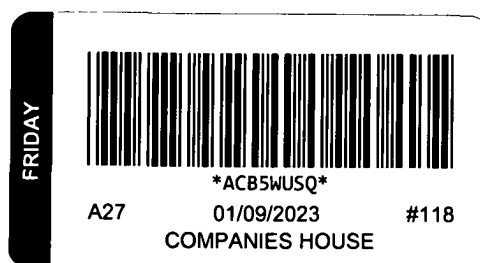


**Breedon Cement Limited**

**Annual report and financial  
statements**

**Registered number 08284549**

**For the year ended 31 December 2022**



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## Strategic report

### Overview

For the year ended 31 December 2022, Breedon Cement Limited (the 'Company') reported a profit before taxation of £37,151,000 (2021: £30,061,000) on turnover of £242,462,000 (2021: £195,809,000). Profit after taxation for the year was £30,842,000 (2021: £20,240,000).

2022 was an exceptional year for the Company. Demand for cement and cementitious products remained robust and sales prices increased steadily during the year in response to rising input costs. Our forward hedging strategy afforded us a clear view of our input costs, empowering our commercial teams to focus on cost recovery 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.

### Strategy

Our purpose is to make a material difference to the lives of our colleagues, customers and communities and our products play an essential part in creating a sustainable built environment for everyone. 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 and wellbeing

Health, safety and wellbeing 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.

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.

The Company uses the Wellbeing Framework developed by Breedon Group which uses a range of resources such as mental health first aiders, health checks, seminars on financial management, volunteering schemes and diversity networking groups in order to support staff wellbeing in and out of the workplace.

### 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 embedded a consideration for sustainability more firmly throughout our business. We established a Breedon Group Board-level Sustainability Committee and appointed Executive Committee sponsors and working groups to support the Company in achieving its targets for each of the key focus areas.

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.

One of our 2030 targets is a 30% reduction in gross carbon intensity per tonne of cementitious product. We are pursuing numerous strategies to reduce our carbon footprint, switching away from fossil fuel inputs, reducing the clinker content of our cementitious products and turning to innovation for carbon abatement solutions.

## Strategic report (*continued*)

### Sustainability (*continued*)

We made progress against these targets, 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 as a member of the Peak Cluster.

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 as a member of the Peak Cluster.

### 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 – 2022'. Emissions are reported as CO<sub>2</sub>e. 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 2022 and a comparison with 2021. 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.

	2022 MWh	2021 MWh
On-site combustion	1,182,105	1,254,871
Electricity	175,658	181,813
Road transport	15,574	17,503
	<hr/>	<hr/>
	1,373,337	1,454,187
	<hr/>	<hr/>

## Strategic report (continued)

### Climate change and energy (continued)

	2022 tCO <sub>2</sub> e	2021 tCO <sub>2</sub> e
Process emissions scope 1	733,199	757,587
Scope 1	386,230	405,351
Scope 2	33,969	38,604
	<hr/>	<hr/>
Total (location based)	1,153,398	1,201,542
	<hr/>	<hr/>
Total (market based)	1,119,685	1,162,938
	<hr/>	<hr/>
Intensity (tCO <sub>2</sub> e/£'000 revenue)	4.76	6.14
	<hr/>	<hr/>

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 2022, 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 flooding and landslides.
- Availability of water, which is a key operating material, could be detrimentally impacted by climate change

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, investors and other stakeholders, resulting in failure to win key contracts and an increased cost of capital.
- Rising costs of carbon emissions allowances are likely to arise as a result of the transition to a low carbon economy. If the cost of emissions allowances rises faster than the speed that we are able to decarbonise, this would result in increased input costs.
- 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 leading to the reduction in demand for concrete and cement products.
- The transition to a lower carbon economy is forecast to impact the cost and availability of fuels which which are used or may be used in the future.

