Breedon Cement Limited

Annual report and financial statements

Registered number 08284549

For the year ended 31 December 2020

Contents

Strategic report

Overview

For the year ended 31 December 2020, the Company reported a profit before taxation of £20,670,000 *(2019: £24,230,000)* on turnover of £141,436,000 *(2019: £154,833,000)*. Profit after taxation for the year was £14,649,000 *(2019: £20,691,000)*.

After a strong start to the year, sales were impacted by COVID-19 from late March, but steadily recovered from June and we saw good demand in the second half of the year. Overall, we noted a slight slowdown in our traditional concrete products market, offset by increased site work and ready-mixed concrete activity.

Safety initiatives at Hope involved widespread engagement with our colleagues both at the Works and in our road and rail fleet, which resulted in a much-improved safety performance in 2020, including a totally harm-free kiln shutdown. One of our annual kiln shutdowns was completed in January 2020 on time and ahead of budgeted costs, the second shutdown was deferred until early 2021 due to COVID-19 and strong product demand towards the end of the year.

Towards the end of the year we submitted our planning application for a new Alternative Raw Material ('ARM') offload facility at Hope, which will enable us to bring in larger quantities of ARM by rail, cutting down on road transport and further reducing our dependence on high-sulphur shale.

Major investments during the year included the completion of the replacement raw mill drive and kiln shells at Hope.

We are actively involved in research into calcined clay technology, with the aim of producing a secondary cementitious material with a lower carbon footprint than clinker. Over the longer term, we are monitoring the Mineral Product Association's fuel-switching trials, with a particular emphasis on the potential to replace current fuels with hydrogen and plasma.

Looking ahead, our priorities for the current year are focused on improving volumes, recovering cost increases, improving the efficiency and utilisation of our owned fleet in the UK and delivering the ARM project at Hope. We aim to make further progress in fuel replacement and in due course we expect to submit a planning application for the extension of our limestone quarry at Hope to secure our long-term needs.

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 as sustainably as possible, for the benefit of all our stakeholders

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 manufacture. 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.

The Company adopts Group Health & Safety Standards which setting 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.

Strategic report *(continued)*

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:

- *Competition and margins* - Increased competition, increases in energy and hydrocarbon costs or commodity prices, heavy reliance on key suppliers or poor haulage management could all impact profitability or cause supply issues. An unplanned production outage at a cement plant could significantly impact our ability to supply cement both internally and externally.

- *Environment and climate change* - The Company's impact upon the environment or the effects of climate change could expose us to regulatory breaches, significant disruption, reputational risk or a reduction in demand for our products. Emission restrictions and the transition to a low carbon economy could impact performance.

- *Health and safety* - Failure to manage health and safety risks could expose the Company to significant potential disruption, regulatory breaches, liabilities and reputational damage. The impact of COVID-19 resulted in increased levels of health and safety risk. Failure to prevent the spread of COVID-19 in our workplaces could cause disruption to the Company's operations and harm to our colleagues and other stakeholders. COVID-19 has also meant that senior management have been unable to conduct the normal level of Visible Felt Leadership visits to the Company's sites.

- *IT and cyber security* - Disruption to the IT environment could affect our operational performance and lead to reputational damage, regulatory penalties or significant financial loss. Failure to keep up to date with advances in technology could impact demand and our ability to access the market.

- *Legal and regulatory* - A legal or regulatory breach (excluding environmental or health and safety breaches) could result in disruption to operations and reputational damage. Product quality issues could result in customer claims, while planning and licensing restrictions could prevent us from operating facilities or extracting mineral reserves economically.

- *Market conditions* - Changes in the macro-economic environment, shifts in Government policy and adverse weather could all have an impact on demand for our products and utilisation of our assets. Difficult economic conditions could also increase our exposure to credit risk from our customers. The impact of the first wave of COVID-19 lockdowns in the second quarter of 2020 resulted in extremely challenging market conditions as demand from our customers reduced and all but essential operations were closed. Although demand returned strongly in the second half as sites reopened, the possibility of future downturns or restrictions caused by COVID-19 in the economies in which the Company operates increases the level of risk that adverse market conditions could suppress demand for the Company's products.

