

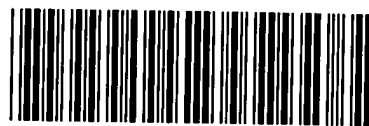
Registration number: 00453791

# Tarmac Trading Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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## **Tarmac Trading Limited**

### **Contents**

Strategic Report	1 to 5
Directors' Report	6 to 21
Statement of Directors' Responsibilities	22
Independent Auditor's Report	23 to 26
Profit and Loss Account	27
Statement of Comprehensive Income	28
Balance Sheet	29
Statement of Changes in Equity	30
Notes to the Financial Statements	31 to 69

## Tarmac Trading Limited

### Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for Tarmac Trading Limited (the "Company") for the year ended 31 December 2021.

The Company is a wholly owned direct subsidiary of Tarmac Holdings Limited. Tarmac Holdings Limited is part of the CRH Group. Tarmac Holdings Limited and its subsidiaries are referred to throughout as Tarmac, and CRH plc and its subsidiaries are referred to as the Group.

#### Fair review of the business

During the year, the Company generated turnover of £2,136.2 million (2020: £1,828.7 million) and an operating profit of £76.4 million (2020: £133.4 million loss). EBITDA (being earnings before interest, tax, income from shares in group undertakings and joint ventures and associates, impairment of investments in group and joint venture companies, profit/(loss) on disposal of property, plant and equipment, depreciation, amortisation and impairment of fixed assets) was £45.5 million (2020: £16.6 million). The Company's profit before tax was £263.1 million, an increase in performance from last year's loss before tax of £129.8 million.

Included within the profit for the year are impairments of investments in subsidiaries, following a re-organisation of sections of the underlying Tarmac Group structure and future cash flow forecasts performed of certain subsidiaries. During the year a provision for impairment of £178.0 million was recognised in relation to this re-organisation and a £35.6 million provision for impairment was recognised in relation to one of the Company's subsidiaries Purple Alpha Limited. These impairments were required in order to reduce the investment in these entities to the recoverable value of the respective underlying subsidiaries. As a result of the rationalisation of a number of holding companies within the Tarmac structure, dividends of £398.1 million were received in 2021. See note 13 for further details.

At the balance sheet date the Company also determined that fixed asset impairments recognised in 2020, worth £85.0 million, were able to be reversed, following updated future cash flow forecasts performed by management. Certain specific asset impairments totalling £0.5 million made in 2020 were not reversed. See notes 11 and 12 for further details.

The underlying operating profit is primarily a result of significantly reduced impact of COVID-19 restrictions than had been seen during the previous year. Although the COVID-19 situation presented a level of uncertainty and the market remained challenging, particularly in the first half of the year, construction activity was allowed to continue largely unhindered through 2021 with the whole supply chain permitted to operate. Although growth in the construction sector was also slow to start at the beginning of 2021 due to poor weather, activity accelerated through the rest of the year. ONS data showed that total construction output increased 12.7% in 2021 compared with 2020 following a significant fall in 2020 due to the pandemic. There remained a continued focus on costs throughout the year.

At 31 December 2021, the Company had net assets of £793.0 million (2020: £547.6 million) and net current liabilities of £176.2 million (2020: £167.2 million liabilities).

In order to realise its strategic aims, the Company has identified areas of particular focus and has put into place a number of Key Performance Indicators (KPIs) to measure and assess progress against them. The following indicators are calculated for the continuing operations of the Company and before exceptional items:

	Unit	2021	2020
Turnover	£m	2,136.2	1,828.7
Operating profit/(loss)	£m	76.4	(133.4)
Capital additions as a % of depreciation	%	178	68
LTIFR (Lost time injuries frequency rate defined as the number of accidents per 1,000,000 hours worked)*		0.96	0.88
EBITDA (as defined above)	£m	45.5	16.6
Average number of employees		2,437	2,537

\*This is measured across Tarmac.

## **Tarmac Trading Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

Turnover, operating profit /(loss) and EBITDA are deemed to be KPIs as they provide insight as to the level of activity and levels of profitability for each financial year.

Capital additions as a % of depreciation is deemed to be a relevant KPI for the entity as it shows the level of capital activity in the business and allows comparison between years of levels of investment in owned and leased assets.

LTIFR is a KPI due to the level of focus the entity has on health and safety (see section later in Strategic report).

Average number of employees provides an indication as to the size of the business and allows any changes in employee base to be monitored.

#### **COVID-19 pandemic**

The Directors have considered the continued COVID-19 pandemic and national lockdowns within the UK during the early part of 2021 and determined that, based on trading of the Tarmac sub-group and continuation of activities in the construction sector through the 2021 lockdowns, the pandemic is not expected to have a significant impact on the Company's business. The impact seen during 2021 was much less disruptive to the Company than the restrictions seen in the prior year and ONS data showed that total construction output increased 12.7% in 2021 compared with 2020 following a significant fall in 2020 due to the pandemic.

There remains a level of uncertainty around the short-term impact of any future outbreaks of COVID-19, however it is hoped any restrictions implemented would be localised and that construction activity could continue with mitigating measures in place. At the date of signing these financial statements, there are currently no restrictions in place within the UK.

#### **Portfolio review**

Following the review carried out across Tarmac in 2020, during the year the Company has continued to review its site portfolio and make the necessary changes to reshape the business model to meet the changing needs of customers. During the year, a number of sites across the Tarmac sub-group were in scope of the portfolio review. The focus continues to be on controlling costs and improving operational efficiencies. The directors will continue to assess the future requirements of the business and adapt operations accordingly.

#### **Principal risks and uncertainties**

The principal risks and uncertainties facing the Company are considered to be:

**Brexit** - operations may continue to face operational, regulatory and market challenges resulting from the UK's withdrawal from the European Union, potentially impacting supply chain norms, construction labour availability and the general economic performance of the UK. Failure to manage the continued uncertainties posed by Brexit could result in adverse financial performance. Whilst some of these challenges have been experienced to date, the current direct impact on the business has not been material. The Directors currently believe that the uncertainty will continue to have a limited direct impact on the Company and its related activities. However they continue to monitor the economic situation in the UK and receive reports on the ongoing impacts associated with Brexit, given the withdrawal from the EU only took place in the prior year and there remains some uncertainty around the longer term impact of Brexit;

**COVID-19 pandemic** - public health emergencies, epidemics or pandemics, such as the emergence and spread of the COVID-19 pandemic, have the potential to significantly impact operations through a fall in demand for the Company's products, a reduction in staff availability and business interruption. The emergence and spread of the COVID-19 pandemic has had a material impact across the construction markets in which the Company operates. The continued uncertainty around the global pandemic could have an adverse effect on the operating results, cash flows, financial condition and/or prospects of the Company. Crisis management structures and protocols are in place to enable swift decision-making at times of crisis. Business continuity management structures and plans have been enacted with new working protocols implemented to safeguard our people and business;

**Climate change and policy** - the impact of climate change may over time affect the operations of the Company and the markets in which it operates. This could include physical risks, such as acute and chronic changes in weather and/or transitional risks such as technological development, policy and regulation change and market and economic responses. Should the Company not reduce its greenhouse gases (GHGs) emissions by its identified targets, it may be subject to increased costs, adverse financial performance and reputational damage. However to date no such items of financial significance have occurred and there is deemed to be limited risk in the short term. The longer term impact continues to be monitored and the Company continues to focus on developing sustainable construction solutions and meet regularly with government to ensure adherence to the relevant regulations and policy changes;

## Tarmac Trading Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

External market outlook - aside from the uncertainty around the economic impact of the Coronavirus pandemic and the UK's withdrawal from the European Union, the ongoing geopolitical conflict in Ukraine and the heightened levels of inflation have also contributed to heightened economic uncertainty. In addition, the nature of operations being based outdoors and certain optimal weather conditions being required for a number of key operational activities, means that adverse weather conditions across all seasons can have a significant short term impact on both the Company's performance and the wider market. The Company continues to monitor the market and government policy to mitigate external risks where possible;

Competitive environment - increased competition could impact the Company's volumes and margins. The Company benefits from being part of a vertically integrated business and is therefore able to leverage on other Tarmac companies in order to differentiate itself from its competitors. The Company's principal objective is to develop sustainable building solutions for its customers;

Health & safety - the Company's operates in an industry where health and safety risks are inherently prominent. Further, the Company is subject to stringent regulations from a health and safety perspective. A serious health and safety incident could have a significant impact on the Company's operational and financial performance, as well as its reputation. This is managed through ensuring that a robust health and safety framework is implemented throughout the Company's operations requiring all employees to complete formal health and safety training on a regular basis. The Company monitors the performance of its health and safety framework, and takes immediate and decisive action if non adherence is identified. The development of a strong safety culture is driven by management and employees at every level and is a core part of doing business with integrity; and

Finance risk management - see Finance risk management objectives and policies section in the Directors Report.

#### **Health and safety**

The health, safety and wellbeing of employees and contractors is fundamental to the Tarmac business and Tarmac continued to embed its commitment to Work Safe Home Safe during 2021 with an emphasis on ensuring nobody should be adversely affected by Tarmac activities as a result.

2021 continued to present several health and safety challenges with a continued focus on COVID-19. Tarmac continued to actively engage in all areas of its business to ensure controls to mitigate the risk to the wellbeing of all stakeholders were suitable and sufficient.

The Tarmac health and safety strategy, reviewed annually, continued in 2021 to be built on the principles of Leadership, Assurance and Communication and the 2022 review will further support the risk-based approach to operational management enabling the business to actively identify and manage its core health and safety risks.

In 2021 there were zero fatalities (2020: 0) and 32 Lost Time Injuries (2020: 25) and the consequent Lost Time Injury Frequency Rate was 0.96 (2020: 0.88) (defined as the number of accidents per 1,000,000 hours worked).

Employee engagement continues to be a primary focus area for Tarmac. Encouraging employees and contractors to report incidents and safety observations is an essential indicator of engagement. Tarmac continues to see the benefits of active senior leadership interaction across its sites with engagement activities targeted throughout the year towards business risk areas in order to drive improvement.

In 2021 there were 19 Medical Treatment Cases (2020: 21), 15 Modified Work Duty cases (2020: 1), 92 First Aid Cases (2020: 53) and 117 Non-Treatment Injuries (2020: 72). The Total Recordable Case Frequency Rate was 1.97 (2020: 1.65), based on 66 incidents (2020: 47). Total Recordable Cases include Lost Time Injuries, Medical Treatment Cases and Modified Work Duty cases.

A total of 80 high potential incidents were recorded for 2021 (defined as incidents that had a realistic chance of fatal or life-changing consequences) (2020: 57).

For all incidents, each is investigated to an appropriate level of detail and learning points are cascaded throughout the organisation.

## Tarmac Trading Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### Section 172(1) statement

Set out below is the Company's section 172 report as required by the Regulations. The Regulations require Tarmac Trading Limited to report how the Directors of the Company have considered their duties under section 172 (of the Companies Act 2006 (the "Act")) ("Section 172"), to promote the success of the Company for the benefit of its sole member, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

In giving due regard to their section 172 duty the Directors are mindful of the Company's principal activities and its purpose and function with the group. The principal activities of the Company are organised into three business units:

- aggregates and asphalt - the quarrying and supply of sand, gravel and stone (aggregates) and the manufacture of road surfacing materials (asphalt);
- readymix - the manufacture and supply of ready mix concrete; and
- contracting - solutions for the surfacing and repair of roads, traffic management, highway and local authority maintenance.

Given these principal activities of the Company, the Directors are particularly focused on the impact of the company's operations on the community and the environment.

The Company is part of the Tarmac sub-group of companies in the UK and is ultimately owned by CRH plc ("CRH"). CRH and its subsidiaries are referred to as the Group. In the management of its subsidiaries, the Group defines the measurement of success as long term value creation for the benefit of each CRH entity and the wider Group with consideration to the Company's immediate stakeholders and those of the Group also.

The Group recognises the need to have appropriate levels of corporate governance across its subsidiaries as part of its approach to risk mitigation and wider stakeholder engagement strategy. The Group maintains strong levels of corporate governance at both an enterprise wide and legal entity level, and as a result of increased regulation, CRH and its UK subsidiary boards ("CRH UK") recognised the need to move to a more structured approach and formalise key governance standards across its UK subsidiaries. Underpinning this approach to corporate governance is the CRH UK Corporate Governance Policy. This Policy is applicable to all CRH UK entities, including the Tarmac sub-group of companies, and sets out clear corporate governance controls and processes and provides detailed guidance for directors and management on the application and execution of Section 172 duties. For further information of how corporate governance is applied at Tarmac please refer to the statement of corporate governance arrangements on page 7.

#### *Decision making and corporate governance process*

As set out in the statement of corporate governance arrangements, decision making within Tarmac is undertaken by the Board, ExCom or CRH in accordance with the reserved matters and delegations set out in the Policy. Due to the cross-membership between the Board and ExCom, a flow of information to the statutory directors is ensured.

ExCom meets regularly, and throughout the COVID-19 pandemic as it developed through 2021 with resulting national lockdowns, ExCom met frequently to discuss and decide on matters as they were happening. The Company's Board meets regularly through the year as appropriate to confirm and ratify any decisions made on its behalf by CRH and/or ExCom that impact the Company's stakeholders or that are classified as principal decisions. Decision making is guided by the principles set out in the Policy; Group policies; training received on Section 172 duties and other directors' statutory duties under the Act and wider regulatory responsibilities; and Tarmac's values.

The Board processes that support the application of our corporate governance and decision making more widely, and Section 172 more specifically, are disclosed in the statement of corporate governance arrangements.

## Tarmac Trading Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### *Directors' training*

Details of the training received, and how it supports directors and ExCom members consider S172 factors, is set out in the statement of corporate governance arrangements on page 7.

#### *Board and ExCom Composition*

Details of the Board and ExCom composition, and how it supports consideration of S172 factors, is set out in the statement of corporate governance arrangements on page 7.

#### *Principal decisions*

The Board, ExCom and the board of CRH have the necessary skills and experience required to identify the impacts of their decisions on the Company's stakeholders, and where relevant, the likely consequences of the decisions in the long-term. Where a principal decision is being made the Policy should be consulted to determine the corporate governance processes and controls that should be followed.

Under the Policy, responsibility for making principal decisions is delegated to the board of CRH or members of ExCom except for decisions that cannot be delegated under the Act. A principal decision can include the following:

- all matters that require CRH board approval;
- development of a new business service or product line;
- decisions that lead to a structural change in Tarmac's business operating model, requiring consultation with employees and or external stakeholders;
- significant divestments of property / business;
- material change in, or adoption of, a policy that dictates stakeholder considerations/engagement; and/or
- a significant obligation that would result in Tarmac undertaking legal risk and liability that would be out of the ordinary course of business.


In line with the Regulations and FRC guidance, and in accordance with the approach taken during the financial year under review, having considered the Company's principal risks and uncertainties as detailed in the Strategic Report, the Company made the following principal decisions during the year ended 31 December 2021:

- **Organisational Restructure** - During the year an internal programme to redesign the operating structure of the Tarmac business was undertaken. The aims of the programme were to formulate, agree and implement the most efficient and effective organisational structure and operating model for the future success of the Tarmac businesses. This programme was governed by a steering committee composed of senior Tarmac and CRH leaders as well as input from external advisors. The Board with guidance from the steering committee, endeavoured to take decisions on the programme with the utmost consideration to the potential impact on Tarmac employees, including those employed by the Company, undertaking an extensive employee consultation process to seek feedback on potential decisions to be taken. In making decisions on the project the Board was consulted who in turn considered in depth factors including the cost benefit analysis of the project, the likely long-term consequences; the impacts to employees including those made redundant; the potential reputational impact as well as ensuring the continued economic stability and viability of the Company during a period of disruption. More information on the employee consultation process can be found in the employee engagement statement on page 12.

- **Tilbury Project** - This project relates to a large, deepwater aggregates terminal with conveyor, rail and road access, replacing a number of existing London wharves. The project was entered into in March 2021 with Port of Tilbury London Limited. The decision to enter into the project is considered a principal decision due to the strategic nature of the investment from the Company. In making a decision around the project, the Board considered amongst other factors the cost benefit analysis of the potential future capital expenditure and the term of the project together with the impact of development and construction on the surrounding community and the environment.