## Strategic report (continued)

### Risk management (continued)

- *Digitalisation* - Customers, suppliers and government agencies are increasingly seeking to simplify how they do business through digital solutions. Failure to keep pace with advances in technology and customer digital expectations could lead to loss of custom, 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. Although the medium to long-term position remains positive, the current high levels of macroeconomic uncertainty and high inflation could pose an increased risk to demand in the near term.
- *Environmental impact* - The Company's impact on the environment, including water, waste disposal, recycling, air pollution and our impact on biodiversity could expose us to regulatory breaches, financial penalties, disruption, clean-up costs and reputational risk. The growing focus on biodiversity net gain, natural capital and deforestation brings forward the need to ensure that our land holdings deliver.
- *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 identify and manage health, safety and wellbeing risks could result in harm to our employees and other stakeholders. This may also expose us to significant disruption, financial liabilities, prosecution and reputational damage.
- *Input costs* - Along with the rest of the industry and wider economy, the Company has seen significant input cost inflation in 2022 and volatility is expected to continue during 2023, particularly in relation to energy, fuel and carbon. Failure to pass on these cost rises could significantly impact our profitability.
- *IT and cyber security* - A cyber security breach could cause operational disruption, financial penalties and reputational damage. Systems integration projects or significant IT changes may lead to business disruption.
- *Legal and regulatory* - Our employees and business partners must comply with all applicable laws and regulations, and conduct our operations in accordance with accepted principles of good corporate governance. A number of legislative changes over recent years have increased both the level of our corporate responsibility and the level of potential fines which we would incur in addition to the reputational damage and disruption resulting from any breach of laws or regulations.
- *Product specification* - New materials or construction methods could reduce the demand for our core products and services. Failure to deliver product to specified quality standards could result in customer claims and impact our reputation for quality.
- *Credit risk* - The Company is exposed to credit risk from our sales to customers. Although we have not experienced significant credit losses to date, these may be more likely to arise in coming years as a result of the challenging macroeconomic environment.

## 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 2022.

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.

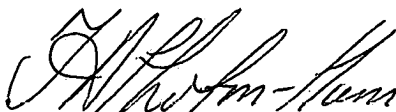
The Board considers the Company to have four distinct groups of key stakeholders. These groups and examples of how the Board has considered their interests in the year are set out below:

- *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 Company recognises the significant role its suppliers play in continuing our 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.
- *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 licence to operate. We are committed to adherence of our legal and regulatory obligations. 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 a wholly owned subsidiary 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, Pinnacle House, Main Street, Breedon on the Hill, DE73 8AP. See note 23 for further disclosure in relation to post balance sheet events.

By order of the Board



J W Atherton-Ham  
Director

27 June 2023

## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2022.

### Principal activities

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

### Results

For the year ended 31 December 2022, the Company reported a profit before taxation of £37,151,000 (2021: £30,061,000) on turnover of £242,462,000 (2021: £195,809,000). Profit after taxation for the year was £30,842,000 (2021: £20,240,000).

### Dividends

No dividend was declared during the year (2021: £nil).

### Directors

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

JW Atherton-Ham (appointed 1 March 2022)  
JE Brotherton  
RE McDonald (resigned 1 March 2022)  
IM Smith  
R Wood

### 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 2023

## **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 2022 which comprise 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 2022 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, 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)**

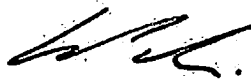
### **Auditor's responsibilities**

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](http://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 2023

**Profit and loss account**  
*for the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
<b>Turnover</b>		<b>242,462</b>	<b>195,809</b>
Cost of sales		<b>(170,447)</b>	<b>(134,258)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>72,015</b>	<b>61,551</b>
Distribution costs		<b>(26,433)</b>	<b>(25,887)</b>
Administrative expenses		<b>(13,273)</b>	<b>(7,278)</b>
		<hr/>	<hr/>
<b>Operating profit</b>	<b>2</b>	<b>32,309</b>	<b>28,386</b>
Interest receivable and similar charges	<b>5</b>	<b>6,000</b>	<b>4,207</b>
Interest payable and similar charges	<b>5</b>	<b>(9,158)</b>	<b>(2,532)</b>
Dividend received	<b>9</b>	<b>8,000</b>	<b>-</b>
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>37,151</b>	<b>30,061</b>
Tax on profit	<b>6</b>	<b>(6,309)</b>	<b>(9,821)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>30,842</b>	<b>20,240</b>
		<hr/>	<hr/>

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

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

The accompanying notes form part of these financial statements.