- *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 create a corporate culture that is based upon ethical values and behaviours.

Strategic report *(continued)*

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 – 2020'. Emissions are reported as CO2e. Electricity emissions have been reported as both 'location' and 'market-based'.

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 2020 and a comparison with 2019. 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.

	2020	2019
	MWh	MWh
On-site combustion	**1,107,234**	1,253,172
Electricity	**164,305**	181,402
Road transport	**15,888**	16,878
	1,287,427	1,451,452

	2020	2019
	tCO2e	tCO2e
Process emissions scope 1	**655,529**	726,904
Scope 1	**315,538**	364,954
Scope 2	**38,306**	46,366
Total (location based)	**1,009,373**	1,138,224
Total (market based)	**971,066**	n/a

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. The resultant emissions intensity is: 7.14 tCO_2e/£'000 revenue *(2019: 7.35 tCO_2e/£'000 revenue).*

During the course of 2020 the Company has undertaken a number of actions to reduce our energy consumption. Reductions have been achieved through process optimisation. We are continuing to replace older lighting with more efficient LED light fittings with significant investments at both our sites. In addition, 100% of our electricity was purchased from renewable sources throughout 2020.

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 2020.

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. In 2020, the Board oversaw the response to COVID-19 and set up a dedicated hub for those staff on furlough. A decision was taken by the Board to have the salaries of any furloughed employees topped up to 100 per cent of their salary during the first phase of the pandemic. A comprehensive review and support for returning to work was implemented, with training, appropriate PPE and changes for them to work safely together. Mental health and wellness programmes were also introduced to alleviate concerns expressed from our colleagues on their mental health during the pandemic.

- *Customers and Suppliers* - We work alongside our customers by striving to deliver 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 also recognises the huge role its suppliers play in its long-term success. We endeavour to maximise value from our supplier's and work with them to support the delivery of our customer's needs.

  During 2020, there was a managed and communicated shutdown of a number of our operations and sites. Engagement continued with our suppliers and customers and the decision to re-open our sites was based on listening to feedback on our customer's needs and also our suppliers. Our businesses remain local for both our customers and suppliers, and in 2020 the Board committed to the principles of the circular economy and the responsible use of resources, to seek to minimise waste and maximise the reuse and recycling of materials throughout our operations.

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

  In 2020 the Board approved our Social Responsibility policy. This confirmed they would oversee the social responsibility policy performance of the Company and the adequate provision of resources and management arrangements to ensure the effectiveness of the policy. This reflects the engagement and history of acting in a responsible and ethical manner, and of being actively and positively present in the communities where we operate. The Board intends to set objectives and targets for social responsibility and believes the local businesses are best placed to understand their community's needs.

- *Regulators, Local Government, and Trade Associations* - Developing and sustaining good relationships with the many regulators who govern our businesses is central to the success of our business and maintaining our licence to operate. We are committed to adherence to our legal and regulatory requirements. In 2020 the Board approved various policies which support some of the issues that are material to our regulators. These include a Biodiversity policy, an Energy and Carbon policy, an Environment policy, a Quality policy and a Health, Safety and Wellbeing policy. Engagement has continued to be positive by working closely with our local environmental authorities, councils and regulators over permits, planning permissions and the health, safety and wellbeing of our colleagues.

Strategic report *(continued)*

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

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

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

RE McDonald
Secretary

14 June 2021

Directors' report

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

Principal activities

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

Results

For the year ended 31 December 2020, the Company reported a profit before taxation of £20,670,000 *(2019: £24,230,000)* on turnover of £141,436,000 *(2019: £154,833,000)*. Profit after taxation for the year was £14,649,000 *(2019: £20,691,000)*.

Dividends

No dividend has been declared or paid during the year *(2019: £Nil)*.

