)**	(6,021)
Profit for the financial year		**20,240**	14,649

All operating results were derived from continuing activities of the business.

There were no other recognised gains or losses arising in the year.

Balance sheet
at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets – goodwill	7	3,628	3,628
Tangible assets	8	187,210	197,056
Investments	9	11,512	11,512
		202,350	212,196
Current assets			
Stocks	10	14,485	11,992
Debtors (including £80,633,000 due after more than one year (2020: £nil))	11	154,490	26,732
Cash at bank and in hand		929	19,358
Total current assets		169,904	58,082
Creditors: amounts falling due within one year	12	(53,461)	(50,659)
Net current assets		116,443	7,423
Total assets less current liabilities		318,793	219,619
Creditors: amounts falling due after more than one year	13	(99,877)	(24,638)
Provisions for liabilities and charges			
Deferred tax	14	(21,773)	(18,221)
Other provisions	15	(9,455)	(9,312)
Total provisions for liabilities and charges		(31,228)	(27,533)
Net assets		187,688	167,448
Capital and reserves			
Share capital	16	62,600	62,600
Profit and loss account		125,088	104,848
Equity shareholder's funds		187,688	167,448

These financial statements were approved by the board of directors on 27 June 2022 and were signed on its behalf by:

JE Brotherton
Director

Company number: 08284549

Statement of changes in equity
for the year ended 31 December 2021

	Share capital £000	Profit and loss account £000	Total equity £000
Balance at 31 December 2019	62,600	90,199	152,799
Profit for the financial year	-	14,649	14,649
Balance at 31 December 2020	**62,600**	**104,848**	**167,448**
Profit for the financial year	-	20,240	20,240
Balance at 31 December 2021	**62,600**	**125,088**	**187,688**

Notes
(forming part of the financial statements)

1 Accounting policies

Breedon Cement Limited (the 'Company') is a company incorporated and domiciled in the UK. Its registered address is Pinnacle House, Breedon Quarry, Breedon on the Hill, Derby, England, DE73 8AP and its registered number is 08284549.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking, Breedon Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Breedon Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the UK and may be obtained from the Company Secretary, Breedon Group plc, 28 Esplanade, St Helier, Jersey JE2 3QA.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Breedon Group plc include the equivalent disclosures, the Company has also taken the exemptions available under FRS 101 in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*
- IFRS 2 *Share-Based Payments* in respect of group settled share-based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Going concern

In the current year, the Company made a profit after tax of £20,240,000 (2020: £14,649,000) and has net assets of £187,688,000 (2020: £167,448,000). The Company is forecast to continue to remain profitable and cash generative for the foreseeable future.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these Financial Statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds, through funding from a banking facility at its ultimate parent company, Breedon Group plc ('the Group'), to meet its liabilities as they fall due for that period.

The Group meets its day-to-day working capital and other funding requirements through its banking facilities, which include an overdraft facility. Longer term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350,000,000 multi-currency RCF, which runs to at least June 2025 and £250,000,000 of USPP loan notes with maturities between seven and 15 years. Further details of these loans are given within the consolidated financial statements of Breedon Group plc.

The Group comfortably met all covenants and other terms of its borrowing agreements in the year to 31 December 2021, and maintained its track record of profitability and cash generation, with an overall profit before taxation of £114,295,000 and net cash from operating activities of £194,131,000.

The Group has prepared cash flow forecasts for a period of more than 12 months from the date of signing these Financial Statements, which show a sustained trend of profitability and cash generation. At 31 December 2021, the Group had undrawn banking facilities of £350,000,000, and at the date of this report retains similar levels of liquidity which it is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and retain covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

Based on the above the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.2 Subsidiary undertakings

Investments in subsidiaries are stated at cost less impairments. Only dividends received are credited to the Company's profit and loss account.

1.3 Turnover

Company revenue arises from the sale of goods. IFRS 15 requires revenue from contracts with customers to be recognised in line with a principles-based five-step model. This requires the Company to identify performance obligations within its contracts with customers, determine the transaction price applicable to each of these performance obligations and then to select an appropriate method for the timing of revenue recognition reflecting the substance of the performance obligation, being either recognition at a point in time or over time.