**Balance sheet**  
*at 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
<b>Fixed assets</b>			
Intangible assets – goodwill	7	3,628	3,628
Tangible assets	8	183,342	187,210
Investments	9	11,512	11,512
		<hr/>	<hr/>
		198,482	202,350
<b>Current assets</b>			
Stocks	10	31,191	14,485
Debtors (including £80,633,000 due after more than one year (2021: £80,633,000))	11	159,270	154,490
Cash at bank and in hand		12,306	929
		<hr/>	<hr/>
<b>Total current assets</b>		202,767	169,904
<b>Creditors: amounts falling due within one year</b>	12	(46,704)	(53,461)
		<hr/>	<hr/>
<b>Net current assets</b>		156,063	116,443
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		354,545	318,793
<b>Creditors: amounts falling due after more than one year</b>	13	(102,896)	(99,877)
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>			
Deferred tax	14	(20,034)	(21,773)
Other provisions	15	(13,085)	(9,455)
		<hr/>	<hr/>
<b>Total provisions for liabilities and charges</b>		(33,119)	(31,228)
		<hr/>	<hr/>
<b>Net assets</b>		218,530	187,688
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	16	62,600	62,600
Profit and loss account		155,930	125,088
		<hr/>	<hr/>
<b>Equity shareholder's funds</b>		218,530	187,688
		<hr/>	<hr/>

These financial statements were approved by the board of directors 27 June 2023 and were signed on its behalf by:



**JE Brotherton**  
*Director*

Company number: 08284549



**Statement of changes in equity**  
*for the year ended 31 December 2022*

	<b>Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 31 December 2020	62,600	104,848	167,448
Profit for the financial year	-	20,240	20,240
<b>Balance at 31 December 2021</b>	<b>62,600</b>	<b>125,088</b>	<b>187,688</b>
Profit for the financial year	-	30,842	30,842
<b>Balance at 31 December 2022</b>	<b>62,600</b>	<b>155,930</b>	<b>218,530</b>

## 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.

For the year ended 31 December 2022, the Company's ultimate parent undertaking was Breedon Group plc, a company registered in Jersey with registration number 98465. The consolidated financial statements of Breedon Group plc for the year ended 31 December 2022 included the Company and were prepared in accordance with International Financial Reporting Standards as adopted by the UK and may be obtained from the Company Secretary, Breedon Group plc, Pinnacle House, Main Street, Breedon on the Hill, DE73 8AP. See note 23 for further disclosure.

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 22.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Going concern

In the current year, the Company made a profit after tax of £30,842,000 (2021: £20,240,000) and has net assets of £218,530,000 (2021: £187,688,000). The Company is forecast to continue to remain profitable and cash generative for the foreseeable future. The Company will have sufficient funds through funding from a banking facility at its ultimate parent company, Breedon Group plc, to meet its liabilities as they fall due for that period.

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 show a sustained trend of profitability and cash generation, even under a 'severe but plausible' downside scenario of forecast cash flows.

The Company meets day-to-day working capital and other funding requirements through banking facilities, arranged by the Group, 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 2028 and 2036. Further details of these facilities are provided in the consolidated financial statements of Breedon Group plc.

The Group comfortably met all covenants in 2022 and other terms of its borrowing agreements in the period, and maintained a track record of profitability and cash generation, with an overall profit before taxation of £135,816,000 and net cash from operating activities of £168,023,000.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

- *Trade receivables and payables* - Trade receivable and trade payables are initially recognised at fair value and are then stated as amortised cost.
- *Cash and cash equivalents* – Cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less.

#### 1.9 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.

#### 1.10 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.

#### 1.11 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.

#### 1.12 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)

#### 1.13 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

	2022 £000	2021 £000
<i>Operating profit is stated after charging</i>		
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements pursuant to legislation	100	82
Loss on disposal of property, plant and equipment	3,579	-
Depreciation:		
Owned assets	20,766	19,598
Leased assets	2,810	2,681
	<hr/>	<hr/>

### 3 Directors' remuneration

	2022 £000	2021 £000
Salary including benefits	261	242
Pension contributions	11	14
	<hr/>	<hr/>
	272	256
	<hr/>	<hr/>

Directors remuneration is disclosed for 1 director (2021: 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 (2021: £nil).