Directors

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

TJ Billingham (resigned 31 December 2020)
R Wood
RE McDonald
PR Ward (resigned 31 March 2021)
IM Smith (appointed 1 March 2021)
JE Brotherton (appointed 16 March 2021)

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.

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.

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

RE McDonald
Secretary

Pinnacle House
Breedon Quarry
Breedon on the Hill
Derby, DE73 8AP
14 June 2021

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 2020 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 2020 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, we perform procedures to address the risk of management override of controls, the risk of fraudulent revenue recognition and the risk that management may be in a position to make inappropriate accounting entries.

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.

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.

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

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 7, 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.

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.

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

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

15 June 2021

Profit and loss account
for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	*1*	**141,436**	154,833
Cost of sales		**(94,778)**	(101,222)
Gross profit		**46,658**	53,611
Distribution costs		**(19,090)**	(22,652)
Administrative expenses		**(4,608)**	(3,557)
Operating profit	*2*	**22,960**	27,402
Interest payable and similar charges	*5*	**(2,290)**	(3,172)
Profit before taxation		**20,670**	24,230
Tax on profit	*6*	**(6,021)**	(3,539)
Profit for the financial year		**14,649**	20,691

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 2020

	Note	2020		2019 (restated*)	
		£000	£000	£000	£000
Fixed assets					
Intangible assets – goodwill	7		3,628		3,628
Tangible assets	8		197,056		206,328
Investments	9		11,512		11,512
			212,196		221,468
Current assets					
Stocks	10	11,992		11,675	
Debtors	11	26,732		15,565	
Cash at bank and in hand		19,358		11,755	
		58,082		38,995	
Creditors: amounts falling due within one year	12	(50,659)		(36,381)	
Net current assets			7,423		2,614
Total assets less current liabilities			219,619		224,082
Creditors: amounts falling due after more than one year	13		(24,638)		(48,022)
Provisions for liabilities and charges					
Deferred tax liability	14	(18,221)		(16,825)	
Other provisions	15	(9,312)		(6,436)	
			(27,533)		(23,261)
Net assets			167,448		152,799
Capital and reserves					
Share capital	16		62,600		62,600
Profit and loss account			104,848		90,199
Equity shareholder's funds			167,448		152,799

* Following the guidance issued by the IASB in April 2020 in respect of the measurement of deferred tax balances on assets arising through business combinations whose recovery gives rise to multiple possible tax consequences, the Company has updated its accounting policies, resulting in a reclassification of £3,628,000 between Intangible Assets and Deferred Tax Liabilities in the 2019 balance sheet. Further detail is provided in note 1.

These financial statements were approved by the board of directors on 14 June 2021 and were signed on its behalf by:

JE Brotherton
Director

Company number: 08284549

Statement of changes in equity
for the year ended 31 December 2020

	Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	62,600	69,508	132,108
Profit for the financial year	-	20,691	20,691
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**

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 EU ("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 EU 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;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides Key Management Personnel services to the Company.

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.*

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)*

New IFRS Standards and Interpretations - Adoption of IFRS Interpretations Committee IFRIC update on measurement of deferred tax

During 2020 the IFRS Interpretations Committee released an IFRIC update in respect of IAS 12 – *Income Taxes*. This clarified how deferred tax liabilities should be calculated for assets acquired through business combinations whose recovery gives rise to multiple possible tax consequences. The impact of the updated interpretation is that deferred tax liabilities are now required to be recognised on assets obtained through business combinations which are both not eligible for capital allowances and are being recovered 'through use' by being depreciated or amortised over an asset's useful life. The adoption of the new guidance has resulted in the restatement of the balance sheet as at 31 December 2019 to recognise additional goodwill and deferred tax liabilities as follows:

	Previously reported £000	**Adjustment £000**	**Restated £000**
Intangible assets – goodwill	-	3,628	**3,628**
Deferred tax liability	(13,197)	(3,628)	**(16,825)**
Net assets	152,799	-	**152,799**

1.1 Going concern

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's banking facility requires compliance with bank covenants which are measured against the Group's trading performance at June and December. The Group has prepared cash flow forecasts for a period of more than twelve months from the date of signing these Financial Statements, which show a sustained trend of profitability and cash generation. As at 31 December 2020, the Group had undrawn banking facilities of £289.3m which is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

The base case assumes a trading performance delivered in line with internal budgets over the forecast period, whilst the downside scenario models a 20 per cent reduction in revenues, which the Group believes is an extremely severe sensitivity relative to likely outcomes and historic experience.