30-Sep-2022

Approved by the Board on ..... and signed on its behalf by:

DocuSigned by:  
  
 A2F636CBBDE1429.....  
 J O'Driscoll  
 Director

## **Tarmac Trading Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The Directors present their annual report and the financial statements of Tarmac Trading Limited for the year ended 31 December 2021.

#### **Directors of the Company**

The Directors, who held office during the year and to the date of this report, except where otherwise stated, were as follows:

B Browne

P Buckley (appointed 30 March 2021)

S Davidson

R J Doody

P Fleetham (resigned 30 April 2022)

J O'Driscoll

M T Wood

M K Riley (resigned 30 March 2021)

The following director was appointed after the year end:

S Grey (appointed 4 August 2022)

#### **Principal activity**

The principal activities of the Company are organised into three business units:

Aggregates and Asphalt - the quarrying and supply of sand, gravel and stone (Aggregates) and the manufacture of road surfacing materials (Asphalt);

Readymix - the manufacture and supply of ready mixed concrete; and

Contracting - solutions for the surfacing or repair of roads, traffic management, highway and local authority maintenance.

#### **Dividends**

The Company did not pay any dividends in the year (2020: £nil).

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: £nil).

#### **Political donations**

The Company did not make any political donations in the year (2020: £nil).

#### **Charitable donations**

During the year the Company made charitable donations of £nil (2020: £0.1 million).



## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### Statement of corporate governance

The Board of the Company (Tarmac Trading Limited being “the Company”) is pleased to present its statement of corporate governance arrangements for the period to 31 December 2021. The Board is committed to the creation of long-term sustainable value for the benefit of our ultimate shareholder CRH and wider stakeholders across the Company’s value chain including customers, supply chain, employees and communities and the wider environment in which the Company directly and indirectly operates across.

As a large private company which meets the threshold in the Miscellaneous Reporting Regulations 2018 (the “Regulations”), the Company is required to disclose its corporate governance arrangements, including whether it follows any formal corporate governance code. As a large private limited company, the Company is not subject to the UK Corporate Governance Code (the “Code”) and has chosen not to apply the Wates Principles for Large Private Businesses (“Wates”) but instead has created and developed its own corporate governance policy (the “Policy”). The Board has deemed the Policy appropriate to use instead of Wates as it reflects the ownership structure and overarching corporate governance that operates across the Group (i.e. the wider CRH plc Group incorporating Tarmac), including that CRH plc applies the Code, reflecting the need for the Board of the Company to be able to discharge their statutory and fiduciary duties appropriately. The Policy operates as a corporate governance framework for all UK CRH subsidiaries defining key corporate governance protocols such as identifying reserved matters for the boards of all CRH UK subsidiary companies (the ‘Boards’), subsidiary governance protocols and a principal decision process, as set out in the Company’s section 172(1) statement on pages 4 to 5 in the strategic report. As a subsidiary within the CRH group of companies, the Board is committed to adhering to the corporate governance framework as set out in the Policy, applying those corporate governance practices and protocols as set out below. The Company’s application is undertaken in a manner that is proportionate reflecting the Company’s material operations, principal risks and main operating company within the Tarmac group of companies (“Tarmac”) forming part of the wider CRH group.

#### Purpose

The Tarmac group operates via The Tarmac Way, a strategy defining the purpose, where the business is going and how the business is going to get there. The purpose is Together, we’re Building our Future. The business recognised that having an inspiring ‘why’ gives a real purpose, a long-term and sustainable reason for doing what we do. Thinking about that reason helps us keep our eye on the future.

Tarmac’s sustainability priorities - people, planet, solutions - form part of this purpose and are viewed by the Board as essential to guiding the prosperity and well-being of society, our customers, the communities in which Tarmac operates and the long-term success of our business. It is widely recognised by the UK Government and the construction sector that environmental and social considerations will transform our future - what we build, what we build it with and how we build it. As a leader in the UK construction sector, Tarmac and the Board recognises the important role it plays in enabling the transition to a sustainable, resilient built environment, the benefits this will bring to society and the opportunities for our business.

The Board is responsible for developing and promoting the purpose of the Company and its operations in alignment with the Tarmac Way and Tarmac’s sustainability priorities, ensuring that the Company’s values, strategy and culture complement these and are strategically aligned with CRH. Our purpose is at the heart of everything that the Company does, it inspires employees and guides day-to-day operations, our culture and the decision making by the Board.

## **Tarmac Trading Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

The Company understands that our values are the principles for the way we do things - our behaviours and actions bring them to life each day. Through The Tarmac Way the Board defined Tarmac's core values: We are collaborative. We are proud. We are ambitious. Together with the STAR (Shaping Talent, Abilities and Results) framework setting out the behaviours that underpin these values, the Company has a common language, a consistent model and clear criteria for understanding good performance.

Annually, senior leaders from across all aspects of the business, including the directors of the Company, review and set Tarmac's strategic objectives for the forthcoming financial year. In communicating the strategic objectives to the wider business and using them to frame individual and team objectives each year, the Board ensures that the purpose is at the heart of day to day operations and decision making.

The culture is determined by the values set out above which defines the expectations, attitudes and behaviours expected by the Company's directors and its employees, in its activities and relationships with colleagues, shareholders and wider stakeholders. In doing so, this ensures that the business maintains a reputation for high standards of business conduct and stakeholder engagement which is demonstrated in further detail in the stakeholder engagement statement and employee engagement statement on page 12 of the directors' report.

In making its decisions, including strategic decisions that impact our stakeholders, a key principle applied by the directors is to always consider whether the decision they are about to take leads to a positive long-term increase in shareholder value whilst balancing the interests and long term impact on stakeholders. The Policy provides the Board and executive management, acting through the Tarmac executive management committee ("ExCom"), with clear guidance and appropriate corporate governance protocols to support the decision making process, at the heart of which is the necessity to promote the sustainable, long-term success of the Company, whilst having sufficient regard for stakeholders.

Examples of decisions taken by the Board and ExCom, demonstrating the corporate governance controls and processes in place as set out in the Policy and demonstrating oversight of decisions made on its behalf, can be found on page 5 of the section 172(1) statement.

CRH has a number of group wide policies in place which are applicable to the Tarmac business and the Company specifically, which support the Tarmac Way, and drives overall engagement with employees, shareholders and wider stakeholders across the Group. The Circle, Tarmac's employee intranet site, acts as a key part of the Tarmac infrastructure for engagement with employees. Tarmac is committed to doing business in a sustainable, responsible and ethical manner, building lasting relationships based on trust and underpinned by integrity, honesty and respect for the law. All Tarmac employees, including the Company's directors, must read and abide by the CRH Code of Business Conduct, which provides guidance to assist employees uphold CRH's values and act ethically in our workplace, in our business practices and in our communities, and ultimately in our decision making. Tarmac employees are encouraged to 'Speak Up' if they see, hear or suspect something illegal, unethical or unsafe and have access to CRH's independent hotline to report, in confidence and anonymously if preferred, concerns about suspected impropriety or wrongdoing in any matters affecting the business.

## **Tarmac Trading Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### ***Decision making and corporate governance process***

Decision making within Tarmac is undertaken by the Company's board of directors (the "Board"), ExCom and CRH (as ultimate shareholder). Some members of ExCom are also statutory directors of the Company. This cross-membership between the Board and ExCom ensures that there is a flow of information between the two decision making forums as the statutory directors receive updates, reports, detailed information and are party to decisions made by the ExCom. ExCom meets regularly. As reported in the directors' report for the year ended 31 December 2021 and as applicable for this year under review through the COVID-19 pandemic and resulting national lockdowns, ExCom met more frequently to discuss and decide on matters as they were happening. This enabled them to respond to the changing risks and business environment in which Tarmac and thereby the Company was operating within.

As set out in the Policy, the Company's Board has reserved matters relevant and appropriate to its purpose and function, with appropriate thresholds, to ensure applicable approvals are obtained before certain actions/business decisions can be taken. The Policy also details what matters are delegated to ExCom and CRH (in its capacity as ultimate shareholder). These matters are reserved to ensure the directors of the Boards can demonstrate sound and competent execution of their statutory duties (including oversight of the management of relationships and engagement with stakeholders on their behalf) in accordance with the Act and the Regulations and are driven by the need to promote the success of Tarmac. A key principle underlying these delegations is that the flow of delegation originates from the Board to ExCom or CRH. The Company's Board meets quarterly to confirm and ratify any decisions made on its behalf by CRH and/or ExCom that impact the Company's stakeholders or that are classified as principal decisions. For a description of what is considered to be a principal decision for the Tarmac business, please refer to page 5 of the section 172(1) statement in the strategic report.

As detailed in the 'Directors' Training' section below, regular training and workshops are undertaken by directors, ExCom and senior management to understand the requirements of the Regulations and how the Policy would apply in relation to stakeholder engagement and the process for approving principal decisions, supplemented by Tarmac's principles-based approach to defining a principal decision. This training informs the directors of future regulatory developments which the Board will continue to monitor through the overarching corporate governance across the UK.

The Board processes that support the application of our corporate governance and decision making more widely, and Section 172 more specifically, require board paper preparers to ensure sufficient and relevant information is provided to the Board, ExCom and/or CRH. Board meetings and minutes demonstrate the relevant aspects of Section 172 are considered and appropriately addressed. This particularly includes the impacts of the Company's operations on the community and the environment. The corporate governance process provides Tarmac with a framework to ensure everyone involved in and contributing to the decision making process understands the duties which the directors are obliged to consider in the decision making process and applicable regulations, to be able to provide relevant information and therefore lead to effective decision making.

#### ***Board and Executive Committee Composition***

As a key operating entity of the Tarmac business, and in accordance with the Policy, the Company must have a minimum of three directors with representatives from the finance team and ExCom. The Company has seven directors, all of whom are members of ExCom. ExCom membership is composed of regional managing directors, business-line managing directors together with directors of key functional areas as corresponds to the Board's profile below.

The composition of the Board provides a broad range of skills, knowledge and industry experience, including general management, finance, engineering and operations, to enable the Company to meet the needs of its business and for the directors to each carry out their role and statutory duties to a high standard which reflects the material operations and risks of the business.

In accordance with the Policy, individual directors must have sufficient capacity to make a valuable contribution to their role as a statutory director. In addition, and in line with Tarmac's regional operational structure, several directors of the Board are tasked with overseeing and managing Tarmac's business in certain geographical locations. This balance of skills and experience and oversight provides the Board with an understanding of the local areas and communities within which Tarmac operates and the needs of the businesses within it. The Board's collective experience enables them to consider a broad range of stakeholders in their deliberations and decision making.

## **Tarmac Trading Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

ExCom comprises the seven statutory directors of the Company along with other members who are part of senior management within Tarmac group companies. During, and after the end of, the reporting period, changes were made to the Board's composition to strengthen and align legal entity and executive governance. The current directors, and their respective executive function are as follows:

#### The Board:

Bevan Browne: Managing Director of Building Products & National Commercial  
 Peter Buckley: Senior Vice President (appointed 30 March 2021)  
 Shaun Davidson: Regional Managing Director - North and Scotland  
 Rob Doody: Regional Managing Director - Midlands  
 Johanna O'Driscoll: Finance Director  
 Mark Wood: Regional Managing Director - South-East  
 Simon Grey: Regional Managing Director - South-West (appointed 4 August 2022)

It is noted that Martin Riley, Senior Vice President was a Director in the year but resigned on 30 March 2021 and Paul Fleetham, Managing Director Contracting was a Director in the year but resigned on 30 April 2022.

Before any director is appointed to the Board, both the Group and the composition principles in the Policy are consulted to ensure the composition of the Board is appropriate, taking into consideration the company categorisation, the skills and experience of the appointee and the overall diversity mix of the existing Board. Tarmac has an Inclusion and Diversity Policy which ensures critical roles and directorships consider and promote a diverse succession pipeline.

#### ***Directors' training***

The Group's Legal, including company secretarial, team support the Group in operating sustainably and consistently with its values. The Group's Legal team provides advice, guidance and support to the Group's management teams in order that they can effectively support the Board in the critical matters and regulatory issues which they must consider in making their decisions. This support ranges from matters, including establishing policies and procedures, providing compliance training, issuing communications to legal advice on compliance and business issues.

Employees and directors of the Group, which include the directors of the Company, are provided with regular Code of Business Conduct training. Certain employees, determined according to the risk profile of their role, undertake annual advanced compliance training covering Modern Slavery, Anti-Bribery, Anti-trust, Anti-Fraud and Anti-Theft. The training provided enables the directors to be committed to operating the business and making decisions to the highest ethical, moral and legal standards and putting the Group's values into practice in their daily duties.

Under the Policy, all newly appointed directors will receive director training within three months of being appointed and all directors will refresh their training regularly. The provision of training will be facilitated by the Company's Legal Department.

#### ***Stakeholder engagement***

The principal activities of the Company are organised into three business units:

- aggregates and asphalt - the quarrying and supply of sand, gravel and stone (aggregates) and the manufacture of road surfacing materials (asphalt);
- readymix - the manufacture and supply of ready mix concrete; and
- contracting - solutions for the surfacing and repair of roads, traffic management, highway and local authority maintenance.

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### *Stakeholder engagement (continued)*

Tarmac's activities and purpose frame the Board's approach to corporate governance, including stakeholder engagement. The Company's key stakeholders are:

- its workforce: our employees bring an exceptional level of commitment and integrity to the work they do, every single day. We acknowledge that our employees are fundamental to the long-term success and development of the Tarmac business.
- customers: without customer engagement we would not understand our customers' requirements and we would fail in our commitment to support them and deliver in projects, and ultimately the Tarmac business would not be sustainable.
- suppliers: our suppliers are vital to achieve our purpose and sustain our long-term success, as they enable us to continue to deliver to our customers. Ensuring our supply chain meets our high standards, by signing up to the CRH Code of Conduct, helps to ensure the integrity of our products and maintain our ethical business values.
- the local communities in which we operate: we look to treat our local communities with respect including looking after the environments in which we operate and providing local people with a safe and secure environment to work in.
- its immediate shareholder and its ultimate parent company: the Company is part of the Tarmac sub-group of companies in the UK. Its immediate shareholder is Tarmac Holdings Limited and is ultimately owned by CRH. CRH is committed to, and invests in, the long-term success of the Company. We understand the importance of, and are committed to, delivering dividends to our shareholder and we are equally committed to maintaining an appropriate balance between total cash returns to our shareholder, investing in the business and maintaining a strong capital position.

The Board engages with key stakeholders using a variety of engagement mechanisms including working with other industry organisations to support safety initiatives and implementing a new and improved user-friendly website as part of our ongoing commitment to putting the customer journey first and enhancing the business' digital infrastructure. For our employees, our main mechanisms for engagement include delivery of information on the Group's intranet, regular email bulletins, undertaking employee surveys along with supporting industry causes and initiatives on issues impacting people in our industry.

Consideration of environmental and sustainability factors is of growing importance to the Board, Tarmac, CRH and its stakeholders. The approach to sustainability is at the centre of the business, embedded in everything we do. The Group has a credible strategy to achieve ambitious sustainability targets including to achieve net zero by 2050. Our strategy emphasises the importance of adopting a whole life approach and embedding sustainability into everything we do. From the goods we purchase, our operations and logistics but also the performance of our products in use and their reuse and recycling at the end of their life.

In this respect the Board continues to evolve its focus on the environmental impacts of its business, of which these priorities for CRH include climate action; water usage; biodiversity and land use; and waste and air quality. For further information refer to the latest Tarmac and CRH Sustainability Reports which explain more on the sustainability strategy in the group.

For further information in relation to stakeholder engagement, please refer to the section 172(1) statement on page 4 of the strategic report and the stakeholder engagement statement and employee engagement statement on pages 12 and 16 of the directors' report.

#### *Opportunity and risk*

ExCom, on behalf of the Board, continuously assesses and monitors the risks affecting the Tarmac business, promoting the long-term sustainable success of the Company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks. The business operates under an enterprise risk management process with ExCom regularly presenting its considerations of new risks faced by the business and reported in the business' risk register. The risks are ranked, firstly in terms of gross risk and then the net risk position, taking into account the effect of internal controls on the identified risks, and lastly on target risk, based on the effect mitigating actions will have. Each risk has an owner at ExCom level who is responsible for overseeing the management and mitigation of that risk. Periodically, ExCom will review the risks, identifying further new risks and providing updates on how actions from previous reviews have been managed. The risk register is shared with CRH each year, as well as being reviewed in a semi-annual CRH Risk and Controls Committee meeting. During the reporting period, a COVID-19 risk response plan developed in 2020 was kept under assessment, led by CRH, providing the business and the Group with a timely and accurate understanding of the risks presented by COVID-19, together with controls and actions to help mitigate those risks. Processes and controls are in place to support the business identify opportunities in accordance with strategic objectives, undertake appropriate due diligence and ultimately gain approval. The principal risks and uncertainties facing the business can be found on page 2 of the strategic report.