**Notes (continued)**

**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 2022	2021
Production, distribution and administration	361	336

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	16,940	14,534
Social security costs	1,975	1,546
Pension costs	955	911
	<u>19,870</u>	<u>16,991</u>

**5 Interest receivable/(payable) and similar charges**

	2022 £000	2021 £000
<i>Interest receivable</i>		
Group interest	6,000	2,499
Foreign exchange gains	-	1,708
	<u>6,000</u>	<u>4,207</u>
<i>Interest payable</i>		
Group interest	(3,215)	(1,058)
Interest payable on leases	(1,196)	(1,208)
Unwinding of discounting of provisions	(299)	(266)
Foreign exchange losses	(4,447)	-
	<u>(9,158)</u>	<u>(2,532)</u>

**Notes (continued)**

**6 Tax on profit**

**Analysis of charge for the year**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<i>UK corporation tax</i>		
Current year	7,974	6,333
Prior year	74	(64)
	<hr/>	<hr/>
Total current tax	<b>8,048</b>	<b>6,269</b>
	<hr/>	<hr/>
<i>Deferred tax</i>		
Current year	(1,637)	(1,028)
Change in deferred tax rate	(127)	4,754
Prior year	25	(174)
	<hr/>	<hr/>
Total deferred tax	<b>(1,739)</b>	<b>3,552</b>
	<hr/>	<hr/>
Tax on profit	<b>6,309</b>	<b>9,821</b>
	<hr/>	<hr/>

**Factors that may affect future tax charges**

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 was recognised in the prior year to remeasure the Company's deferred tax liabilities at 31 December 2021 at this higher rate.

**Factors affecting the tax charge for the year**

The tax charge for the current year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below.

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<i>Tax reconciliation</i>		
Profit before tax	37,151	30,061
	<hr/>	<hr/>
Current tax at 19% (2021: 19%)	<b>7,059</b>	<b>5,712</b>
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	131	68
Enhanced capital allowances	(178)	(150)
Foreign exchange losses/(gains) disregarded for tax purposes	845	(325)
Dividends received	(1,520)	-
Effect of change in rate	(127)	4,754
Adjustment in respect of prior years	99	(238)
	<hr/>	<hr/>
Total tax charge	<b>6,309</b>	<b>9,821</b>
	<hr/>	<hr/>



**Notes (continued)**

**7 Intangible assets - goodwill**

	<b>£000</b>
<i>Cost</i>	
At beginning and end of year	3,628
<i>Amortisation &amp; impairments</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 31 December 2022	3,628
At 31 December 2021	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.

**8 Tangible assets**

	Land and buildings £000	Plant and machinery £000	Assets under construction £000	IFRS 16 – Right-of-use		Total £000
				Land and buildings £000	Plant, machinery and vehicles £000	
<i>Cost or valuation</i>						
At beginning of year	25,394	248,209	7,050	17,771	11,790	310,214
Additions	-	-	18,363	1,303	499	20,165
Disposals and impairment	-	(8,324)	-	-	(84)	(8,408)
Reclassifications	418	11,978	(12,396)	-	-	-
Change to capitalised provisions	-	3,220	-	-	-	3,220
At end of year	<b>25,812</b>	<b>255,083</b>	<b>13,017</b>	<b>19,074</b>	<b>12,205</b>	<b>325,191</b>
<i>Depreciation</i>						
At beginning of year	10,491	104,643	-	3,016	4,854	123,004
Charge for year	1,633	19,133	-	1,192	1,618	23,576
Disposals and impairment	-	(4,666)	-	-	(65)	(4,731)
At end of year	<b>12,124</b>	<b>119,110</b>	<b>-</b>	<b>4,208</b>	<b>6,407</b>	<b>141,849</b>
<i>Net book value</i>						
At 31 December 2022	<b>13,688</b>	<b>135,973</b>	<b>13,017</b>	<b>14,866</b>	<b>5,798</b>	<b>183,342</b>
At 31 December 2021	14,903	143,566	7,050	14,755	6,936	187,210

At 31 December 2022, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £17,010,000 (2021: £6,620,000).

## Notes (continued)

### 9 Investments

	2022 £000	2021 £000
Net book value	11,512	11,512

During the year, the Company received a dividend from its subsidiary totalling £8,000,000. This has been recorded within the profit and loss account.