Sale of goods

The Company's revenue is derived from the sale of physical goods to customers. Depending on whether the goods are delivered to or collected by the customer, the contract contains either one performance obligation which is satisfied at the point of collection, or two performance obligations which are satisfied simultaneously at the point of delivery.

The transaction price for this revenue is the amount which can be invoiced to the customer once the performance obligations are fulfilled, reduced to reflect provisions recognised for returns, trade discounts and rebates. The Company does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Company believes it will receive. This value also excludes items collected on behalf of third parties, such as sales and value added taxes.

For all sales of goods, revenue is recognised at a point in time, being the point that the goods are transferred to the customer.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Provisions

A provision is recognised when the Company has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The Company provides for the costs of restoring a site and of decommissioning associated property, plant and equipment. The initial cost of creating provisions on the commencement of operations is included in property, plant and equipment and depreciated over the life of the site. Changes in the measurement of a previously capitalised provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of the related asset. All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.5 Fixed assets and depreciation

Freehold land and assets under construction are not depreciated. All other tangible fixed assets, including right-of-use assets, are depreciated on a straight line basis so as to write off the cost or valuation of the assets, less their estimated residual values, over their estimated useful lives as follows:

Freehold buildings	50 years
Plant, machinery and equipment	5 to 30 years
Right-of-use assets	life of lease or the useful economic life of underlying asset

1.6 Mineral reserves

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

Costs incurred to gain access to mineral reserves and resources are capitalised and depreciated over the life of the quarry.

1.7 Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full using the Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1.8 Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Company will comply with any conditions attached to them. Government grants are recognised in the profit and loss account over the same period as the costs for which the grants are intended to compensate and are presented net of these costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company are recognised in the profit and loss account in the period in which they become receivable.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Trade receivables and trade payables

Trade receivables and trade payables are initially recognised at fair value and then are stated at amortised cost.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.11 Pensions

The Company participates in a group defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profit represents the contributions payable to the scheme during the year.

1.12 Leases

Right-of-use assets and liabilities are recognised for any arrangements meeting the definition of a lease set out in IFRS 16 – *Leases*. Right-of-use assets are presented within tangible fixed assets in the balance sheet. They are measured at cost, comprising the initial amount of the lease liability adjusted for any lease prepayments, plus any initial direct costs incurred, less any lease incentives received. Right-of-use assets are then depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Lease liabilities are presented within creditors. They are measured at the present value of future lease payments, discounted at a rate which reflects both the Company's incremental borrowing rate, adjusted for the time value of money, and the nature of the leased asset.

The Company has also elected to take advantage of the practical expedients permitted by the Standard not to recognise lease assets and liabilities in respect of short-term and low-value leases. Charges recognised in the profit and loss account in respect of these leases are not significant to the Company.

1.13 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. The Company measures goodwill as the fair value of the purchase consideration transferred, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill arises in the Company in relation to acquisitions of trade and assets.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date: the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

2 Operating profit

	2021 £000	2020 £000
Operating profit is stated after charging/(crediting)		
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements pursuant to legislation	**82**	63
Depreciation:		
Owned assets	**19,598**	18,114
Leased assets	**2,681**	2,686
Government grant income	**-**	(1,088)

Government grant income in 2020 related to receipts under the Job Retention Scheme put in place by the UK government in response to COVID-19.

Notes *(continued)*

3 Directors' remuneration

	2021 £000	2020 £000
Salary including benefits	242	196
Pension contributions	14	12
Share awards vesting in year	-	43
	256	251

Directors remuneration is disclosed for 1 director (2020: 1 director). The remaining directors of the Company are also directors of other companies within the Group and their remuneration is paid by and disclosed within the publicly available statutory accounts of those other companies. These directors do not consider that their duties in respect of the Company take up a significant amount of their time and therefore the value disclosed for the proportion of their remuneration received in respect of services to the Company is £nil *(2020: £nil).*

4 Staff numbers and costs

All staff are employed by Breedon Group Services Limited, the Breedon Group's employment services company. The disclosures below represent the underlying costs recharged in respect of those persons working for the Company.