## **Tarmac Trading Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### ***Remuneration***

Remuneration of directors is based on their management role and responsibilities, rather than their appointment as a director of a specific legal entity. Remuneration within Tarmac is governed by the Tarmac Reward Governance Framework for the majority of Tarmac employees, excluding directors and senior employees. Directors' and other key senior employees' remuneration, which includes base salary, discretionary annual bonus, a discretionary performance-related share plan in CRH and employee benefits, is governed by the CRH Reward Governance Framework.

Directors' remuneration is aligned with the Company's performance, which can only be achieved through delivery of our purpose, values and strategy, and is primarily represented through the discretionary annual bonus which is based solely on the performance of both the Company and the individual, with individual performance taking account of both "what you achieve" and "how you go about it". The Company has a clear reward strategy that defines the reward and benefits package applicable at each banding level within the Company that is designed to reward performance at all levels with the directors, being the executive population, subject to the relevant set of benefits due to an employee at their banding level. Roles at all levels within the business are subject to external salary benchmarking that takes account not only of roles in our sector, but the workforce market more generally.

Accordingly, remuneration of the directors is reviewed and set by CRH.

#### **Employment of disabled persons**

It is Company and Tarmac group wide policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and, wherever possible, to re-train employees who become disabled so that they can continue their employment.

#### **Stakeholder Engagement Statement**

The Group's UK corporate governance policy provides detailed guidance for directors and management on their accountability, statutory responsibilities and the process for stakeholder mapping across the Group.

The Board recognises the importance of considering and having regard to key stakeholders and their interests when making decisions. By thoroughly understanding the Company's key stakeholder groups, the Board can successfully factor in and address the needs of these stakeholders and foster good business relationships with them. The Company's key stakeholders are its shareholder, employees, customers, suppliers and the local communities in which it operates (the "Stakeholders").

Regularly engaging with the Stakeholders is a priority for the Company and the following information describes how, at a Tarmac level, which included the Company, the Group directors had regard to the need to foster relationships with its Stakeholders, how outcomes were considered and how concerns were identified and addressed, including on the decisions taken by the Group at a Tarmac level, during the reporting period:

#### **Engagement with employees**

For details on how the directors engaged with the Company's employees, how the directors had regard to those employees' interests, and the effect of that regard, including on the decisions taken by the directors during the reporting period, refer to the employee engagement statement in the directors' report (details of which are set out on page 16).

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### Customers

##### Stakeholders' interests

- Focused on minimising the impact on the environment, including the provision of low carbon solutions
- Responsible and sustainable sourcing of materials
- Projects that maximise sustainability and the health and safety of workers and reduce environmental impact
- Excellent and reliable service
- Transparency through the supply chain, committed to respecting human and labour rights and preventing modern slavery
- Engaging with customers to promote product innovation

##### How we have fostered relationships

Customer Environmental, Social and Governance (ESG) requirements often form an integral part of the pre-qualification questionnaire for tender processes, especially for larger customers and tenders. In recent years, we have seen a steadily increasing weighting applied to ESG aspects in assessing tenders. In engaging with customers, either through tender submissions or outside of the formal tender process, we positively take into account their sustainability ambitions and how these should complement Tarmac's sustainability strategy. Our sustainability strategy sets out Tarmac's commitments to becoming a more sustainable and responsible business and to the delivery of a more sustainable built environment. Our strategy is built upon four key themes of people, planet, performance and solutions with priorities, commitments and targets to drive continuous improvement through our business.

Tarmac launched a new and improved user-friendly website as part of its ongoing commitment to putting the customer journey first and enhancing the business' digital infrastructure. Designed to enhance user experience, the mobile-compatible site makes it quicker for customers to identify the products and solutions they need with improved location functionality and easier-to-access case studies and information. The launch of the new website also makes it easier to access the Tarmac Connect customer portal which enables customers to request quotes and orders, track deliveries and pay invoices online. The customer portal is just one of Tarmac's latest digital innovations in the Connect programme of activity aimed at improving customer experience. The improvements to Tarmac's digital infrastructure are part of a wider pledge to delivering a smooth and effective customer journey.

As our products and services are considered to be of strategic national importance, and as part of our approach to 'public policy', the Group input into, advise and support a wide range of governmental departments, functions and agencies (such as the Health & Safety Executive and the Environment Agency) on matters such as road construction, carbon reduction strategies and industry regulation. This also includes hosting MP visits to our sites, commenting on public consultations, proposed legislation and lobbying the government on key business issues. The health and safety of our people and those who we work alongside remains our absolute priority on customers' sites.

By considering the needs of our clients, the Company helps them deliver better outcomes, faster and more efficiently. Our professional, collaborative approach, combined with our expertise adds value whilst minimising disruption and other adverse impacts. This ensures the Company consistently delivers successful frameworks and award-winning projects on time and to budget.

#### Suppliers

##### Stakeholders' interests

- Sustainable, long term success of the Company
- Prompt payment
- Fair terms and conditions
- Ethical behaviour (including anti-bribery and corruption and anti-slavery)

##### How we have fostered relationships

The Company reports to the government on its payment practices, processes and performance every six months under the Reporting on Payment Practices and Performance Regulations. The board takes payment practice commitments to suppliers seriously, seeks to ensure prompt payment of invoices and has actively reviewed payment statistics during the year. Suppliers can search for our published payment practices report.

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

Tarmac places business ethics and sustainability at the forefront of all business interactions, including those with its suppliers, recognising they are key stakeholders in the success of the Tarmac business. The Company expects our suppliers to share our unwavering commitment to ethical business practices and meet our standards including in respect of human rights, health & safety and environmental stewardship. As a globally responsible business, we ensure our supply chain matches our business ethics by ensuring all suppliers sign up to the CRH Code of Conduct prior to being approved as a Tarmac supplier.

Tarmac aims to engage all suppliers in a fair and consistent manner. Ownership of supplier management activity is assigned to a dedicated Category Manager within the central Procurement team. The method of engagement required is determined by an assessment of spend and risk. The Company supports the growth of local micro businesses, small and medium sized enterprises and third sector organisations, removing barriers faced during procurement and paying them promptly.

#### Local communities

##### Stakeholders' interests

- Reduced impact on the local community and the environment caused by construction projects;
- The provision of a safe place of work for the communities in which the Company works;
- Supporting local and national safety initiatives to raise awareness of the dangers of the industries in which the Company operates in;
- Embracing innovation to boost efficiency of the construction industry;
- Commitment to working with local communities and supporting the development of a highly skilled workforce for the future; and
- Compliance with all relevant legal and regulatory tax obligations

##### How we have fostered relationships

Tarmac is a leading contributor on a wide range of trade associations, including Construction Products Association, UK Green Building Council, British Precast and Mineral Products Associations (MPA).

Tarmac continued to support the MPA's 'Stay Safe' campaign, to raise awareness of the importance of quarry safety and the danger of swimming in quarry lakes during the summer months. Stay Safe is part of an ongoing industry focus on improving site safety and protecting local communities around quarry sites, by educating people on this important issue. The campaign also supports the UK Drowning Prevention Strategy, which has an objective to achieve a 50% reduction in accidental drowning by 2026, saving over 200 lives per year.

Tarmac engages with schools in our local communities. In 2021 Tunstead Quarry donated to school children in Buxton, Derbyshire to enable them to buy compost bins, trugs, trowels, spades, and other gardening items. The Buxton Junior School pupils were able to use these items to plant and grow their own vegetable gardens helping them better understand where our food comes from.

Tarmac employees continue to support communities through charity initiatives. In 2021 this included participation in the annual Movember campaign supporting men's health which raised £50,000 across the CRH group.

Through the Tarmac Landfill Communities Fund, Tarmac donates around £1m each year to community projects throughout the UK. In 2021 this included Lutterworth Athletic Football Club in Leicestershire who received a £50,000 grant from the Tarmac Landfill Communities Fund. The fund will be used by the local club to support the building of new changing rooms for female players and match officials, enabling the club to extend its offering and encourage more girls and women to get involved in the game.



## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

Tarmac operates under the CRH UK Tax Objectives, Strategy & Governance Framework. As a large global organisation, CRH acknowledges its responsibilities with respect to taxation in the multiple communities and jurisdictions in which it operates. CRH seeks a constructive and cooperative working relationship with the UK tax authorities through discussions and updates between the in-house tax team and the HM Revenue & Customs Customer Compliance Manager.

Tarmac became the first company in its sector to sign up to the EV100, a global initiative bringing together businesses committed to accelerating the transition to electric vehicles ("EV"), as part of its ongoing commitment to sustainability. Tarmac committed to upgrading its 2,000-strong fleet of corporate cars and vans to EVs by 2030, as well as installing EV charging points and infrastructure in key business locations across the country. Enrolment to the EV100 scheme is Tarmac's latest procurement initiative in its continued drive towards carbon reduction and follows a company-wide switch to 100 percent clean electricity which allows all of Tarmac's sites across the country to use electricity supplied entirely through clean UK-based wind and solar sources.

Tarmac's sustainability strategy is a priority for the business with a new strategy being launched in 2021. The new strategy includes goals to protect and enhance the environment and support local communities in which we operate such as through the use of lower carbon fuel and considering biodiversity factors for our sites. The Group has continued to support local charities, clubs and community groups through volunteering, sponsorship and provision of equipment and resources.

By supporting safety initiatives and educating people, Tarmac helps to raise awareness of potential dangers of the industries in which we operate to protect the local communities near to our sites.

We embrace innovation and drive continuous improvements to boost efficiency and productivity, not just of Tarmac operations, but the performance of the construction industry as a whole.

We have enabled Tarmac to reach people outside of our industry and work alongside other organisations in our community to support and nurture the leaders of tomorrow.

Tarmac continued to operate key standards including the third-party certified ISO 50001 energy management standard across the business and ISO 14001 which refers to environmental management systems. Such standards are used to drive continuous improvement in energy and CO2 efficiency. For further information on the energy efficiency actions taken by Tarmac, please refer to the streamlined energy and carbon reporting in the directors' report on page 18.

#### Shareholders

##### Stakeholders' interests

- Long term success of the Company
- The Company's ability to maintain delivering dividends
- The Company's commitment to maintaining an appropriate balance between total cash returns to shareholders, investment in the business and maintaining a strong capital position to support capital investment and infrastructure to sustain long term value creation

##### How we have fostered relationships

Through its operational functions, the Company reports to CRH on a regular basis in the form of business reviews and strategic plans, risk reporting and financial statements. CRH's Treasury, Tax and Finance functions coordinate with the Company's Treasury, Tax and Finance functions to evaluate the amount of dividends and impact at local level. CRH works collectively with the Board to achieve the Group's objective to create long-term sustainable value. The Company's strategy is to maximise value for CRH, the Company's ultimate parent.

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### Employee Engagement Statement

##### Why we engage:

The Board engages with our employees to provide them with information and keep them up to date on matters of concern to them and to increase their awareness of the financial and economic factors affecting the Company's performance and the Group's performance. The Board encourages our employees to provide their feedback and enable two-way communication with employees to generate understanding and engagement.

Tarmac's group-wide policy is to communicate with, and involve employees on, matters affecting their interests at work and to inform them of the performance of the business. This includes adopting such employee consultation as is appropriate, including consultative committees, training and development and communication programmes. The information is complemented by the quarterly in-house magazine, 'One', Tarmac communications and information on the Company's new intranet platform, 'The Circle', which contain items of news, current affairs and information relevant to employees.

The Board also consults with trade unions on behalf of our employees, predominantly on business matters and workplace issues that affect terms and conditions of employment. In some areas of our business where national agreements are in place, the Board and its representatives formally meet with the trade unions on a quarterly basis to discuss a wider range of topics, as appropriate.

It is important that our employees are engaged in the performance of the Company. CRH operates a savings-related share option scheme which employees of the Company are eligible to join, saving up to £500 per month from their net salaries for a fixed term of three or five years and at the end of the savings period they have the option to buy CRH plc shares at a discount.

##### How we have engaged:

The operational restructuring was a significant area of employee engagement in 2021. Consultation around the new operating model and the resulting changes to the business structure was carried out with impacted employees via employee representatives. Eight weekly meetings took place where employee representatives heard the details of the proposed structural changes and were able to bring counter-proposals from the areas they represented. In the third quarter extensive engagement occurred via nine face-to-face workshops at our national skills and safety park training facility. These were held for each ExCom managing director and their leadership teams, to help embed the new operating model which came into effect in August 2021. These were followed by a two-day workshop to explore and embed the cross-functional working behaviours around optimisation and disciplines such as readymix, contracting, logistics, operations and commercial. Further in December 2021, Tarmac carried out company-wide strategy briefings to update everyone on the new Tarmac operating model and key strategic 'golden threads'. These engagements were led via virtual sessions hosted by ExCom members as well as shorter face-to-face sessions which reached all levels of employees.

Tarmac employees also participated in CRH group wide employee engagement surveys run by a third party. The survey ran from February to March 2021 and resulted in an overall health score for Tarmac specific employees of 73. This equates to the second quartile in the results scale. The survey was aimed at both connected employees i.e. those with an email address, as well as populations in the non-connected workforce including our Cement and Lime Dunbar location and our North Yorkshire area.

In addition to the CRH-wide survey, Tarmac carries out its own regular surveys via a platform called Hive. In December 2021 Hive surveys were carried out focusing research amongst the office-based people on hybrid working approaches as well as for the non-connected population a survey that was tracking progress from the feedback heard from CRH the survey carried out earlier in the year.

Regular employee briefings happened throughout the year including via financial results briefings, fortnightly leadership calls for the ExCom and senior leadership team as well as weekly production and safety briefings in operational sites.

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### How the engagement impacted decision making

Feedback from employees was a major consideration in the decisions taken by Tarmac around the changes to the operational model. Through the employee consultation held with employee representatives across every area of the business, the Board heard feedback and received over 140 counter-proposals. This feedback directly influenced the course of action taken by the Board and 52 of the counter-proposals submitted by employee representatives were accepted. The consultation process was wide-ranging and sought to genuinely engage and hear the views of employees.

At the start of 2021 Tarmac launched a series of employee networks called 'Communities' - a new way for our employees to connect with their colleagues. As a business, Tarmac is proud to celebrate what matters to our colleagues and help everyone bring their whole self to work and the Communities will help colleagues find like-minded people to share advice and knowledge, provide support or just socialise together. Our first Communities reflect colleague feedback in line with our inclusion and diversity ("I&D") activity. Following previous I&D surveys, the Board asked an Employee Development Programme ("EDP") team to put forward recommendations on what more the Group could do - and employee networks were a clear favourite. Our first communities have been launched including

- Religious and Cultural Heritage
- The Female Voice
- Mental health and wellbeing
- Ability
- Menopause Support
- R.E.A.C.H (Black, Asian, and Minority Ethnic communities)
- Two LGBTQ+ communities (one open to allies and one private for those who identify as LGBTQ+)
- Parents and Carers
- Sustainability

Our Communities are open to both members and allies and each community has an executive sponsor which enables reciprocal mentoring and ensures all employee voices and opinions are heard, especially from our under-represented groups, enabling us to remove barriers and underpins our I&D agenda. Our Communities have been very active with over 14,000 views and around 1,000 members.

#### Principal Decisions

For details on the process behind making decisions, including principal decisions, the effect of engagement on those decisions please refer to the Statement of Corporate Governance Arrangements on page 7 of the directors' report and the section 172(1) statement on page 4 of the strategic report.

#### **Environmental matters**

As the UK's leading construction solutions and building materials business, Tarmac's products and services help to create the fabric of the infrastructure and buildings around us.

Sustainability remains a cornerstone to managing the long-term future of our business and plays a fundamental role in shaping our growth strategy. It also underpins our Group vision of being the world's leading building materials company.

2021 saw the launch of Tarmac's new sustainability strategy setting out the third phase of our sustainability journey, covering the next ten years and beyond. It builds on the significant progress we have made to date and our recognition of the challenges ahead. This new strategy will also set out plans to tackle the climate emergency and our commitment for our business to be 'net zero' before 2050.