The Group's banking facility runs until April 2022, and it has started preparations for refinancing during 2021. The Group has received positive engagement from lenders, who remain supportive. Based on progress to date the Group is confident of being able to complete this process in 2021.

The Directors considered the impact of COVID-19 on the ability of the Group to continue operating as a going concern. They note that the Group has recovered strongly from the adverse financial impact of the first wave of the pandemic which resulted in the closure of the majority of operating locations in April 2020. Sites progressively reopened over the following months with appropriate social distancing measures, and trading recovered strongly in the second half of the year, with the Group meeting all covenants and other terms of its bank facility agreements throughout 2020.

Looking forward, the UK government has been clear in their support for the sector in which the Company operates and have committed to significant investment in infrastructure which helps to drive demand for the Company's products. The re-introduction of lockdown restrictions from late 2020 has not had a significant impact on the Company's ability to trade, and economic forecasters are expecting to see steady growth in demand for the Company's products in both 2021 and 2022. On this basis, the Directors do not believe that the future impact of COVID-19 will impact on the ability of the Company to trade as a going concern.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Subsidiary undertakings

Investments in subsidiaries are stated at cost less amounts written off. 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement when the asset is derecognised.

1.14 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.

1.15 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

	2020	2019
	£000	£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	**63**	50
Non-audit services	**-**	-
Depreciation:		
Owned assets	**18,114**	16,440
Leased assets	**2,686**	2,725
Government grant income	**(1,088)**	-

Government grant income relates to receipts under the Job Retention Scheme ("JRS") put in place by the UK government in response to COVID-19. All staff are employed by Breedon Group Services Limited, Breedon Group's UK employment services company, and the value disclosed represents the amount of JRS recharged in respect of those persons working for the Company. Breedon Group Services Limited stopped claims under the JRS after July and payments to any colleague who remained furloughed beyond that date were wholly funded by the Company.

Notes *(continued)*

3 Directors' remuneration

	2020	2019
	£000	£000
Salary including benefits	**196**	256
Pension contributions	**12**	11
Share awards vesting in year	**43**	53
	251	320

Directors remuneration is disclosed for 1 director (2019: 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 *(2019: £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	
	2020	2019
Production, distribution and administration	**268**	263

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**12,086**	11,565
Social security costs	**1,246**	1,237
Pension costs	**800**	871
Equity settled share-based payments	**43**	53
	14,175	13,726

5 Interest payable and similar charges

	2020	2019
	£000	£000
Group interest	**652**	1,379
Interest payable on leases	**1,343**	1,420
Unwinding of discounting of provisions	**295**	373
	2,290	3,172

Notes *(continued)*

6 Tax on profit

Analysis of charge for the year

	2020 £000	2019 £000
UK corporation tax		
Current year	**5,028**	4,206
Prior year	**(65)**	(409)
Total current tax	**4,963**	3,797
Deferred tax		
Current year	**(907)**	(338)
Change in deferred tax rate from 17 per cent to 19 per cent	**1,936**	-
Prior year	**29**	80
Total deferred tax	**1,058**	(258)
Tax on profit	**6,021**	3,539

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.