The average number of persons employed (including directors) during the year, analysed by category, was as follows:

	Number of employees 2021	2020
Production, distribution and administration	336	268

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	14,534	12,086
Social security costs	1,546	1,246
Pension costs	911	800
Equity settled share-based payments	-	43
	16,991	14,175

Notes *(continued)*

5 Interest receivable/(payable) and similar charges

	2021	2020
Interest receivable	£000	£000
Group interest	2,499	-
Foreign exchange gains	1,708	-
	4,207	-
Interest payable		
Group interest	(1,058)	(652)
Interest payable on leases	(1,208)	(1,343)
Unwinding of discounting of provisions	(266)	(295)
	(2,532)	(2,290)

6 Tax on profit

Analysis of charge for the year

	2021	2020
	£000	£000
UK corporation tax		
Current year	6,333	5,028
Prior year	(64)	(65)
Total current tax	6,269	4,963
Deferred tax		
Current year	(1,028)	(907)
Change in deferred tax rate	4,754	1,936
Prior year	(174)	29
Total deferred tax	3,552	1,058
Tax on profit	9,821	6,021

Factors that may affect future tax charges

Legislation was passed on 17 March 2020 which substantially enacted a cancellation of the planned reduction in the UK corporation tax rate from 19 per cent to 17 per cent. A deferred tax charge of £1,936,000 has been recognised to remeasure the Company's deferred tax liabilities at 31 December 2020 at this higher rate

Legislation was passed on 24 May 2021 which substantially enacted an increase in the UK corporation tax rate from 19 per cent to 25 per cent from April 2023. This will result in higher tax charges in future years and a deferred tax charge of £4,754,000 has been recognised to remeasure the Company's deferred tax liabilities at 31 December 2021 at this higher rate.

Notes *(continued)*

6 Tax on profit *(continued)*

Factors affecting the tax charge for the year

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

	2021 £000	2020 £000
Tax reconciliation		
Profit before tax	30,061	20,670
Current tax at 19% *(2020: 19%)*	5,712	3,927
Effects of:		
Expenses not deductible for tax purposes	68	194
Enhanced capital allowances	(150)	-
Foreign exchange gains disregarded for tax purposes	(325)	-
Effect of change in rate	4,754	1,936
Adjustment in respect of prior years	(238)	(36)
Total tax charge	9,821	6,021

7 Intangible assets - goodwill

	£000
Cost	
At beginning and end of year	3,628
Amortisation & impairments	
At beginning and end of year	-
Net book value	
At 31 December 2021	**3,628**
At 31 December 2020	3,628

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired.

Notes *(continued)*

8 Tangible assets

	Land and buildings £000	Plant, machinery and vehicles £000	Assets under construction £000	IFRS 16 – Right-of-use Land and buildings £000	IFRS 16 – Right-of-use Plant, machinery and vehicles £000	Total £000
Cost or valuation						
At beginning of year	25,160	237,011	7,368	17,020	11,222	297,781
Additions	-	-	11,557	751	568	12,876
Reclassifications	234	11,641	(11,875)	-	-	-
Change to capitalised provisions	-	(443)	-	-	-	(443)
At end of year	**25,394**	**248,209**	**7,050**	**17,771**	**11,790**	**310,214**
Depreciation						
At beginning of year	8,859	86,677	-	1,823	3,366	100,725
Charge for year	1,632	17,966	-	1,193	1,488	22,279
At end of year	**10,491**	**104,643**	-	**3,016**	**4,854**	**123,004**
Net book value						
At 31 December 2021	**14,903**	**143,566**	**7,050**	**14,755**	**6,936**	**187,210**
At 31 December 2020	16,301	150,334	7,368	15,197	7,856	197,056

At 31 December 2021, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £6,620,000 (*2020: £1,965,000*).