Our strategy encompasses how we keep our people safe; how we build a business that people want to work for; and how we foster ever closer relationships with local communities around our sites. As a business we care about building a supportive workplace where everyone can realise their potential, our inclusion and diversity vision is to foster and celebrate a fair and supportive culture that promotes opportunities for all - where everyone feels proud to be themselves. It considers how we manage our operations to optimise environmental, social, and economic performance; and how we ensure strong financial and ethical governance. It is founded on whole life thinking and pushing the boundaries to develop innovative solutions, which help our customers create sustainable buildings and infrastructure.

Our strategy aims to ensure that Tarmac continues to remain well positioned to meet sustainability challenges now and in the future, and to support our customers and communities to do the same.

## **Tarmac Trading Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

In 2021 we continued to face challenges due to COVID-19, however we still maintained our focus on the safety and wellbeing of our employees, sustainability and business growth.

Throughout 2021, as well as following public health guidelines, Tarmac operated to its own COVID-19 Roadmap, setting out how we would apply public health guidelines within our business, providing consistency to our employees and contractors. To keep our employees as safe as possible we put protocols in place, such as wearing masks at our sites, social distancing, temperature testing on site and continued hybrid working. Tarmac's COVID-19 protocols worked well to protect our colleagues during the pandemic.

Despite these challenges we have continued to make progress on our sustainability ambitions placing Tarmac in a strong position as the industry began to return to pre-pandemic activity levels, demonstrating the strength and resilience of our business and employees.

Tarmac was awarded a RoSPA gold Health and Safety award for the fourth consecutive year reflecting our commitment to ensuring our employees and contractors get home safely to their families at the end of every working day, supported by the opening of our new occupational health and wellbeing facility at our National Skills and Safety Park. In 2021, all of our senior leadership team (around 200 people) completed inclusion and diversity training and unconscious bias training virtually. The aim of the training is to challenge perceptions and create awareness of implicit bias and eliminate any unconscious discriminatory behaviours in the business.

By the end of 2021 we had achieved a 36% reduction in CO<sub>2</sub> per tonne of product compared to 1990. Whilst this is a strong start on our journey to our new strategy target of a 45% reduction per tonne of product by 2030 and net zero before 2050, we understand the challenges ahead and will continue to commit to our ambitious targets.

We continued our pledge to a circular economy with the reuse and recycling of over 7.2 million tonnes of waste and secondary materials from other businesses, taking a positive step towards our 2030 target of 70 million tonnes, and maximising the efficient use of natural resources. Our sites and offices continued to maintain certification to ISO 14001, Environmental management standard, the Occupational Health and Safety Management Standard, ISO45001 and ISO 50001, the Energy Management Standard.

Our strategy of focused growth has continued, highlighted by the signing of a 25-year agreement with Forth Ports to create the UK's largest construction materials terminal at Tilbury 2. The facility is a purpose-built aggregate processing and manufacturing operation, strategically located to serve London and the South East, with multimodal connectivity. The terminal will support our sustainability commitment to reducing emissions and creating a safer environment for other road users, by using rail to deliver construction materials into Central London.

In 2022, we look forward to delivering further on our strong start to achieving our new strategy and net zero targets, ensuring that we grow and improve our business in a sustainable and responsible way.

For more information on our approach please see our Sustainability Report 2021: <http://sustainability-report.tarmac.com/>

#### **Streamlined Energy and Carbon Reporting**

##### **Methodology**

Tarmac Trading Limited, as a large unquoted company, qualifies for completing Streamlined Energy and Carbon Reporting by satisfying two or more of the specified requirements set out in the guidance. In compliance with the regulations energy use from gas, electricity and transport including their associated emissions have been reported, in conjunction with an intensity ratio of emissions per business turnover (tCO<sub>2</sub>e/£) and energy efficiency actions taken.

In determining the entity's energy use and emissions the principles of The Greenhouse Gas Protocol have been followed where possible. For Tarmac Trading Limited, energy consumption has been determined from billed data with emissions calculated using UK Government GHG Conversion Factors for Company Reporting. Gross CV and gross carbon factors were used from DEFRA to convert fuel volumes to kWh and kgCO<sub>2</sub>e.

For information see: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>.

Tarmac Trading Limited, as part of Tarmac Holdings Limited, is subject to ESOS regulations and is certified to ISO 50001. Energy efficiency measures taken by Tarmac Trading Limited have been drawn from the actions and recommendations set out by these schemes. Intensity ratio of emissions per business turnover has been utilised as all businesses are revenue generating and there are inconsistencies in production output units.

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### Energy Efficiency Actions

During 2021, Tarmac Trading Limited continued to operate the third-party certified ISO 50001 energy management standard across the business. This standard is used to drive continuous improvement in energy and CO2 efficiency. In the period covered by the report, Tarmac Trading Ltd carried out the following energy efficiency actions:

1. We use our certified ISO 50001 Energy Management System to drive continuous improvement in energy, set specific energy consumption (SEC) and CO2 targets and to monitor performance at every one of our manufacturing sites. These targets are tightened each year to drive continuous improvement and investment in lower CO2 plant and operations.
2. In 2021 we launched the Tarmac 2030 Sustainability Strategy to focus our targets for 2030 including a 45% reduction in CO2 per tonne of product by 2030 (from 1990). This was trained out to the senior leadership population and action plans were made with each business line to achieve these goals.
3. Fuel switching programmes at our Asphalt plants continued in 2021 with the transition to more efficient and reliable fuels to deliver reduced carbon emissions. At our Snodland Asphalt plant the existing diesel heating and drying system was replaced with LPG, which is forecast to deliver a 20% reduction in operational carbon emissions.
4. Tarmac reached a major milestone in 2021 in our commitment to improving the emission standards across our fleet of heavy goods vehicles (HGVs), as the 1750th HGV in our fleet became compliant with Euro 6 emissions standards. This means that 90% of our vehicles are now fully in line with the benchmark environmental regulations.
5. We estimate that around 66% of the energy used by Tarmac is attributed to the use of motors, and in 2021 we started a project to switch all new motor requirements over to new IE4 style high efficiency motors. Switching to the new IE4 motors has the potential to increase efficiency by 7.5%, in turn saving up to 1,871 tonnes of carbon per year.

<b>GHG emissions and energy data</b>	<b>Unit of Measure</b>	<b>2021</b>	<b>2020</b>
Energy consumption used to calculate emissions	kWh	508,714,371	643,570,047
Emissions from combustion of gas (Scope 1)	tCO2e	61,254	83,322
Emissions from combustion of fuel (Scope 1 & Scope 3)*	tCO2e	14,820	15,473
Emissions from purchased electricity (Scope 2, location-based)	tCO2e	31,556	30,826
Emissions from purchased electricity (Scope 2, market-based factor)	tCO2e		
Total gross CO2e based on above (location-based Scope 2)	tCO2e	107,630	129,621
Total gross CO2e based on above (market-based Scope 2)	tCO2e	76,074	98,795
Intensity ratio	Gross tCO2e per £million turnover	50	71

\* Emissions from combustion of fuel for transport purposes (Scope 1) & from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### Local communities and partnerships

Local communities and partnership arrangements are managed on a Tarmac wide basis. Tarmac has a Sustainability Strategy in place which commits to delivering a net positive contribution to the communities that Tarmac operates in. Along with the contribution that Tarmac makes as a major employer and buyer of goods and services, Tarmac works hard to build local partnerships with community organisations to enhance biodiversity, support employment and education, and to build stronger community relations. As part of the commitment to deliver a net positive contribution, Tarmac actively seeks out engagement opportunities with local communities to explain Tarmac's activities, along with encouraging feedback. This includes a continued commitment to involving, engaging and consulting local communities in connection with plans for new operations or alterations to existing operations, prior to formal planning permission being sought. As such, a range of communication methods are in place for each operational site including community liaison groups, websites, site visits, newsletters and social media.

#### Future developments

The UK government has signalled their continued intention to invest in infrastructure to assist with the economic recovery from coronavirus through the National Infrastructure and Construction Pipeline policy paper published in 2021. This includes over £650bn of investment over a 10 year time horizon and in excess of 500 planned projects. Therefore, the medium to long term prospects remain positive for the Company given the level of investment required and the commencement of key infrastructure projects such as HS2.

Management remain focused on what can be controlled as a business and will continue to work towards investing in construction solutions for the future.

#### Finance risk management objectives and policies

Liquidity and cash flow risk - in order to maintain liquidity, the Company's funding requirements are under constant review. The Company is part of a Tarmac wide cash pooling arrangement and as such the cash is managed at a Tarmac level. Cash is able to be placed on deposit within the CRH Group zero balancing cash pooling arrangement which allows advantageous interest rates to be gained on cash put on deposit. Cash placed with CRH (UK) Limited is able to be accessed by Tarmac at any time;

Credit risk - the Company's principal financial assets are cash and bank balances, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are stated net of allowances for doubtful receivables. The Company has no significant concentration of credit risk;

Interest rate risk - the Company has interest rate exposure primarily on its amounts owed to Group undertakings. The Company has no significant further exposure to interest rate risk; and

Price risk - the Company seeks to mitigate its exposure to commodity price risk through using relevant pricing mechanisms in the course of business with its customers. These could include hedging and supplier rebates as appropriate.

Finance risk policies are included in note 2.

#### Research and development

The Company engages in research and development activities for example new product development, process improvement and sustainability initiatives. Information regarding research and development activities can be found within the accounting policies in note 2 to the financial statements.

## Tarmac Trading Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### Going concern

The Directors have considered going concern in preparing these financial statements.

The Company participates in a Group zero balancing cash pool arrangement. Each company participating in the cash pooling arrangement has cash automatically swept to/from its account on a daily basis so that the balance reverts to zero at the end of each day. For all companies within the Tarmac group, cash is swept to/from CRH (UK) Limited and balances are interest bearing.

Detailed forecasts including the Company are prepared on a Tarmac Group basis for a period of at least 12 months from the date of approval of these financial statements. The Tarmac Group as a whole is profitable and cash-generative. These forecasts show that there is sufficient cash headroom in each individual month across the period, allowing the Tarmac companies to continue to operate with significant cash headroom whilst meeting daily cash flow requirements over this period.

Given that these forecasts are not prepared by statutory entity, and should the need arise, a signed letter of support, confirming ongoing support throughout an equivalent period has been obtained from the Company's ultimate parent company, CRH plc, for which forward looking plans have also been prepared to reflect severe but plausible downside scenarios. Even considering plausible downside scenarios, there are sufficient funds to allow the Company to continue in operational existence for the foreseeable future.

Taking account of the detailed forecast of the Tarmac group of companies and having received confirmation of ongoing support of CRH plc for the next 12 months from the date of approval of these financial statements, and their willingness and ability to provide financial support to the Company if needed, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### Post balance sheet events

The Directors have considered all post-year end transactions, information received and events, up to the date these accounts are signed, for anything that may be either an adjusting or non-adjusting post balance sheet event. There was nothing identified requiring adjustment to, or disclosure in the current year financial statements.

#### Directors indemnities

The Articles of Association of the Company contain an indemnity in favour of all of the Directors of the Company that, subject to law, indemnifies the Directors, out of the assets of the Company, from any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part).

#### Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### Auditors

Deloitte LLP have indicated their willingness to be reappointed as auditor. No notice in accordance with s488 of the Companies Act 2006 (which would operate to prevent the deemed reappointment of auditors under s487(2) of that Act) has been or is expected to be received and accordingly the necessary conditions are in place for the deemed reappointment of the auditors to take place in the absence of an Annual General Meeting.

30-Sep-2022

Approved by the Board on ..... and signed on its behalf by:

DocuSigned by:

*Johanna O'Driscoll*

A2F626C8BDE1429,.....

J O'Driscoll

Director

## **Tarmac Trading Limited**

### **Statement of Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



## **Independent Auditor's Report to the Members of Tarmac Trading Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Tarmac Trading Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- Profit and Loss Account;
- Statement of Comprehensive Income;
- Balance Sheet;
- Statement of Changes in Equity
- Statement of accounting policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the Company's controls over the development and approval of the projections and assumptions used in the cash flow forecasts to support the going concern assumption;
- testing the clerical accuracy of the cash flow forecast model;
- completing an assessment of the consistency of the models used to prepare the forecasts in line with other areas of our audit;
- performing a look back analysis of the historical accuracy of forecasts prepared by management;
- perform sensitivity analysis on managements forecasts; and
- assessing the adequacy of the disclosures in the financial statements.

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

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

## **Independent Auditor's Report to the Members of Tarmac Trading Limited (continued)**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and Tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

## **Independent Auditor's Report to the Members of Tarmac Trading Limited (continued)**

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

We noted a significant risk due to fraud, related to revenue, around the existence of contracting revenue which has not being certified by customers at year end. In response to this risk we have performed the following procedures:

- We tested the Design and Implementation and Operating Effectiveness of controls over contract revenue, including management's controls over the estimates of total costs for performance obligations
- We selected a sample of contracts and:
  - Tested the year end contract debtor and WIP balances by agreeing samples through to subsequent customer certification or alternative supporting documentation.
  - Recalculated the accuracy and completeness of the costs incurred to date for the performance obligation to supporting documentation;
  - Recalculated the mathematical accuracy of management's calculation of revenue for the performance obligation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports.

### **Report on other legal and regulatory requirements**

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

## Independent Auditor's Report to the Members of Tarmac Trading Limited (continued)

### Use of our report

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.

DocuSigned by:



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Ryan Duffy (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor

Birmingham, United Kingdom

30-Sep-2022

Date:.....

## Tarmac Trading Limited

### Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £ m	2020 £ m
Turnover	4	2,136.2	1,828.7
Cost of sales		<u>(1,701.5)</u>	<u>(1,494.0)</u>
Gross profit		434.7	334.7
Distribution costs		(201.2)	(165.0)
Administrative expenses		(242.1)	(217.6)
Fixed asset impairment reversal/(impairment)		<u>85.0</u>	<u>(85.5)</u>
Operating profit/(loss)	5	76.4	(133.4)
Income from shares in group undertakings	13	398.1	0.1
Amounts written off investments	13	(213.6)	-
Interest receivable and similar income	6	12.0	14.7
Interest payable and similar expenses	7	<u>(9.8)</u>	<u>(11.2)</u>
Profit/(loss) before tax		263.1	(129.8)
Tax on profit/(loss)	9	<u>(21.2)</u>	<u>25.1</u>
Profit/(loss) for the year		<u><u>241.9</u></u>	<u><u>(104.7)</u></u>

The above results were derived from continuing operations.

## Tarmac Trading Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ m	2020 £ m
Profit/(loss) for the year		241.9	(104.7)
Other comprehensive income/(expense) - Cash flow hedge movements		<u>5.7</u>	<u>(5.6)</u>
Total comprehensive income/(expense) for the year		<u><u>247.6</u></u>	<u><u>(110.3)</u></u>

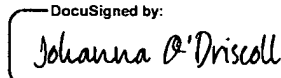
The notes on pages 31 to 69 form an integral part of these financial statements.