Factors affecting the tax charge for the year

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

	2020 £000	2019 £000
Tax reconciliation		
Profit before tax	**20,670**	24,230
Current tax at 19% *(2019: 19%)*	**3,927**	4,604
Effects of:		
Expenses not deductible for tax purposes	**194**	269
Group relief received for nil payment	**-**	(1,044)
Effect of change in rate	**1,936**	39
Adjustment in respect of prior years	**(36)**	(329)
Total tax charge	**6,021**	3,539

Factors that may affect future tax charges

In the budget on 3 March 2021, the UK Government announced a proposal to increase the rate of corporation tax from 19 per cent to 25 per cent which will increase the Company's tax rate from 2023. This rate change is expected to be substantively enacted in 2021 and will lead to the Company's deferred tax liabilities being recalculated at the higher rate of 25 per cent. This will result in an increase in deferred tax liabilities of approximately £5,754,000 in 2021.

Notes *(continued)*

7 Intangible assets - goodwill

	£000
Cost	
At beginning and end of year *(restated*)*	3,628
Amortisation & impairments	
At beginning and end of year	-
Net book value	
At 31 December 2020	**3,628**
At 31 December 2019 *(restated*)*	3,628

* Comparative values have been restated for 2019 to reflect the impact of the Company adopting updated guidance from the IASB for the measurement of deferred taxation on business combinations. This results in £3,628,000 of additional goodwill assets and £3,628,000 of additional deferred tax liabilities in 2019. See note 1 for further details.

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. Goodwill is reviewed for impairment by comparing the Company's net book value to the value-in-use of the assets associated to the goodwill.

8 Tangible assets

				IFRS 16 – Right-of-use		
	Land and buildings £000	Plant, machinery and vehicles £000	Assets under construction £000	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost or valuation						
At beginning of year	23,226	219,502	15,353	18,008	10,975	287,064
Additions	-	-	8,145	-	288	8,433
Reclassifications	354	15,784	(16,138)	-	-	-
Change to capitalised provisions	-	2,200	-	-	-	2,200
Group transfers (note 22)	1,580	632	8	243	9	2,472
Disposals	-	(15)	-	(1)	(50)	(66)
Divestments (note 23)	-	(1,092)	-	(1,230)	-	(2,322)
At end of year	**25,160**	**237,011**	**7,368**	**17,020**	**11,222**	**297,781**
Depreciation						
At beginning of year	7,441	70,570	-	992	1,733	80,736
Charge for year	1,418	16,696	-	1,025	1,661	20,800
Disposals	-	-	-	-	(28)	(28)
Divestments (note 23)	-	(589)	-	(194)	-	(783)
At end of year	**8,859**	**86,677**	-	**1,823**	**3,366**	**100,725**
Net book value						
At 31 December 2020	**16,301**	**150,334**	**7,368**	**15,197**	**7,856**	**197,056**
At 31 December 2019	15,785	148,932	15,353	17,016	9,242	206,328

At 31 December 2020, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,965,000 *(2019: £2,223,000).*

Notes *(continued)*

9 Investments

	2020 £000	2019 £000
Net book value	**11,512**	11,512

Details of the Company's subsidiaries at 31 December 2020 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 (held indirectly)	Ireland	Ordinary	100	Dormant
Breedon Cement Ireland Limited	Ireland	Ordinary	100	Manufacture of cement
Breedon Employee Services Ireland Limited (held indirectly)	Ireland	Ordinary	100	Employee services

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 is Killaskillen, Kinnegad, Co. Westmeath, Ireland. The registered office of Breedon Employee Services Ireland Limited and Midwest Aggregates Limites is Rosemount Business Park, Ballycoolin Road, Dublin, D11 K2TP, Ireland.

10 Stocks

	2020 £000	2019 £000
Raw materials and consumables	**5,928**	5,338
Work in progress	**2,188**	2,247
Finished goods and goods for resale	**3,876**	4,090
	11,992	11,675

Stocks (being directly attributable costs of production) of £94,759,000 (*2019: £101,159,000*) were expensed in the year.