Notes *(continued)*

9 Investments

	2021 £000	2020 £000
Net book value	11,512	11,512

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name of company	Country of incorporation	Description of shares	Proportion held	Nature of Business
Subsidiaries				
Hope Construction Products Limited	England	Ordinary	100%	Dormant
Hope Ready Mixed Concrete Limited	England	Ordinary	100%	Dormant
Hope Dormant 1 Limited	England	Ordinary	100%	Dormant
Midwest Aggregates Limited*	Ireland	Ordinary	100%	Dormant
Breedon Cement Ireland Limited	Ireland	Ordinary	100%	Cement manufacture
Breedon Employee Services Ireland Limited*	Ireland	Ordinary	100%	Employee services

* denotes shares held indirectly

The registered office address of Hope Ready Mixed Concrete Limited, Hope Construction Products Limited, and Hope Dormant 1 Limited is Pinnacle House, Breedon Quarry, Breedon On The Hill, Derby, DE73 8AP. The registered office of Breedon Cement Ireland Limited and Midwest Aggregates Limited is Killaskillen, Kinnegad, Co. Westmeath, Ireland. The registered office of Breedon Employee Services Ireland Limited is Rosemount Business Park, Ballycoolin Road, Dublin 11, D11 K2TP, Ireland.

10 Stocks

	2021 £000	2020 £000
Raw materials and consumables	4,664	5,928
Work in progress	1,929	2,188
Finished goods and goods for resale	7,892	3,876
	14,485	11,992

Stocks (being directly attributable costs of production) of £134,258,000 (*2020: £94,759,000*) were expensed in the year.

Notes *(continued)*

11 Debtors

	2021 £000	2020 £000
Trade debtors	**15,727**	14,040
Amounts owed by group undertakings	**137,405**	11,528
Prepayments and other debtors	**1,358**	1,164
	154,490	26,732

Included within amounts owed by group undertakings is £80,633,000 (2020: £nil) due after more than one year. Interest is charged on this balance at a rate of 5%. Other amounts owed by group undertakings are unsecured, interest free, and payable on demand.

12 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	**21,577**	17,188
Corporation tax	**7,268**	5,069
Amounts owed to group undertakings	**5,865**	13,197
Accruals and other creditors	**14,690**	13,275
Bank overdraft	**1,792**	-
Lease liabilities	**2,269**	1,930
	53,461	50,659

Amounts owed to group undertakings are unsecured, interest free, and payable on demand. The bank overdraft is unsecured and payable on demand.

13 Creditors: amounts falling after more than one year

	2021 £000	2020 £000
Amounts due to group undertakings	**78,992**	2,531
Lease liabilities	**20,885**	22,107
	99,877	24,638

Amounts owed to group undertakings are due between one and two years and interest is payable at 4% per annum on the outstanding balance.

Notes *(continued)*

14 Deferred tax assets and liabilities

	1 January 2021 £000	Recognised in income £000	Group transfers £000	31 December 2021 £000
Property, plant and equipment	19,556	4,514	-	24,070
Working capital and provisions	(1,335)	(962)	-	(2,297)
Total deferred tax liability	18,221	3,552	-	21,773

2020	1 January 2020 £000	Recognised in income £000	Group transfers £000	31 December 2020 £000
Property, plant and equipment	17,987	1,231	338	19,556
Working capital and provisions	(1,162)	(173)	-	(1,335)
Total deferred tax liability	16,825	1,058	338	18,221

15 Provisions for liabilities and charges

	Decommissioning & restoration £'000	Other provisions £'000
At beginning of year	9,312	-
Decrease in capitalised provisions (note 8)	(443)	-
Transferred from accruals	-	146
Charged to the profit and loss account	174	-
Unwinding of discount	266	-
At end of year	9,309	146

Decommissioning and restoration provisions are held in relation to the decommissioning and restoration of sites subject to extraction where an obligation arises to comply with contractual environmental planning and other legislation. The obligation will be settled through to the end of the production lives of the related quarries and cement plant. This provision has been discounted.

Notes *(continued)*

16 Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid:		
62,600,000 Ordinary shares of £1 each *(2020: 62,600,000)*	62,600	62,600

17 Contingent liabilities

The Company has guaranteed the bank overdrafts and loans of Breedon Group plc and certain of its subsidiary undertakings which, at 31 December 2021, amounted to £263,600,000 *(2020: £297,400,000)*.