**Tarmac Trading Limited**  
**(Registration number: 00453791)**  
**Balance Sheet as at 31 December 2021**

	Note	31 December 2021 £ m	31 December 2020 £ m
<b>Fixed assets</b>			
Intangible assets	10	19.5	19.6
Tangible assets	11	505.2	413.6
Right of use assets	12	86.1	50.1
Investments	13	72.9	90.2
Loans to group undertakings	15	489.5	480.7
		<u>1,173.2</u>	<u>1,054.2</u>
<b>Current assets</b>			
Stocks	14	43.8	40.9
Debtors	15	506.8	531.3
Cash at bank and in hand		9.2	13.5
		<u>559.8</u>	<u>585.7</u>
<b>Creditors: Amounts falling due within one year</b>	16	(736.0)	(752.9)
<b>Net current liabilities</b>		<u>(176.2)</u>	<u>(167.2)</u>
<b>Total assets less current liabilities</b>		<u>997.0</u>	<u>887.0</u>
<b>Creditors: Amounts falling due after more than one year</b>	17	<u>(78.7)</u>	<u>(234.5)</u>
Deferred tax liabilities	9	(29.4)	(8.3)
Provisions for liabilities	19	(95.9)	(96.6)
<b>Total liabilities</b>		<u>(940.0)</u>	<u>(1,092.3)</u>
<b>Net assets</b>		<u>793.0</u>	<u>547.6</u>
<b>Capital and reserves</b>			
Share capital	20	434.8	434.8
Share premium reserve	21	125.0	125.0
Share based payment reserve	21, 22	2.2	1.5
Cashflow hedge reserve	21	2.7	(0.1)
Profit and loss account	21	228.3	(13.6)
Shareholders' funds		<u>793.0</u>	<u>547.6</u>

30-Sep-2022

Approved by the Board and authorised for issue on ..... They were signed on its behalf by:

DocuSigned by:  
  
 A2F636CB8DE1429.....  
 J O'Driscoll  
 Director

**Tarmac Trading Limited****Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital £ m	Share premium £ m	Share based payment reserve £ m	Cash flow hedging reserve (note 21) £ m	Profit and loss account £ m	Total £ m
At 1 January 2020	434.8	125.0	1.3	(3.7)	91.1	648.5
Loss for the year	-	-	-	-	(104.7)	(104.7)
Other comprehensive income	-	-	-	(5.6)	-	(5.6)
Total comprehensive expense	-	-	-	(5.6)	(104.7)	(110.3)
Cash flow hedge movements	-	-	-	9.2	-	9.2
Share based payment transactions	-	-	0.2	-	-	0.2
At 31 December 2020	<u>434.8</u>	<u>125.0</u>	<u>1.5</u>	<u>(0.1)</u>	<u>(13.6)</u>	<u>547.6</u>

	Share capital £ m	Share premium £ m	Share based payment reserve £ m	Cash flow hedging reserve (note 21) £ m	Profit and loss account £ m	Total £ m
At 1 January 2021	434.8	125.0	1.5	(0.1)	(13.6)	547.6
Profit for the year	-	-	-	-	241.9	241.9
Other comprehensive income	-	-	-	5.7	-	5.7
Total comprehensive income	-	-	-	5.7	241.9	247.6
Cash flow hedge movements	-	-	-	(2.9)	-	(2.9)
Share based payment transactions	-	-	0.7	-	-	0.7
At 31 December 2021	<u>434.8</u>	<u>125.0</u>	<u>2.2</u>	<u>2.7</u>	<u>228.3</u>	<u>793.0</u>



## **Tarmac Trading Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

The Company is a private company limited by share capital, incorporated and domiciled in England and Wales, operating under the Companies Act 2006.

The address of its registered office is:

Ground Floor  
T3 Trinity Park  
Bickenhill Lane  
Birmingham  
United Kingdom  
B37 7ES

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

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

##### **Basis of preparation**

These financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards. The financial statements are prepared on the historical cost basis.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

##### **Going concern**

The Directors have considered going concern in preparing these financial statements.

The Company participates in a Group zero balancing cash pool arrangement. Each company participating in the cash pooling arrangement has cash automatically swept to/from its account on a daily basis so that the balance reverts to zero at the end of each day. For all companies within the Tarmac group, cash is swept to/from CRH (UK) Limited and balances are interest bearing.

Detailed forecasts including the Company are prepared on a Tarmac Group basis for a period of at least 12 months from the date of approval of these financial statements. The Tarmac Group as a whole is profitable and cash-generative. These forecasts show that there is sufficient cash headroom in each individual month across the period, allowing the Tarmac companies to continue to operate with significant cash headroom whilst meeting daily cash flow requirements over this period.

Given that these forecasts are not prepared by statutory entity, and should the need arise, a signed letter of support, confirming ongoing support throughout an equivalent period has been obtained from the Company's ultimate parent company, CRH plc, for which forward looking plans have also been prepared to reflect severe but plausible downside scenarios. Even considering plausible downside scenarios, there are sufficient funds to allow the Company to continue in operational existence for the foreseeable future.

Taking account of the detailed forecast of the Tarmac group of companies and having received confirmation of ongoing support of CRH plc for the next 12 months from the date of approval of these financial statements, and their willingness and ability to provide financial support to the Company if needed, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Summary of disclosure exemptions

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements under s400 of the Companies Act, because it is included in the group financial statements of CRH plc.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard including:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1 and (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f) (ii), 130(f) (iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share Based Payments;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group accounts of CRH plc. The group accounts of CRH plc are available to the public and can be obtained as set out in note 27.

##### Changes in accounting policy

##### New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2021 and did not have a material effect on the financial statements:

- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2;
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;
- IFRS 17, 'Insurance contracts';
- Amendments to FRS 104 - Going concern; and
- Amendment to FRS 101 Reduced disclosure framework on the effective date of IFRS 17.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### **Revenue recognition**

The Company recognises revenue in the amount of the price expected to be received for goods and services supplied at a point in time or over time, as contractual performance obligations are fulfilled and control of goods and services passes to the customer. It excludes trade discounts and value added tax/sales tax.

##### *Recognition*

##### *Sale of goods*

The Company earns revenue from the sale of goods. Recognition of revenue from the sale of goods is at the point in time when control is deemed to pass to the customer upon delivery/dispatch to a customer depending on the terms of the sale, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised when the goods are delivered to the customer as this is the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Contracts do not contain multiple performance obligations (as defined by IFRS 15).

Goods are sometimes sold with discounts or rebates based on cumulative sales over a period. This variable consideration is only recognised when it is highly probable that it will not be subsequently reversed and is recognised using the most likely amount or expected value methods, depending on the individual contract terms. In the application of appropriate revenue recognition, judgement is exercised by management in the determination of the likelihood and quantum of such items based on experience and historical trading patterns. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

##### *Revenue from contracts with customers*

The Company also earns revenue from the provision of services relating to construction contracts. The Company enters into a number of construction contracts, to complete various projects. Contracts usually commence and complete within one financial period and are generally fixed price.

The Company typically recognises revenue within its construction contract businesses over time, as it performs its obligations. Management believe this best reflects the transfer of control to the customer by providing a faithful depiction of primarily the enhancement of a customer controlled asset or the construction of an asset with no alternative use. The method used is determined in accordance with the contract type and are based on either the input or output method depending on the specific contractual arrangements and in accordance with IFRS 15. In the event that the recoverability of the contract income is uncertain or is dependent on the outcome of certain events, relevant contract provisions would be made accordingly. In all of the Company's construction contract arrangements the Company has an enforceable right to payment for work and performance obligations completed to date.

Some of the Company's construction contracts may contain forms of variable consideration that can either increase or decrease the transaction price. Variable consideration is estimated based on the most likely amount or expected value methods (depending on the contract terms) and the transaction price is adjusted to the extent it is highly probable that a significant reversal of revenue recognised will not occur. In some instances a customer can be billed and revenue recognised in the period subsequent to the contracted work being completed when items such as variable consideration are agreed with the customer.

**Tarmac Trading Limited****Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****2 Accounting policies (continued)***Land development activities*

For land development transactions, each contract is reviewed to identify the number of individual promises (performance obligations) included in the contract. In most cases, there will be only one promise (performance obligation) in the contract, the sale of a single plot of land. In addition, where land is developed into individual plots before being sold, each sub-plot will represent a separate performance obligation if it is individually identified and is capable of being used by the buyer independent to the other plots. If a land sale occurs in stages, revenue is recognised when the individual sub-plots are transferred to the buyer if the sub-plots are separately identifiable in the contract; and they are capable of being used on their own or with the use of readily-available resources of the buyer.

Revenue is recognised as each performance obligation is satisfied and control of the land passes to the customer regardless of the number of performance obligations in the contract, unless the criteria for recognising revenue over time is met. The following factors are indicators that control of the land has passed to the customer:

- Tarmac has a right to be paid for the land;
- The buyer now has legal title to the land;
- The buyer now has physical possession of the land;
- The buyer has the significant risks and rewards of ownership;
- The land has been accepted by the buyer.

Where control of individual sub-plots passes to the buyer in stages, and the sub-plots are considered separate performance obligations, the overall contract price must be allocated to the sub-plots based on their standalone market prices and the allocated revenue will be recognised as control passes to the buyer.

In most cases, the transaction price in a land development transaction is the proceeds received for sale of the land. However, in some instances, there may be other factors such as linked overages or other forms of variable consideration to be considered. Variable consideration such as an overage fee is only recognised when it is highly probable that the revenue recognised will not be reversed in the future. This may be when the subsequent sale has been completed by the purchaser and Tarmac is contractually owed the money. However, each contract is examined on a case by case basis to determine at what point the variable consideration should be recognised.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### *Contract assets and receivables*

In the Company's construction contract part of the business, amounts are billed as work progresses in accordance with pre-agreed contractual terms. When a performance obligation is satisfied but a customer has not yet been billed this is recognised as a contract asset (unbilled revenue) and included within trade debtors.

Retentions are also a common feature of construction contracts and are recognised as a contract asset within trade and other debtors when the Company has a right to consideration in exchange for the completion of the contract. Retentions are consistent with industry norms and the purpose of these is not to provide a form of financing.

Apart from retentions, the Company does not have any construction contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group applies the practical expedient in IFRS 15 and does not adjust any of its transaction prices for the time value of money.

When consideration is received in advance of work being performed, or the Company has billed an amount to a customer that is in excess of revenue recognised on the contract; this is recognised as a contract liability within creditors; and the revenue is generally recognised in the subsequent period when the right to recognise revenue has been determined. As a result, advance payments received for construction contract arrangements are not considered a significant form of financing.

Generally payments from customers on contracts take place within agreed payment terms following receipt of the invoice. Payment terms can vary by contract but would typically be between 14 and 45 days. Occasionally on certain contracts payments may be received in advance of work being performed. As noted above, these would be included within contract liabilities.

Cumulative costs incurred, net of amounts transferred to cost of sales, after deducting onerous provisions, provisions for contingencies and payments on account not matched with revenue, are included as construction contract balances in inventories. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

The Company's contracts generally are for a duration of less than one year and therefore the Company does not capitalise incremental contract costs; instead expensing as incurred, as permitted by the practical expedient under IFRS 15.

##### *Contract liabilities*

When a contract is identified as being onerous (i.e. its unavoidable cost exceeds the economic benefit of the contract), a provision is created; being the lower of costs to complete the contract and the cost of exiting the contract. The Company provides assurance-type warranties for general repairs and does not typically provide service-type (extended) warranties.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is highly probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is highly probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **Tarmac Trading Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Other income**

Below are details of other income:

- Dividend income - Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).
- Rental income - The Company's policy for recognition of income from operating leases is described below.
- Interest income - Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

##### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

##### **Research and development expenditure**

In the normal course of business, the business performs research and development activities in relation to obtaining and managing planning requirements on the Company's sites. Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure incurred is capitalised within tangible fixed assets as part of the site asset where the conditions of IAS 38 are met.

##### **Tax**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **Tangible assets**

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and any impairment in value.

All tangible assets (which includes mineral reserves, land and buildings, plant and machinery and assets under construction) are initially recognised at cost. This applies to both owned and constructed assets. The cost of an item would include the purchase price of the item and any direct costs necessary to bring the item to the location and condition in which is it capable of operating as intended.

An item of property, plant and machinery is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

#### **Depreciation**

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Consideration is given to climate change when determining the useful lives of assets. The determination of useful lives also considers the Group's carbon emissions targets. There were no significant changes in the estimates of useful lives during the current financial year.

Mineral reserves are amortised over their estimated commercial life on a site by site basis on a unit of production basis. Assets under construction are not depreciated until they come into use. Other tangible fixed assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as below.

Asset class	Depreciation method and rate
Freehold building	2% - 20% straight-line
Long leasehold properties	2% straight-line
Short leasehold buildings	Period of lease

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

Plant and machinery 2.5% - 33% straight-line  
Freehold land is not depreciated.

#### Goodwill

Goodwill is initially measured at cost being the excess of the cost of the acquisition over the Company's share of the assets and liabilities recognised on acquisition or deemed cost on conversion. Subsequently goodwill is not amortised but is reviewed annually for impairment or whenever there is an indicator of impairment. This is a departure from the requirement of the Companies Act which requires the amortisation of goodwill. The Company has invoked a true and fair override in respect of the non-amortisation of goodwill because the carrying value of goodwill is not considered to reduce gradually over its life. The Company is not able to reliably estimate the impact of non-amortisation in the profit and loss account because the useful economic life and pattern of diminishment of the goodwill cannot be reliably predicted.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software	24% straight-line

#### Investments

Investments in subsidiaries, jointly controlled entities and associates are shown at cost less provision for impairment.

A jointly controlled entity is an entity in which the Company holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on weighted average and includes all expenditure incurred in acquiring the stocks and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a weighted average basis. In the case of finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity. Net realisable value is the estimated proceeds of sale less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, taking into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, the likelihood of short-term changes in buyer preferences, product obsolescence or perishability (all of which are generally low given the nature of the products) and the purpose for which the stock is held. Materials and other supplies held for use in the production of stocks are not written down below cost if the finished goods, in which they will be incorporated, are expected to be sold at or above cost.

Consideration is given to any impact of climate change on stock at the balance sheet date. There was no impact noted on inventory during the current financial year.

Development land is classified as stock when all the following conditions are met:

- The land is not currently being used in the business by a Tarmac entity;
- Business plans / strategy refer to the intention to redevelop and sell the land within the ordinary life cycle of the business; and
- Plans are in place showing that the land will be sold within the normal operating cycle of the business.

The key considerations for whether something qualifies as development activity and therefore is held within stock, is whether the purpose of the activities is to achieve a sale of the land or increase the potential sales proceeds from the sale of the land within the normal operating cycle of the business. Development activities should also substantially improve or modify the land (i.e. not just repairs and maintenance). Development land within stock is held at the lower of cost and net realisable value.

Transfers of development land take place from property plant and equipment to stock when land is no longer owner occupied by Tarmac and begins to be redeveloped for the purpose of selling it in the near future. At the start of 2020 initial transfers were made for land development as the Company adopted the new policy, and subsequently as any land met the above definitions. Transfers of development from stock back to property plant and equipment would take place if the land becomes owner occupied by Tarmac.

##### Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Consideration is given to any impact of climate change on provisions at the balance sheet date. There was no impact noted on provisions during the current financial year.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Restoration and decommissioning

The Company creates two types of restoration provision; a provision for the terminal restoration costs expected in order to dismantle and remove the plant and roadways at their facilities and also an ongoing restoration provision as minerals are extracted from the sites.

The costs of terminal restoration are capitalised as a directly attributable cost of the site and a provision created at that stage. The costs are then charged to the profit and loss account as depreciation over the site's life. Provisions are discounted and unwound over time.

The costs of ongoing restoration are charged to the profit and loss account as the minerals are extracted from the site. Provision is also made for the post-closure costs on the basis of air space consumed in respect of leachate and gas monitoring at landfill sites. Similar costs incurred during the operational life of the site are written off directly to the profit and loss account. Provisions are discounted and unwound over time.

In addition, Environmental provisions may arise as a consequence of site activities. Environmental protection may be governed by local legislation, which could trigger a legal obligation. Tarmac could also trigger an environmental provision as a result of a constructive obligation i.e. the company could raise a valid expectation in the local community that it will take action to protect the environment in which it operates, as a result of past practice or its stated policy in respect of the environment and climate change.

For all restoration, decommissioning and environmental provisions, provisions carried are based on currently available facts with respect to each individual site and consider factors such as existing technology, currently enacted laws and regulations and prior experience in remediation of sites. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, the protracted length of the clean-up periods and evolving technologies. The provisions included reflect the judgement applied by management in respect of information available at the time of determining the liability and are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Due to the inherent uncertainties described above, many of which are not under management's control, actual costs and cash outflows could differ if management used different assumptions or if different conditions occur in future accounting periods.

##### Restructuring

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

##### Other provisions

##### Legal provisions

The status of each significant claim and legal proceeding in which the Group is involved is reviewed by management on a periodic basis and the potential financial exposure is assessed. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be reliably estimated, a liability is recognised for the estimated loss. Because of the uncertainties inherent in such matters, the related provisions are based on the best information available at the time; the issues taken into account by management and factored into the assessment of legal contingencies include, as applicable, the status of settlement negotiations, interpretations of contractual obligations, prior experience with similar contingencies/claims, and advice obtained from legal counsel and other third parties. As additional information becomes available on pending claims, the potential liability is reassessed and revisions are made to the amounts provided where appropriate. Such revisions in the judgements and estimates of the potential liabilities could have an impact on the results of operations and financial position of the Company in future accounting periods.