11 Debtors

	2020 £000	2019 £000
Trade debtors	**14,040**	12,363
Amounts owed by group undertakings	**11,528**	1,372
Prepayments and other debtors	**1,164**	1,830
	26,732	15,565

Amounts owed by group undertakings are unsecured, interest free, and payable on demand.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**17,188**	19,912
Corporation tax	**5,069**	4,263
Amounts owed to group undertakings	**13,197**	4,518
Accruals and other creditors	**13,275**	5,473
Lease liabilities (note 18)	**1,930**	2,215
	50,659	36,381

Amounts owed to group undertakings are unsecured, interest free, and payable on demand.

13 Creditors: amounts falling after more than one year

	2020 £000	2019 £000
Amounts due to group undertakings	**2,531**	23,564
Lease liabilities (note 18)	**22,107**	24,458
	24,638	48,022

Amounts owed to group undertakings are due between one and two years and interest is payable at 5% per annum on the outstanding balance.

14 Deferred tax assets and liabilities

	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**

	1 January 2019 (restated*) £000	Recognised in income £000	Group transfers £000	31 December 2019 £000
Property, plant and equipment	18,413	(387)	(39)	17,987
Working capital and provisions	(1,291)	129	-	(1,162)
Total deferred tax liability	17,122	(258)	(39)	16,825

* Comparative values have been restated for 2019 to reflect the impact of the Company adopting updated guidance from the IASB for the measurement of deferred taxation on business combinations. This results in £3,628,000 of additional goodwill assets and £3,628,000 of additional deferred tax liabilities in 2019. See note 1 for further details.

Notes *(continued)*

15 Provisions for liabilities and charges

	Decommissioning & restoration £000
At beginning of year	6,436
Increase in capitalised provisions (note 8)	2,200
Charged to the profit and loss account	381
Unwinding of discount	295
At end of year	9,312

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.

16 Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid:		
62,600,000 Ordinary shares of £1 each *(2019: 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 2020, amounted to £297,400,000 *(2019: £268,000,000)*.

18 Leases

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

	2020			2019		
	Minimum lease payments £000	**Interest £000**	**Principal £000**	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	**3,103**	**1,173**	**1,930**	3,485	1,270	2,215
Between one and five years	**12,354**	**3,761**	**8,593**	12,637	4,291	8,346
More than five years	**17,964**	**4,450**	**13,514**	21,475	5,363	16,112
	33,421	**9,384**	**24,037**	37,597	10,924	26,673

Notes *(continued)*

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 £800,000 *(2019: £871,000)*. There were no outstanding contributions at the end of the current year *(2019: £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.

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

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	-

Notes *(continued)*

23 Divestments

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:

	£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**

24 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:

Accounting estimates

Discount rate used in calculating right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities arise where the Company enters into an arrangement which meets the definition of a lease set out in IFRS 16 – *Leases*. These are calculated by discounting any future lease payments at the 'incremental borrowing rate', being the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

As permitted by the Standard, the Company applies a single discount rate to portfolios of leases which have similar characteristics. Judgement is required in identifying which leases have similar characteristics, and therefore how many discount rates the Company is required to calculate. Additionally, although the Company seeks to reduce estimation risk through the use of available external market data to calculate appropriate incremental borrowing rates, the calculation is still subject to a level of estimation.

The Company adopted IFRS 16 - *Leases* from 1 January 2019, and the rates used at the point of adoption are considered to be a significant estimate. Lease additions in 2020 are immaterial, therefore we do not consider the rates applied to them to be a significant estimate. The rates used on adoption of IFRS 16 - *Leases* ranged from 4.4 per cent to 6.5 per cent dependent on the nature of the asset and length of the lease.

Notes *(continued)*

24 Accounting estimates and judgements *(continued)*

Accounting estimates (continued)

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. Estimated future cash flows have been determined on a site by site basis based on the present day cost of restoration. There is significant estimation required to determine the exact cost of the restoration work. These cash flows are subject to 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 rate used in this calculation is 2.9 per cent. 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 assumptions around these estimates would not have a material impact on the Financial Statements, and management do not consider these to be significant estimates.