18 Leases

Lease liabilities are secured on the assets to which they relate and are repayable as follows:

Minimum lease payments	2021 £000	2020 £000
Less than one year	3,404	3,103
Between one and five years	11,850	12,354
More than five years	16,334	17,964
	31,588	33,421

19 Employee benefits

Pensions

The Company contributes to various defined contribution schemes in respect of its employees. Pension costs charged during the year in respect of the schemes were £911,000 *(2020: £800,000)*. There were no outstanding contributions at the end of the current year *(2020: £nil)*.

Share-based payments

Share awards and options over the shares of Breedon Group plc, the ultimate parent entity, are granted to certain employees of the Company. The fair value of options and awards granted is measured at grant date using the Black-Scholes model and is recognised as an expense over the period the employees become entitled to the awards and options, with a corresponding credit recognised within equity. The amount recognised as an expense is adjusted to reflect the actual number of awards and options expected to vest. Recharges by the ultimate parent entity are offset against equity and recognised as an intercompany liability. As the consolidated financial statements of the ultimate parent company, Breedon Group plc include the equivalent disclosures, the company has taken the exemptions under FRS101 available in respect of the disclosure requirements of IFRS 2 *Share Based Payments* in respect of group settled share based payments.

20 Related parties

The Company is a wholly owned subsidiary of Breedon Group plc and is exempt from the requirement to disclose transactions with its parent and fellow wholly owned subsidiary undertakings. The Company's key management personnel are the Directors. Details of the Directors' remuneration are given in note 3.

Notes *(continued)*

21 Ultimate parent undertaking

Breedon Holdings (Jersey) Limited, a company incorporated in Jersey, is the Company's immediate parent undertaking. Breedon Group plc, a company incorporated in Jersey, is the Company's ultimate parent undertaking and its consolidated results include the results of the Company. Copies of the consolidated financial statements for Breedon Group plc can be obtained from the Company Secretary, Breedon Group plc, 28 Esplanade, St Helier, Jersey JE2 3QA.

22 Acquisitions

Assets acquired from Breedon Trading Limited – Prior period

On 31 December 2020 certain trade and assets of Breedon Trading Limited, a fellow subsidiary of the Company, were transferred to the Company. The assets and liabilities acquired were as follows:

	Book value and fair value on acquisition £000
Property, plant and equipment	2,472
Inventories	833
Trade and other receivables	1,608
Cash	1,221
Trade and other payables	(215)
Lease liabilities	(251)
Deferred tax liabilities	(338)
Total	5,330
Consideration	5,330
Goodwill arising	-

23 Divestments

In the prior period, in response to the Competition and Markets Authority ('CMA') review of the acquisition of certain UK assets acquired by Breedon Trading Limited, a fellow subsidiary of Breedon Group plc, the Company divested certain non-core assets to Tillicoultry Quarries Limited on 3 December 2020 for cash consideration of £830,000. The value of assets divested were as follows:

	2020 £000
Property, plant and equipment	1,539
Inventories	217
Lease liabilities	(1,036)
Trade and other creditors	(30)
Total	690
Consideration received - cash	830
Gain on disposal	140

Notes *(continued)*

24 Significant accounting estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described below:

Significant accounting estimates

Restoration provisions

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. This is an inherently subjective calculation and there is significant estimation required to determine the exact cost of the restoration work. Estimated future cash flows have been determined on a site by site basis based on the present day cost of restoration. An increase in these gross cash flow assumptions of 10% would result in an increase of the restoration liability of £931,000. These cash flows are subject to external expert evaluation in order to mitigate the risk of material error.

These cash flows are then inflated to the point that the cash flow is expected to occur and discounted at a rate which reflects both the time value of money and the risk specific to the restoration liability in order to derive the net present value of the obligation as at the year-end. The discount and inflation rates used in this calculation are 2.9% and 2.5% respectively. A 100 bps increase in discount rate or decrease in the inflation rate would result in a decrease in the value of restoration provisions by £1,562,000 or £1,819,000 respectively. A 100 bps decrease in discount rate or increase in the inflation rate would result in an increase in the value of restoration provisions by £1,919,000 or £2,245,000 respectively.

Restoration dates have been determined as the earlier of the date at which reserves are expected to be exhausted or planning permission on reserves is expected to expire, which fall over the next 25 years. Reasonably possible changes in restoration dates would not have a material impact on the Financial Statements, and management do not consider restoration dates to be significant estimates.