##### Onerous contracts

When a contract is identified as being onerous, a provision is created; being the lower of costs to complete the contract and the cost of exiting the contract. Generally the provisions held by the Company relating to onerous contracts are relation to mineral leases and related obligations at closed and mothballed sites. These costs will be incurred over the remaining terms of the relevant leases.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Leases

The Company enters into leases for a range of assets, principally relating to property. These property leases have varying terms, renewal rights and escalation clauses, including periodic rent reviews linked with a consumer price index and/or other indices. The Company also leases plant and machinery, vehicles and equipment. The terms and conditions of these leases do not impose significant financial restrictions on the Company.

A contract contains a lease if it is enforceable and conveys the right to control the use of a specified asset for a period of time in exchange for consideration, which is assessed at inception. A right-of-use asset and lease liability are recognised at the commencement date for contracts containing a lease, with the exception of leases with a term of 12 months or less which do not contain a purchase option, leases where the underlying asset is of low value and leases with associated payments that vary directly in line with usage or sales. The commencement date is the date at which the asset is made available for use by the Company.

The lease liability is initially measured at the present value of the future minimum lease payments, discounted using the incremental borrowing rate or the interest rate implicit in the lease, if this is readily determinable, over the remaining lease term. Lease payments include fixed payments less any lease incentives receivable, variable payments that are dependent on a rate or index known at the commencement date, amounts expected to be paid under residual value guarantees and any payments for an optional renewal period and purchase and termination option payments, if the Company is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate and rentals relating to low value or short-term leases are recognised as an expense in the period in which they are incurred. Management applies judgement in determining whether it is reasonably certain that a renewal, termination or purchase option will be exercised.

Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease and the term and currency of the lease.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future minimum lease payments or when the Company changes its assessment of whether it is reasonably certain to exercise an option within the contract. A corresponding adjustment is made to the carrying amount of the right-of-use asset. Modifications to a lease agreement beyond the original terms and conditions are either treated as a re-measurement of the lease liability and asset or treated as a separate lease, depending on the nature of the modification. Generally any modifications that increase the scope of the lease or that increase the lease payment by the market price of the increased asset are accounted for as a separate new lease.

The right-of-use asset is initially measured at cost, which comprises the lease liability adjusted for any payments made at or before the commencement date, initial direct costs incurred, lease incentives received and an estimate of the cost to dismantle or restore the underlying asset or the site on which it is located at the end of the lease term. The right-of-use asset is depreciated over the lease term or, where a purchase option is reasonably certain to be exercised, over the useful economic life of the asset in line with depreciation rates for owned property, plant and equipment. The right-of-use asset is tested for impairment if an impairment indicator is considered to exist.

Non-lease components in a contract such as maintenance and other service charges are separated from minimum lease payments and are expensed as incurred.

Regarding the comparatives, leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the Profit and Loss Account on a straight-line basis over the lease term.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### *Company as lessor*

The Company may choose (if allowed under the terms of the lease with the landlord) to sublease a portion of an asset that it does not need. Headleases are accounted for in line with the Company's lease accounting policy outlined above. Any subleases are assessed to determine how much of the risk and rewards have transferred under the agreement and whether this is operating or finance in nature. Where the majority of the risk and rewards have transferred as a result of the sublease, a sublease receivable balance is recognised in place of the leased asset. The sublease receivable is the discounted value of future lease receipts and receipts reduce this balance rather than being recognised in the profit and loss account. Any difference between the leased asset and sublease receivable is recognised as profit or loss on sublease in the profit and loss account. The lease liability remains unaffected. Where the Company retains most of the lease and the risk and rewards have not transferred as a result of the sublease, the Company would not recognise a lease receivable for the sublease. The sublease income is then recognised in the profit and loss account as it is earned.

The Company may also on occasion choose to lease elements of its owned land to other group companies. The company is considered to be the primary lessor in this situation and the arrangement is assessed to determine whether it is deemed to constitute an operating lease or finance lease. It is noted that the usual assessment is of an operating lease, as the useful life of land is unlimited and so the risks and rewards of ownership therefore do not transfer.

Risks around these scenarios are appropriately reviewed, monitored and managed by the company through inclusion of relevant clauses in any third party lease agreements that are put in place. Arrangements with group companies are deemed to be low risk in nature.

##### **Impairment of non-financial assets**

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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 profit or loss, 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.

##### **Defined contribution pension obligation**

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

## **Tarmac Trading Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Share based payments**

The Company has taken advantage of the disclosure exemptions under FRS 101 in relation to the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangements concern the instruments of another group entity and the equivalent disclosures are included in the consolidated financial statements of CRH plc in which the Company is consolidated.

##### **Awards under the Performance Share Plans**

50% of the awards granted in 2016 under the 2014 Performance Share Plan are subject to a Total Shareholder Return ('TSR') (and hence market-based) vesting condition; with 25% being measured against a tailored sector peer group and 25% against the FTSE All-World Construction & Materials index. Accordingly, the fair value assigned to the related equity instruments at the grant date is derived using a Monte Carlo simulation technique to model the combination of market-based and non-market-based performance conditions in the Plan; and is adjusted to reflect the anticipated likelihood as at the grant date of achieving the vesting condition. Awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The remaining awards granted under the 2014 Performance Share Plan are subject to a cumulative cashflow target (non-marketbased) vesting condition. The fair value of the awards is calculated as the market price of the shares at the date of grant. No expense is recognised for awards that do not ultimately vest. At the balance sheet date the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Profit and Loss Account.

##### **Savings-related Share Option Schemes**

The fair value assigned to options under the Savings-related Share Option Schemes are derived in accordance with the trinomial valuation methodology on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date. The cost is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent's best estimate of the number of equity instruments that will ultimately vest. The Profit and Loss expense/credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. The cumulative charge to the Profit and Loss account is reversed only where an employee in receipt of share options leaves service prior to completion of the expected vesting period and those options forfeit in consequence.

Where an award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. All cancellations of awards are treated equally.

Details in relation to the above scheme are set out in CRH plc's published financial statements.

#### **Financial instruments**

##### **Classification and measurement**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

##### **Financial assets**

The Company's classes of financial assets are cash and other financial assets, and these are classified as 'loans and receivables'.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### **Financial liabilities**

The Company has financial liabilities that are classified as 'other financial liabilities', and these relate to borrowings from fellow subsidiary companies and trade and other payables. Trade payable may also include amounts due in relation to supplier finance arrangements.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### **Derecognition**

###### *Financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

###### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

##### **Impairment of financial assets**

###### *Financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

##### **Derivative financial instruments**

The Company uses derivative financial instruments such as forward currency contracts, forward commodity purchases and interest rate swaps to hedge its risks associated with certain foreign currency, commodity prices and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

## **Tarmac Trading Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Hedge accounting**

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the profit and loss account. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship. For cash flow hedges, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

##### **Climate Change**

As noted on page 17, in 2021, Tarmac launched its new sustainability strategy including new strategy and net zero targets. Climate change risks including the impact of achieving this target have been considered and assessed in the preparation of the Financial Statements for the year ended 31 December 2021. In line with the application of our accounting policies, estimates and underlying assumptions are reviewed on an ongoing basis as we continue to develop and implement our strategy to meet these targets.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors believe that the following accounting policies are critical due to the degree of estimation required and / or the potential material impact they may have on the Company's financial position and performance.

The following are areas of judgement:

##### **Revenue recognition - long term contract accounting**

The Company generates revenue from long term contracts. This often requires judgement to be applied and where actual results differ to the estimates made, this could result in a significant impact on the Company's financial results. The specific judgements required are dependent on individual contracts and so may differ on a contract by contract basis. Examples would include judgement being required in estimating the stage of completion of the contract at the balance sheet date based on the forecast total contract costs that is expected to be incurred on the contract. There are no individually material judgements relating to contracts during the year.

## **Tarmac Trading Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **Leases**

**Incremental borrowing rate used to measure lease liabilities**

Where the interest rate implicit in the lease is not readily determinable, lease liabilities are discounted at the incremental borrowing rate. This is the rate of interest that the Company 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. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities note and the corresponding right-of-use assets.

**Renewal, termination and purchase options**

As part of the IFRS 16 transition process and ongoing lease accounting, management have applied judgement in determining whether it is reasonably certain that any renewal, termination or purchase options within the lease will be exercised. This is taken into consideration when measuring the value of the lease liability. In making this judgement, management considers all facts and circumstances that create an economic incentive to exercise, or not exercise, a renewal, termination or purchase option. Options are only included in the lease term if they are reasonably certain to be exercised. The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

##### **Provisions**

Judgement is required in determining whether the Group has a present obligation and whether it is probable that an outflow of economic benefits will be required to settle this obligation. This judgement is applied to information available at the time of determining the liability including but not limited to judgements around interpretations of legislation, regulations, case law and insurance contracts depending on the nature of the provision.

**Restoration, decommissioning and environmental costs**

The company has an obligation to undertake restoration and environmental work associated with sites and decommissioning of plant or other site work. A provision is recognized for the present value of such costs, which will be incurred over the life of the relevant quarry. The measurement of these provisions is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, currently enacted laws and regulations and prior experience in remediation of sites. The liabilities provided for reflect the judgement applied by management in respect of information available at the time of determining the liability and are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Due to the inherent uncertainties described above, many of which are not under management's control, actual costs and cash outflows could differ if management used different assumptions or if different conditions occur in future accounting periods. Costs for restoration of site damage, decommissioning and environmental costs are estimated having regard to the terms of the relevant extraction licence and planning conditions using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for and amortise these estimated costs over the life of the site. Provisions are discounted where appropriate, and unwound over the estimated life of the site.



## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### **Impairment of tangible assets, right of use assets, intangible assets and investments**

At each reporting date, or where decisions are made to alter the industrial footprint of the Company's operations (such that sites are either closed, mothballed or identified for sale), the Company reviews the carrying amounts of its tangible assets, right of use assets and investments to determine whether there is any indication that those assets require impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment required (if any).

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of the reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Any impairment loss is recognized by writing down the asset to its recoverable amount.

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated. 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 future cash flow estimates have not been adjusted. Other key estimates include growth rates and assumptions around cost management. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. The assumptions and conditions for determining impairments reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above, many of which are not under management's control. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

The Company recorded an impairment across tangible and right of use assets of £85.5 million in the prior year, consisting of £75.9 million against tangible assets and £9.6 million against right of use assets. This was done at a Cash Generating Unit (CGU) level, the identified CGU was the Company as a statutory entity and therefore the identified CGU comprises all assets within the Company. In 2021 the Company re-assessed the estimated future cash flows of the business, based on the latest five year strategic plan, and assessed that £85.0 million of the prior year impairments could be reversed (£75.8 million against tangible assets and £9.2 million against right of use assets). Sensitivity analysis was performed over select key assumptions within the models, including changes to the Discount Rate and Growth rates, with results showing that the prior year impairments could still be reversed. The sensitivity analyses are based on a change in a single assumption, while all other key assumptions remain unchanged. See notes 11 and 12 for further details.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

The following are areas of estimation uncertainty:

Estimation uncertainty considerations for provisions, impairment and revenue recognition are included in the judgements section above.

##### **Mineral estimates and useful economic lives of assets**

When determining the extent of mineral reserves available in the Company's quarries, assumptions that were valid at the time of estimation may change when new information becomes available. A change in assumptions could affect prospective depreciation rates and asset carrying values.

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

Factors which could impact useful economic lives of assets include:

- assumptions used in the estimation of mineral reserves;
- renewal of planning and other regulatory factors; and
- unforeseen operational issues at the quarry sites.

Depreciation is provided in order to write down the assets to their residual values over their estimated useful lives as set out in the accounting policy. The application of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives change then depreciation charges in the financial statements would be updated and carrying amounts of property, plant and equipment would be amended accordingly. The carrying amount of property, plant and equipment by each class is included in the tangible assets note and details of the estimated useful lives are included within the accounting policy.

#### 4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2021 £ m	2020 £ m
Sale of goods	1,683.2	1,381.2
Revenue from contracts with customers	441.9	446.4
Land development activities	11.1	1.1
	<u>2,136.2</u>	<u>1,828.7</u>

Turnover is wholly attributable to the United Kingdom market.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 4 Turnover (continued)

##### Contract balances

An analysis of the Company's construction contracts is as follows:

		At 1 January 2021	Additions	Received	At 31 December 2021
	Note	£ m	£ m	£m	£m
<b>Contract assets</b>					
Unbilled revenue	15	11.5	15.3	(11.5)	15.3
Retentions	15	<u>6.4</u>	<u>2.0</u>	<u>(2.2)</u>	<u>6.2</u>

		At 1 January 2021	Additions	Charged to the profit and loss account	At 31 December 2021
	Note	£ m	£ m	£m	£m
<b>Contract liabilities</b>					
Advances received	16	(1.7)	(3.2)	1.7	(3.2)
Billings in excess of revenue - deferred revenue	16	<u>(8.8)</u>	<u>(12.6)</u>	<u>8.8</u>	<u>(12.6)</u>

#### 5 Operating profit/(loss)

Arrived at after charging/(crediting)

	2021 £ m	2020 £ m
Depreciation expense	40.0	46.3
Depreciation on right of use assets	14.8	17.4
(Impairment reversal)/impairment of tangible fixed assets	(75.8)	75.9
(Impairment reversal)/impairment of right of use assets	(9.2)	9.6
Cost of stock recognised as an expense	702.5	604.6
HMRC Research and Development tax credit	(1.8)	(2.1)
(Profit)/loss on disposal of property, plant and equipment	(0.7)	0.8
Rents receivable	(4.4)	(3.7)
Share based payment expense	0.5	0.7
Restructuring	<u>4.2</u>	<u>11.0</u>

Restructuring costs relate to the various internal restructuring and redundancy programmes, primarily as a result of the portfolio review and management reorganisation carried out in 2020 and 2021.

	2021 £ m	2020 £ m
<b>Auditor's remuneration:</b>		
Fees payable to the Company's auditor for the audit of the Company's financial accounts	<u>0.4</u>	<u>0.4</u>

There were no non-audit services provided in either year.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 6 Interest receivable and similar income

	2021 £ m	2020 £ m
Interest receivable from Group companies	11.9	14.4
Interest receivable on subleases	0.1	0.1
Other finance income	-	0.2
	<u>12.0</u>	<u>14.7</u>

#### 7 Interest payable and similar expenses

	2021 £ m	2020 £ m
Unwinding of discount on provisions	1.3	1.4
Interest paid to group undertakings	6.2	7.8
Interest expense on leases	2.3	2.0
	<u>9.8</u>	<u>11.2</u>

#### 8 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2021 £ m	2020 £ m
Wages and salaries	111.4	104.5
Social security costs	10.7	10.1
Other short-term employee benefits	5.2	4.8
Redundancy costs	2.5	2.6
	<u>129.8</u>	<u>122.0</u>

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

	2021 No.	2020 No.
Production	1,841	1,919
Administration and support	596	618
	<u>2,437</u>	<u>2,537</u>

The amounts paid to the Directors during the current year were paid by fellow Tarmac subsidiary, Tarmac Services Limited, in the prior year they were paid by two fellow Tarmac subsidiaries, Tarmac Services Limited and Tarmac Building Products Limited. The costs recharged to the Company were emoluments of £3.3 million (2020: £3.0 million) and pension contributions of £nil (2020: £nil). During the year no payments were made to directors upon their retirement (2020: £0.5 million was made to one director).

Two Directors are paid by another CRH group entity and it is not practicable to split their services or remuneration between Tarmac subsidiaries or other CRH group entities for the services rendered to these entities. The Directors' salary, pension and any associated benefits are paid by CRH Group Services Limited which has made no recharge to the Company in respect of these payments.