Details of the Company's subsidiaries at 31 December 2022 are as follows:

Name of company	Country of incorporation	Description of shares	Proportion held	Nature of Business
<b>Subsidiaries</b>				
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

	2022 £000	2021 £000
Raw materials and consumables	19,189	4,664
Work in progress	4,534	1,929
Finished goods and goods for resale	7,468	7,892
	31,191	14,485

Stocks (being directly attributable costs of production) of £170,447,000 (2021: £134,258,000) were expensed in the year.

**Notes (continued)**

**11 Debtors**

	2022 £000	2021 £000
Trade debtors	18,447	15,727
Amounts owed by group undertakings	138,071	137,405
Prepayments and other debtors	2,752	1,358
	<u>159,270</u>	<u>154,490</u>

Included within amounts owed by group undertakings is £80,633,000 (2021: £80,633,000) 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**

	2022 £000	2021 £000
Trade creditors	24,291	21,577
Corporation tax	8,689	7,268
Amounts owed to group undertakings	4,972	5,865
Accruals and other creditors	6,151	14,690
Bank overdraft	-	1,792
Lease liabilities	2,601	2,269
	<u>46,704</u>	<u>53,461</u>

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**

	2022 £000	2021 £000
Amounts due to group undertakings	83,186	78,992
Lease liabilities	19,710	20,885
	<u>102,896</u>	<u>99,877</u>

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 2022 £000	Recognised in income £000	31 December 2022 £000
Property, plant and equipment	24,070	(834)	23,236
Working capital and provisions	(2,297)	(905)	(3,202)
	<u>21,773</u>	<u>(1,739)</u>	<u>20,034</u>
Total deferred tax liability			
	<u>21,773</u>	<u>(1,739)</u>	<u>20,034</u>
2021	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Property, plant and equipment	19,556	4,514	24,070
Working capital and provisions	(1,335)	(962)	(2,297)
	<u>18,221</u>	<u>3,552</u>	<u>21,773</u>
Total deferred tax liability			
	<u>18,221</u>	<u>3,552</u>	<u>21,773</u>

**15 Provisions for liabilities and charges**

	Decommissioning & restoration £'000	Other provisions £'000	Total £'000
At beginning of year	9,309	146	9,455
Increase in capitalised provisions (note 8)	3,220	-	3,220
Charged to the profit and loss account	111	-	111
Unwinding of discount	299	-	299
	<u>12,939</u>	<u>146</u>	<u>13,085</u>
At end of year			
	<u>12,939</u>	<u>146</u>	<u>13,085</u>

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

	2022 £000	2021 £000
<i>Allotted, called up and fully paid:</i>		
62,6000 Ordinary shares of £1 each (2021: 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 2022, amounted to £253,000,000 (2021: £263,600,000).

### 18 Leases

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

Minimum lease payments	2022 £000	2021 £000
Less than one year	3,664	3,404
Between one and five years	12,753	11,850
More than five years	14,164	16,334
	<u>30,581</u>	<u>31,588</u>

### 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 £955,000 (2021: £911,000). There were no outstanding contributions at the end of the current year (2021: £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. For the year ended 31 December 2022, the results of the Company are included within the consolidated results of Breedon Group plc, a company incorporated in Jersey with registration number 98465. Copies of these consolidated financial statements can be obtained from the Company Secretary, Breedon Group plc, Pinnacle House, Main Street, Breedon on the Hill, Derby, DE73 8AP.

### 22 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 £1,164,000. 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 between 3.00%-3.25% and 3.57% - 5.02% 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 £2,226,000 or £2,250,000 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 £2,451,000 or £2,430,000 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 20 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.

### 23 Post balance sheet event

As part of Breedon's move from AIM to the Premium Segment of the Official List and to trading on the Main Market of the London Stock Exchange, Breedon undertook an internal restructuring exercise on 17 May 2023 which included the incorporation of a new parent undertaking for the Group and which consequently has become the ultimate parent company for the company. The new ultimate parent company is Breedon Group plc, a company incorporated and domiciled in England & Wales with registration number 14739556. Neither the financial results or position of the Company have been impacted by the change in ultimate parent company.