During the year, six directors received vested share options in the parent company, CRH plc.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 9 Tax on profit/(loss)

Tax charged/(credited) in the profit and loss account

	2021 £ m	2020 £ m
<b>Current taxation</b>		
Adjustments in respect of prior years	(0.6)	(1.6)
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	14.7	(27.8)
Adjustments in respect of prior years	(0.1)	0.5
Change of rate	7.2	3.8
Total deferred taxation	<u>21.8</u>	<u>(23.5)</u>
Tax charge/(credit) in the profit and loss account	<u>21.2</u>	<u>(25.1)</u>

The differences between the total tax for the year and the amount calculated by applying the standard rate of UK corporation tax of 19.0% (2020: 19.0%) to the profit/(loss) before tax are as follows:

	2021 £ m	2020 £ m
Profit/(loss) before tax	<u>263.1</u>	<u>(129.8)</u>
Tax at the standard rate of UK corporation tax of 19.0% (2020: 19.0%)	50.0	(24.7)
Adjustments in respect of prior years	(0.7)	(1.1)
Impact of non-qualifying assets	(0.6)	-
Income not taxable	(78.3)	-
Expenses not deductible	41.0	2.6
Group relief surrendered / claimed for nil payment	0.7	-
Impact of change in tax laws and rates	7.2	3.8
Impact of land appropriated to stock	-	(5.7)
Chargeable gains	<u>1.9</u>	<u>-</u>
Total tax charge/(credit)	<u>21.2</u>	<u>(25.1)</u>

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 9 Tax on profit/(loss) (continued)

Group relief within Tarmac is surrendered free of charge.

Group relief claimed from other Group companies registered within the UK is paid for at the prevailing rate of corporation tax for the year at 19% (2020: 19%).

Finance No.2 Bill 2015 enacted the rate of corporation tax to 19% with effect from 1 April 2017 resulting in a current tax rate for the year of 19%.

On 3 March 2021, the Chancellor of the Exchequer announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of Corporation Tax for all non-ring fence profits to 25% for the financial year 2023. This change was substantively enacted on 24 May 2021.

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. The timing of the reversal of the Company's deferred tax items has been considered, and accordingly at 31 December 2021 deferred tax has been calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled. This review concluded amounts forecast to reverse before the change in tax rate takes effect in March 2023 would be immaterial for the Company, and therefore all deferred tax assets and liabilities have been measured at 25% being the rate enacted at the balance sheet date.

On 23 September 2022, the Chancellor of the Exchequer announced that the planned tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. Because the enacted rate at the balance sheet date was 25% this announcement does not represent an adjusting event and the company's deferred tax balances as at 31 December 2021 are still calculated at that higher rate. When recalculated at the lower 19% rate the deferred tax liability as recorded at the balance sheet date will reduce by £7.1 million and will be recognised in 2022.

#### Deferred tax

Deferred tax movement during the year:

	At 1 January 2021 £ m	Recognised in income £ m	Recognised in equity £ m	At 31 December 2021 £ m
Accelerated tax depreciation	(22.3)	(26.6)	-	(48.9)
Provisions	13.8	4.7	-	18.5
Share-based payment	0.2	0.1	0.7	1.0
Net tax assets/(liabilities)	<u>(8.3)</u>	<u>(21.8)</u>	<u>0.7</u>	<u>(29.4)</u>

There are £106.9 million of unused tax losses (2020: £106.6 million) for which no deferred tax asset is recognised in the statement of financial position.

# Tarmac Trading Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 10 Intangible assets

	Goodwill £ m	Software £ m	Total £ m
<b>Cost or valuation</b>			
At 1 January 2021	20.5	0.8	21.3
At 31 December 2021	20.5	0.8	21.3
<b>Amortisation</b>			
At 1 January 2021	1.6	0.1	1.7
Amortisation charge	-	0.1	0.1
At 31 December 2021	1.6	0.2	1.8
<b>Carrying amount</b>			
At 31 December 2021	18.9	0.6	19.5
At 31 December 2020	18.9	0.7	19.6

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 11 Tangible assets

	Mineral reserves £ m	Land and buildings £ m	Plant and machinery £ m	Assets in course of construction £ m	Total £ m
<b>Cost or valuation</b>					
At 1 January 2021	685.5	80.3	618.9	43.0	1,427.7
Additions	16.4	2.0	20.2	20.5	59.1
Disposals	-	(0.4)	(39.1)	-	(39.5)
Transfers from assets in course of construction	1.2	(0.3)	1.7	(2.6)	-
Other transfers	-	(4.0)	(0.3)	-	(4.3)
Intra group transfers in	-	-	1.7	-	1.7
Intra group transfers out	(0.3)	(1.3)	(2.1)	-	(3.7)
At 31 December 2021	<u>702.8</u>	<u>76.3</u>	<u>601.0</u>	<u>60.9</u>	<u>1,441.0</u>
<b>Depreciation</b>					
At 1 January 2021	460.0	48.4	499.0	6.7	1,014.1
Charge for the year	13.3	0.8	25.9	-	40.0
Eliminated on disposal	-	(0.1)	(38.0)	-	(38.1)
Impairment	0.1	-	-	-	0.1
Impairment reversal	(41.3)	(5.9)	(21.9)	(6.7)	(75.8)
Other transfers	-	(3.5)	-	-	(3.5)
Intra group transfers in	-	-	1.0	-	1.0
Intra group transfers out	-	-	(2.0)	-	(2.0)
At 31 December 2021	<u>432.1</u>	<u>39.7</u>	<u>464.0</u>	<u>-</u>	<u>935.8</u>
<b>Carrying amount</b>					
At 31 December 2021	<u>270.7</u>	<u>36.6</u>	<u>137.0</u>	<u>60.9</u>	<u>505.2</u>
At 31 December 2020	<u>225.5</u>	<u>31.9</u>	<u>119.9</u>	<u>36.3</u>	<u>413.6</u>

#### Impairment

The Company recorded an impairment across tangible and right of use assets of £85.5 million in the prior year, consisting of £75.9 million against tangible assets and £9.6 million against right of use assets. At the balance sheet date the Company re-assessed the estimated future cash flows of the business, based on the latest five year strategic plan, and assessed that £85.0 million of the prior year impairments could be reversed (£75.8 million against tangible assets and £9.2 million against right of use assets). Certain specific asset impairments totalling £0.5 million made in 2020 were not reversed (£0.1 million against tangible assets and £0.4 million against right of use assets).

The estimated future cash flows were discounted to their present value using a post tax nominal discount rate of 7.6% that reflects current market assessments of the time value of money and the risks specific to the business for which the estimates of future cash flows have not been adjusted.



## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 11 Tangible assets (continued)

##### Land and buildings

The net book value of land and buildings comprises:

	31 December 2021 £ m	31 December 2020 £ m
Freehold	34.4	29.3
Leasehold - long	1.3	1.7
Leasehold - short	0.9	0.9
	<u>36.6</u>	<u>31.9</u>

##### Value of land not depreciated

The value of land not depreciated is as follows:

	31 December 2021 £ m	31 December 2020 £ m
Land not depreciated	<u>22.8</u>	<u>23.9</u>

#### 12 Right of use assets

	Land and buildings £ m	Plant and machinery £ m	Vehicles £ m	Total £ m
<b>Cost</b>				
At 1 January 2021	53.3	14.2	17.3	84.8
Additions	28.0	9.7	0.7	38.4
Disposals	(2.0)	(1.3)	(1.8)	(5.1)
Remeasurements	2.2	0.1	-	2.3
Intercompany transfers	-	0.3	1.6	1.9
Reclassifications of assets	-	3.0	(3.0)	-
At 31 December 2021	<u>81.5</u>	<u>26.0</u>	<u>14.8</u>	<u>122.3</u>
<b>Depreciation</b>				
At 1 January 2021	20.9	5.4	8.4	34.7
Charge for the year	6.4	4.3	4.1	14.8
Eliminated on disposal	(1.7)	(1.3)	(1.8)	(4.8)
Impairment reversal	(5.9)	(1.6)	(1.7)	(9.2)
Intercompany transfers	-	0.2	0.5	0.7
Reclassifications of assets	-	1.3	(1.3)	-
At 31 December 2021	<u>19.7</u>	<u>8.3</u>	<u>8.2</u>	<u>36.2</u>
<b>Carrying amount</b>				
At 31 December 2021	<u>61.8</u>	<u>17.7</u>	<u>6.6</u>	<u>86.1</u>
At 31 December 2020	<u>32.4</u>	<u>8.8</u>	<u>8.9</u>	<u>50.1</u>

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 12 Right of use assets (continued)

##### Remeasurements

£2.4 million (2020: £0.9 million) of remeasurements relate to increases to future lease payments mainly as a result of rent reviews on land leases, the remainder mainly relates to changes in lease terms on land leases as a result of updated assumptions on break clauses.

Note 18 includes further information on the lease liabilities for these right-of-use assets.

##### Impairment

The Company recorded an impairment across tangible and right of use assets of £85.5 million in the prior year, consisting of £75.9 million against tangible assets and £9.6 million against right of use assets. At the balance sheet date the Company re-assessed the estimated future cash flows of the business, based on the latest five year strategic plan, and assessed that £85.0 million of the prior year impairments could be reversed (£75.8 million against tangible assets and £9.2 million against right of use assets). Certain specific asset impairments totalling £0.5 million made in 2020 were not reversed (£0.1 million against tangible assets and £0.4 million against right of use assets).

The estimated future cash flows were discounted to their present value using a post tax nominal discount rate of 7.6% that reflects current market assessments of the time value of money and the risks specific to the business for which the estimates of future cash flows have not been adjusted.

#### 13 Investments

Subsidiaries	£ m
<b>Cost or valuation</b>	
At 1 January 2021	380.7
Additions	196.7
Disposals	(14.8)
Reclassifications	0.4
At 31 December 2021	<u>563.0</u>
<b>Provision</b>	
At 1 January 2021	291.0
Provision for impairment made during year	213.6
Eliminated on disposals	(14.4)
Reclassifications	0.1
At 31 December 2021	<u>490.3</u>
<b>Carrying amount</b>	
At 31 December 2021	<u><u>72.7</u></u>
At 31 December 2020	<u><u>89.7</u></u>

The investments in subsidiaries are all stated at cost less provision for impairment.

During the year the Company acquired directly Tarmac Holding (THL) Limited, Hilton Property Holding Limited, Tarmac (BA) Limited and Tarmac Building Materials Limited from a fellow group company at their book value. This resulted in additions of £196.7 million and a provision for impairment of £178.0 million to reduce the investment to the recoverable value of the respective subsidiary. The Company also received a dividend of £398.1 million as a result of this corporate simplification project. Unrelated dividends received in 2020 amounted to £0.1 million. There was also a provision for impairment recognised during the year of £35.6 million relating to Purple Alpha Limited, another subsidiary of the Company in order to reduce the investment to the recoverable value of the subsidiary.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 13 Investments (continued)

Details of the subsidiaries at 31 December 2021 are as below. All companies listed below are owned directly by the Company unless otherwise indicated. All companies operate principally in their country of incorporation, which is the United Kingdom unless otherwise indicated.

All companies have a registered address of Ground Floor T3 Trinity Park, Bickenhill Lane, Birmingham, United Kingdom, B37 7ES, unless otherwise indicated below.

Name of subsidiary	Registered office	Proportion of ownership %	
		2021	2020
Alun Griffiths (Contractors) Limited*	Waterways House, Merthyr Road, Llanfoist, Abergavenny, Monmouthshire NP7 9PE	100%	100%
BDP Surfacing Limited		100%	100%
Beasley Coated Stone Limited		100%	100%
Bettamix Limited		100%	100%
Bodfari (Quarries) Limited		100%	100%
Bodfari Quarry Products Limited*		100%	100%
Bothwell Park Brick Company Limited	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ, Scotland	100%	0%
Bowne & Shaw Limited		100%	100%
Brady Industries Limited*		100%	0%
Briggs Amasco Curtainwall Limited*		100%	0%
Bristol Aggregates Recycling Limited		100%	100%
Broadhill Developments Limited*		100%	0%
Busy Bees Limited		100%	100%
Buxton Lime and Cement Limited		100%	100%
Cambrian Stone Limited		100%	100%
Cempak Limited		100%	100%
CMS-Pozament Limited*	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ, Scotland	100%	100%
Craven Street Developments Limited*		100%	0%
Croxden Quarries Limited*		100%	100%
Dow Mac Limited*		100%	0%
E. G. Coleman (Weymouth) Limited*		100%	0%
East Coast Slag Products Limited		100%	100%
Environmental Aggregates Limited		100%	100%
Francis Parker Limited*		100%	0%
Francis Parker Properties Limited*		100%	0%
Greater London Asphalt Limited		100%	100%
Harlow Asphalt Limited		100%	100%
Hilton Property Holdings Limited		100%	0%
Holme Hall Quarries Limited		100%	100%
Hopkins Concrete Limited		100%	100%
J.B. Riney and Co. Limited	455 Wick Lane, London, United Kingdom, E3 2TB	100%	100%
Jee's Hartshill Limited		100%	100%

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 13 Investments (continued)

Name of subsidiary	Registered office	Proportion of ownership %	
		2021	2020
Kings & Company Limited*	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ, Scotland	100%	100%
Lignacite (Trade Mark) Limited		83.33%	83.33%
Lime-Sand Mortar (Southern) Limited*	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ, Scotland	100%	0%
Link Way Management Company Limited*		100%	100%
LTM (City of London) Limited*		100%	100%
LTM (City of Westminster) Limited*		100%	100%
LTM (Southern) Limited*		100%	100%
LTM (Western) Limited*		100%	100%
LTM Crewing Services Limited		100%	100%
Moreys (Verwood) Limited*		100%	100%
Nash Rocks Stone and Lime Company Limited		100%	100%
National Road Planing Limited		100%	100%
New London Road Developments Limited*		100%	0%
North Notts Gravel Company Limited		100%	100%
Panvers Limited		100%	100%
Pozament Limited	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ, Scotland	100%	100%
Providethat Limited*		100%	0%
Purple Alpha Limited	Waterways House, Merthyr Road, Llanfoist, Abergavenny, Monmouthshire NP7 9PE	100%	100%
R.R. Land Investments Limited		100%	100%
Raisby Quarries Limited*		100%	100%
Richard Abel & Sons Limited*		100%	100%
Ritemix Concrete Limited*		100%	100%
Roseland Aggregates Limited		100%	100%
Scunthorpe Slag Limited*		100%	0%
Severn Valley Brick Company Limited*		100%	0%
Site Mixed Concrete Limited		100%	100%
Situsec Contractors Limited		100%	100%
Solent Aggregates Limited*		100%	100%
Tarmac (BA) Limited	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ	100%	0%
Tarmac (South Western) Limited		100%	100%
Tarmac (SQ) Limited		100%	100%
Tarmac Asphalt Limited		100%	100%
Tarmac Benchmark Developments Limited*		100%	0%
Tarmac Bricks & Tiles Limited*		100%	0%
Tarmac Brookglade Properties Public Limited Company*		100%	0%
Tarmac Building Materials Limited		100%	0%
Tarmac Burford (Southern) Limited*		100%	0%

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 13 Investments (continued)

Name of subsidiary	Registered office	Proportion of ownership %	
		2021	2020
Tarmac Caledonian Limited	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ, Scotland	100%	100%
Tarmac DC Pension Trustee Limited		100%	100%
Tarmac Directors (UK) Limited		100%	100%
Tarmac Fleming (Quarries) Limited (incorporated in Ireland)*	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	100%	100%
Tarmac Group Limited		100%	0%
Tarmac Holdings (THL) Limited		100%	0%
Tarmac Industrial Products Limited		100%	0%
Tarmac Limited		100%	100%
Tarmac Marine (Guernsey) Limited (incorporated in Guernsey)	Guernsey, GY1 2QB, Guernsey	100%	100%
Tarmac Marine Limited		100%	100%
Tarmac Minerals Limited		100%	100%
Tarmac Minimix Limited*		100%	100%
Tarmac Nominees Limited		100%	0%
Tarmac Nominees Two Limited		100%	0%
Tarmac Properties Home Counties Limited*		100%	0%
Tarmac Properties (JMA) Limited*		100%	0%
Tarmac Properties Limited		100%	0%
Tarmac Provincial Properties Limited*		100%	0%
Tarmac Quarry Products (Ireland) Limited (incorporated in Ireland)	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	100%	100%
Tarmac Recycling Services Limited		100%	100%
Tarmac Roadstone Holdings Limited		100%	100%
Tarmac Roadstone Limited		100%	100%
Tarmac Roadstone Nominees Limited		100%	100%
Tarmac Secretaries (UK) Limited		100%	100%
Tarmac Structural Concrete Limited*		100%	0%
Tarmac Topblock Limited		100%	100%
Tarmac Topflight Limited		100%	100%
Tarmac Toplite Limited		100%	100%
Tarmac Topmix Limited		100%	100%
Tarmac Trustees Limited		100%	100%
Tarmac UK Holdings Limited*		100%	100%
Tarmac UK Limited*		100%	100%
TCR Aggregates Limited	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ, Scotland	100%	100%
Teesside Slag Limited*		100%	100%
TGCL (Oldco) Limited*		100%	0%
The Northumberland Whinstone Company Limited		100%	100%
Thermodeck Limited*		100%	0%
Tilcon (North) Limited		100%	100%
Tilling Construction Services Limited*		100%	0%
Tipton Group Limited*		100%	0%
Tipton Holdings Limited*		100%	0%
Topmix (Mortars) Limited*		100%	100%

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 13 Investments (continued)

Name of subsidiary	Registered office	Proportion of ownership %	
		2021	2020
Topmix Limited		100%	100%
Trevians Limited*		100%	100%
United Marine Aggregates Limited		100%	100%
Vicourt Limited*		100%	0%
W.J. Hall & Sons (Gorleston) Limited		100%	100%
Wales and Border Counties Plant Hire Limited		100%	100%
Welsh Aggregates Limited		100%	100%
Winmix Limited*		100%	100%
* indicates indirect investment			

#### Joint ventures

	£ m
<b>Cost or valuation</b>	
At 1 January 2021	1.6
Revaluation	(0.4)
At 31 December 2021	1.2
<b>Provision</b>	
At 1 January 2021	1.1
Reclassifications	(0.1)
At 31 December 2021	1.0
<b>Carrying amount</b>	
At 31 December 2021	0.2
At 31 December 2020	0.5

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 13 Investments (continued)

Details of the joint ventures as at 31 December 2021 are as below. The registered office address is Portland House, Bickenhill Lane, Solihull, Birmingham B37 7BQ unless otherwise indicated.

Name of joint ventures	Registered office	Proportion of ownership %	
		2021	2020
Argot Properties Limited *		50%	0%
Barker & Bence Limited *		50%	50%
C. & H. Quick-mix Limited *	9 - 11 Drayton High Road, Drayton, Norwich, Norfolk, NR8 6AH	50%	50%
Foxholes Business Park Limited *		50%	0%
GRS (Roadstone) Limited *	10 Goldsmith Way, Eliot Business Park, Nuneaton, Warwickshire, CV10 7RJ	25%	25%
GRS (Roadstone) Trustees Limited *	10 Goldsmith Way, Eliot Business Park, Nuneaton, Warwickshire, CV10 7RJ	25%	25%
GRS Bagging Holdings Limited *	10 Goldsmith Way, Eliot Business Park, Nuneaton, Warwickshire, CV10 7RJ	25%	25%
GRS Building Products Limited *	10 Goldsmith Way, Eliot Business Park, Nuneaton, Warwickshire, CV10 7RJ	25%	25%
GRS Roadstone Group Limited	10 Goldsmith Way, Eliot Business Park, Nuneaton, Warwickshire, CV10 7RJ	25%	25%
GRS Roadstone Holdings Limited *	10 Goldsmith Way, Eliot Business Park, Nuneaton, Warwickshire, CV10 7RJ	25%	25%
Isle of Wight Aggregates Limited		50%	50%
Linear Quarry Products Limited	Cambusnethan House, Linnet Way, Strathclyde Business Park, Bellshill, ML4 3NJ	50%	50%
Mersey Sand Suppliers (unincorporated) *		33.33%	33.33%
Mersey Sand Suppliers Limited		50%	50%
Minevote Public Limited Company *	7a Howick Place, London SW1P 1DZ, England	50%	0%
North Tyne Roadstone Limited		50%	50%
Norwest Holding Limited *		50%	50%
Norwest Sand & Ballast Co (1985) *		50%	50%
Norwest Sand & Ballast Company Limited *		50%	50%
Oval (302) Limited *		50%	50%
Peel Lamp Properties Limited *	Venus Building 1 Old Park Lane, Traffordcity, Manchester, England, M41 7HA	50%	0%
Prestige Sports Surfaces Limited (in liquidation)		50%	50%
R.H. Roadstone Limited *		50%	50%
Schofield Centre Limited *		50%	0%
Shepperton Aggregates Limited (in liquidation)		50%	50%
South Kensington Developments Limited *		50%	0%
Tarmac Clayform Limited *	7a Howick Place, London, SW1P 1DZ, England	50%	0%

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 13 Investments (continued)

Name of joint ventures	Registered office	Proportion of ownership %	
		2021	2020
Tarmac Farrans JV Limited (incorporated in Northern Ireland)	99 Kingsway, Dunmurry, Belfast, BT17 9NU	50%	50%
Tarmac Guildford Limited *		50%	0%
Tendley Quarries Limited	Brigham, Cockermouth, Cumbria, CA13 0SE	50%	50%
White Lion Walk Limited *		50%	0%

\* indicates indirect investment

#### 14 Stock

	31 December 2021 £ m	31 December 2020 £ m
Raw materials and consumables	13.7	12.5
Finished goods and goods for resale	27.3	25.4
Development land	2.8	3.0
	<u>43.8</u>	<u>40.9</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

#### 15 Debtors & loans to group undertakings

	31 December 2021 £ m	31 December 2020 £ m
<b>Loans to group undertakings</b>		
Amounts due from construction contract customers	1.8	2.0
Sublease receivable	1.8	2.0
Loans to group undertakings	485.4	475.9
Amounts owed by joint ventures and associated companies	0.5	0.8
	<u>489.5</u>	<u>480.7</u>

Amounts due from construction contract customers, falling due after more than one year, of £1.8 million (2020: £2.0 million) relates to retentions.

Loans to Group undertakings and amounts owed by joint ventures and associated companies have no fixed repayment date and are repayable on demand, except amount owed by Hopkins Concrete Limited which has a repayment date of April 2023.

Interest is charged on the balances due from Tarmac Cement and Lime Limited and Hopkins Concrete Limited. Interest was charged on the Hopkins Concrete Limited loan at 0.9% until April 2021 and at 0.2% after this date. Interest on the Tarmac Cement and Lime Limited loan was charged at LIBOR plus 3.5%.



## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 15 Debtors & loans to group undertakings (continued)

	31 December 2021 £ m	31 December 2020 £ m
<b>Debtors</b>		
Trade debtors	173.4	172.1
Amounts owed by group companies	258.2	290.4
Amounts owed by joint ventures and associated companies	6.2	9.1
Unbilled revenue	15.3	11.5
Amounts due from construction contract customers	11.1	22.6
Prepayments	11.5	9.1
Other debtors	18.4	16.1
Sublease receivable	0.4	0.4
VAT Debtor	11.9	-
Corporation tax	0.4	-
	<u>506.8</u>	<u>531.3</u>

Amounts due from construction contract customers, falling due within one year, of £11.1 million (2020: £22.6 million) includes retentions of £4.4 million (2020: £4.4 million).

Amounts owed by fellow group companies and amounts owed by joint ventures and associated companies have no fixed repayment date and are repayable on demand. No interest is charged on these balances. There are amounts due from CRH (UK) Limited for the zero balancing cash pool arrangement, on which interest is charged at the Bank of England base rate.

At 31 December 2021 allowances for doubtful debts were only held against Trade Debtors, amounts included were £13.0 million (2020: £11.2 million).

#### 16 Creditors: Amounts due in less than one year

	31 December 2021 £ m	31 December 2020 £ m
<b>Note</b>		
Trade creditors	142.9	112.1
Accrued expenses	70.1	55.5
Amounts due to group companies	459.5	465.7
Amounts owed to group companies - group relief	0.7	29.3
Social security and other taxes	12.2	36.0
Other creditors	35.8	38.5
Corporation tax	-	1.6
Current portion of long term lease liabilities	18 <u>14.8</u>	<u>14.2</u>
	<u>736.0</u>	<u>752.9</u>

Other creditors includes advances received of £3.2 million (2020: £1.7 million) and billing in excess of revenue of £12.6 million (2020 : £8.8 million).

Amounts owed to group companies have no fixed repayment date and no interest is charged on these balances.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged on trade payables for the first 75 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Company and Tarmac has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 17 Creditors: Amounts falling due after more than one year

		31 December 2021 £ m	31 December 2020 £ m
	Note		
Amounts owed to group companies		-	181.4
Long term lease liabilities	18	78.7	53.1
		<u>78.7</u>	<u>234.5</u>

The amounts owed to group companies related to interest bearing loans issued to the Company on 31 December 2015. The interest rate charged on the loans is LIBOR plus 3.5% payable annually in arrears. Unpaid accrued interest is capitalised and added to the amount outstanding and will bear interest accordingly. The loans were repaid during the year, interest was accrued up to the date the loans were settled.

#### 18 Leases

##### Leases included in creditors

		31 December 2021 £ m	31 December 2020 £ m
	Note		
Current portion of long term lease liabilities	16	14.8	14.2
Long term lease liabilities	17	78.7	53.1
		<u>93.5</u>	<u>67.3</u>

##### Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2021 £ m	31 December 2020 £ m
Less than one year	15.0	15.0
1 - 2 years	12.9	12.0
2 - 3 years	10.5	10.2
3 - 4 years	8.9	7.9
4 - 5 years	7.0	5.8
Between 5 and 10 years	20.3	13.4
Between 10 and 20 years	28.2	9.6
More than 20 years	13.5	7.8
Total lease liabilities (undiscounted)	<u>116.3</u>	<u>81.7</u>

##### Lease costs charged to the Profit and Loss Account

Tarmac avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Profit and Loss Account as incurred:

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 18 Leases (continued)

	2021	2020
	£ m	£ m
Short term leases	2.8	2.6
Variable lease payments not included in the lease liability	59.9	53.8
	<u>62.7</u>	<u>56.4</u>

The variable lease payments relate to contract hauliers. As the payments are fully variable these will move in line with activity of the business and therefore future exposure to variable lease payments is expected to move in line with turnover.

#### Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	2021	2020
	£ m	£ m
Lease liabilities		
At 1 January	67.3	77.0
Addition of right of use assets	38.4	10.9
Disposals	(1.3)	(0.6)
Remeasurements	2.3	(7.1)
Payments	(16.8)	(15.2)
Discount unwinding	2.3	2.0
Intercompany transfers	1.3	0.3
At 31 December	<u>93.5</u>	<u>67.3</u>

#### Sublease receivable maturity analysis

A maturity analysis of sublease receivables based on undiscounted gross cash inflow is reported in the table below:

	31 December 2021	31 December 2020
	£ m	£ m
Less than one year	0.3	0.3
1 - 2 years	0.2	0.3
2 - 3 years	0.2	0.2
3 - 4 years	0.2	0.2
4 - 5 years	0.1	0.2
Between 6 and 10 years	0.7	0.8
Between 11 and 20 years	0.4	0.8
Total sublease receivable (undiscounted)	<u>2.1</u>	<u>2.8</u>

Sublease income for 2021 was £0.2 million (2020:£0.3 million). No sale and leaseback transactions were recognised during the period (2020: nil)

#### Amounts receivable on operating leases

A maturity analysis of amounts receivable on operating leases based on undiscounted gross cash inflow is reported in the table below:

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 18 Leases (continued)

	31 December 2021 £ m	31 December 2020 £ m
Less than one year	0.3	0.3
1 - 2 years	0.3	0.3
2 - 3 years	0.3	0.3
3 - 4 years	0.3	0.3
4 - 5 years	0.3	0.3
Between 6 and 10 years	1.2	1.3
Between 11 and 20 years	2.3	2.4
Over 20 years	4.2	4.7
Total amounts receivable on operating lease (undiscounted)	<u>9.2</u>	<u>9.9</u>

#### 19 Provisions

	Restoration and decommissioning £ m	Restructuring £ m	Other provisions £ m	Total £ m
At 1 January 2021	61.3	9.4	25.9	96.6
Additional provisions	5.3	7.2	0.5	13.0
Provisions used	(3.8)	(5.3)	(2.9)	(12.0)
Unused provision reversed	-	(3.0)	-	(3.0)
Unwinding of discount	1.2	-	0.1	1.3
At 31 December 2021	<u>64.0</u>	<u>8.3</u>	<u>23.6</u>	<u>95.9</u>

The Company has an obligation to undertake restoration and environmental work associated with sites and decommissioning of plant or other site work. A provision has been recognised for the present value of such costs. These costs will be incurred over the life of the relevant quarry.

Restructuring provisions relate to commitments under various internal restructuring and redundancy programmes, primarily as a result of the portfolio review and management reorganisation carried out in 2020 and 2021. These provisions are expected to be utilised within one year of the balance sheet date.

Other provisions primarily relate to onerous contracts and legal claims. The onerous contracts provided for are principally in relation to mineral leases and related obligations at closed and mothballed sites. These costs will be incurred over the remaining terms of the relevant leases.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No. m	£ m	No. m	£ m
Ordinary shares of £1 each	435	435	435	435

#### 21 Reserves

Called up share capital represents the nominal value of shares that have been issued.

Share premium account represents the premium paid on shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

Share based payment reserve includes the cumulative share based payment expense.

Cashflow hedge reserve includes cumulative movements in hedge arrangements held by the Company.

Details of all movements in reserves are shown in the Statement of Changes in Equity on page 30.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Cash flow hedging reserve £ m
Gain or loss on cash flow hedges	5.7

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Cash flow hedging reserve £ m
Gain or loss on cash flow hedges	(5.6)

#### 22 Share-based payments

	2021 £ m	2020 £ m
2014 Performance Share Plan expense	0.2	-
Savings related share option expense	0.9	0.7
	1.1	0.7

Details in relation to the above schemes are set out in CRH plc's 2021 published financial statements.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 22 Share-based payments (continued)

##### Savings related share option

	2021	2020
Weighted average remaining contractual life (years)	1.96	1.02
Range of exercise price (£)	20.11 - 31.04	16.16 - 24.51

The savings related expense of £900,000 (2020: £700,000) reported in the Profit and Loss account has been arrived at through applying the trinomial model, which is a lattice option-pricing model.

The weighted average share price at the date of exercise for share options exercised during the period was €42.57 (2020: €31.92).

	At 1 January 2021 £ m	2021 expense £ m	Shares vested £ m	2021 deferred tax expense £ m	At 31 December 2021 £ m
2014 Performance Share Plan	-	0.2	-	-	0.2
Savings-related share option expense	1.4	0.9	(1.0)	-	1.3
Deferred tax	0.1	-	-	0.6	0.7
	<u>1.5</u>	<u>1.1</u>	<u>(1.0)</u>	<u>0.6</u>	<u>2.2</u>

#### 23 Capital Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £19.8 million (2020: £38.4 million). This relates to planned fixed asset purchases.

#### 24 Contingent liabilities

The Company has contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, entered into under the normal course of business. At 31 December 2021, the value of these was £58.2 million (2020: £54.8 million).

#### 25 Retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

The total cost charged to the profit and loss account of £5.2 million (2020: £4.8 million) represents contributions payable to these schemes by the Company. As at 31 December 2021, contributions of £1.8 million due in respect of the current reporting period had not been paid over to the schemes (2020: £1.6 million). This amount is included in other creditors.

## Tarmac Trading Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 26 Related party transactions

##### Income and receivables from related parties

	Associate and joint ventures £ m
<b>2021</b>	
Sale of goods	27.1
Amounts receivable from related party	7.6
	<hr/>
	Associates and joint ventures £ m
<b>2020</b>	
Sale of goods	25.2
Amounts receivable from related party	9.9
	<hr/>

##### Expenditure with and payables to related parties

	Associates and joint ventures £ m
<b>2021</b>	
Purchase of goods	2.7
Amounts payable to related party	-
	<hr/>
	Associates and joint ventures £ m
<b>2020</b>	
Purchase of goods	1.1
Amounts payable to related party	-
	<hr/>

#### 27 Parent and ultimate parent undertaking

The Company's immediate parent is Tarmac Holdings Limited.

The ultimate parent and controlling party is CRH plc.

##### Relationship between entity and parents

The parent of the largest and smallest group in which these financial statements are consolidated is CRH plc, incorporated in Ireland.

The address of CRH plc is:

42 Fitzwilliam Square,

Dublin,

D02 R279,

Ireland

Copies of the financial statements of the ultimate parent company are available from the Company Secretary at the above address.

#### 28 Post balance sheet events

The Directors have considered all post-year end transactions, information received and events, up to the date these accounts are signed, for anything that may be either an adjusting or non-adjusting post balance sheet event. There was nothing identified requiring adjustment to, or disclosure in the current year financial statements.