

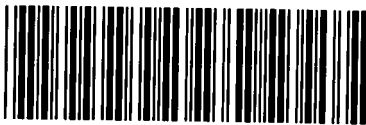
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MIDLAND QUARRY PRODUCTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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MIDLAND QUARRY PRODUCTS LIMITED

COMPANY INFORMATION

Directors

E A Gretton
Dr C M Wendt (resigned 6 October 2021)
S L Willis
G J Day
J R Green
A Quilez Somolinos (appointed 6 October 2021)

Company secretary

W F Rogers

Registered number

03173418

Registered office

Hanson House
14 Castle Hill
Maidenhead
SL6 4JJ

Independent auditors

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol
BS2 0FR

MIDLAND QUARRY PRODUCTS LIMITED

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MIDLAND QUARRY PRODUCTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Business review

The principal activities of the Company are quarrying and asphalt production in the Midlands.

Turnover increased by 16% compared to 2020 from £96,663,000 to £112,517,000, with operating profit increasing by 7% from £14,133,000 to £15,163,000.

Sales volumes, both drystone and asphalt, increased compared to the previous year, with activity exceeding pre-Covid-19 levels due to the release of pent up demand arising from the pandemic. Sales prices were increased to cover the rising costs of fuel and bitumen.

The Company re-opened Whitwick Quarry during the year in response to demand to maximise opportunities in the MOT Type 1 aggregate market.

The cost of raw materials and consumables increased in the later part of the year, mainly fuel and bitumen costs, which eroded the Company's margin.

The Company continued to make strategic investments to plant and machinery during the course of the year, including major improvements to the rail network and welfare facilities at Cliffe Hill Quarry, a new barrel and bag filter at Wednesbury Asphalt Plant and a replacement field conveyor to transport crushed stone to a processing plant.

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

Section 172 Companies Act

This report sets out how the Directors have complied with section 172 of the Companies Act 2006 in making their strategic decisions during 2021 and in considering the likely long term consequences of those decisions and the need to maintain a reputation for high standards of business conduct. This has involved engagement with the Company's stakeholders to ensure that we understand their views and interests when making decisions and when developing the Company's purpose, values and strategy. The Directors ensure that they listen to and consider the interests of the Company's employees and that it fosters relationships with the Company's customers and suppliers. The Directors work to ensure the sustainability of the Company's operations within local communities in the context of the potential impact on the local environment.

Sustainability Policy

Effective management of safety, health, environment, quality, carbon reduction and responsible sourcing is of key importance to the sustained success of the Company's business. The Company's sustainability objectives are reviewed regularly and communicated regularly to employees, contractors, visitors, key stakeholders and our supply chain to inform and promote wider adoption of responsible practices. As a minimum, as a Hanson UK company, the Company complies with all applicable law and regulatory requirements. Cooperation in the implementation of the Company's sustainability policy is a condition of employment, partnership and supply.

Full details of the Company's Sustainability Policy can be found on the Company website at www.mqp.co.uk. The policy sets out the Company's sustainability objectives in terms of: ensuring business and product innovation by engaging with customers and stakeholders to continually improve the Company's sustainability performance and adopt an integrated approach to achieve the highest standards in complying with ISO's 9001, 14001, 45001 and 50001 together with BES 6001, National Highway Sector Scheme 16 and relevant CE certification schemes; ensuring health, safety and wellbeing in the workplace; ensuring environmental responsibility to collaborate with suppliers and fulfil the Company's share of responsibility to limit climate change to below 1.5°C; conserving natural resources and maximising the use of alternative materials and recycling; being a good neighbour based upon transparency and consultation, staff volunteering on community projects, with local jobs and local procurement; and being a fair, respectful and inclusive company.

MIDLAND QUARRY PRODUCTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

Sustainability Policy (continued)

During 2021 the Company continued to roll out its 2030 commitments in relation to the six key sustainability topics: business and product innovation; health, safety and wellbeing; environmental responsibility; resource use and the circular economy; being a good neighbour; and fairness, inclusion and respect. The 2020 Sustainability Report sets out the KPI 2030 targets and future reports will record progress towards attainment of these objectives.

Late in 2020 Fast Track Targets were set which build upon the existing commitments and bring forward many of the deadlines that were originally targeted for 2030. Whilst the original 2030 commitments must still be achieved the Fast Track Targets focus on six key areas: governance framework; CO₂; water; products; land use; and corporate social responsibility.

In 2020 the Company introduced its social value policy which is available on the Hanson UK website www.hanson.co.uk. Our social value policy is founded on our core values and responsible leadership principles and applies to all areas of our business, our employees and all parties who undertake activity on our behalf. It follows the national TOMS framework and integrates our health, safety and wellbeing, and environmental commitments. A steering group has been established to ensure the principles of the policy are imbed within the business. During 2021 further work was undertaken to enhance and begin to measure and record our Social Value impact.

2021

The Company progressed various investments through 2021: the most significant being the re-opening of Whitwick Quarry which had been mothballed in 1996. This reopening was made in response to market demand and included new access for the quarry and weighbridge area and provided employment for ten people. All necessary ecological and environmental works were completed in conjunction with Leicestershire County Council.

Further investments in mobile plant were made at Clee Hill Quarry including a replacement excavator, and three asphalt plants, at St Ives, Groby and Ettingshall, were upgraded to allow easier manufacture of warm mix asphalt which reduces the carbon footprint of asphalt in road surfacing.

In general, all of our investments are made in the interests of ensuring long term sustainable production to service our customers and the continuity of safe operations for our workforce, delivering value for our group and developing meaningful partnerships with our suppliers; investments in new operations facilitate reductions in energy usage, water usage and emissions, lessening the impacts on both the environment and communities.

Information relating to the Company's investments, improvements, performance, outlook and sustainability is presented to our stakeholders through many channels. In 2021, for employees, this included continuing with the Company's issue of monthly updates in the form of an employee newsletter and briefings to all staff, which cover matters such as site safety, carbon reduction, community engagement and employee wellbeing. The Company also participates in the Hanson UK Employee Forum, the national road shows and town hall talks presented by the Hanson UK chief executive officer, driver forums and driver engagement days, as well as management meetings with trade unions.

The COVID-19 pandemic led to many of the briefings continuing online using Microsoft Teams during 2021. These were deemed to be effective.

The Company continued with a Fairness, Inclusion and Respect steering group which implements initiatives to help improve diversity and gender balance within the workforce.

With many staff working from home since the beginning of the COVID-19 pandemic, communications continued to be adapted to support those not in their normal workplace.

MIDLAND QUARRY PRODUCTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

2021 (continued)

The commercial teams continued to principally work remotely with limited face to face visits. The virtual meetings were received well by customers as no time is wasted and meetings are focused and productive. During 2021 many customers continued to advise that face to face visits were for essential purposes only to reduce risk of spreading COVID-19. Working this way meant that geographical constraints no longer exist and commercial teams can cover larger areas and deliver initiatives quicker.

For the local communities where the Company's sites are situated, normally engagement was carried out through the Company's quarry liaison committee, where Company management meets with residents and the local authority, as well as through public meetings when planning matters arise. During 2021 this continued to be curtailed due to Social Distancing guidelines, however where possible these meetings were carried out online and community information provided on the Company's website – www.mqp.co.uk. It is planned to reinstate these events in 2022. The Company is also pleased to sponsor the local Rainbows Hospice.

Further improvements in the interest of long-term sustainability and lessening the potential for impact on communities and the environment continued in 2021. These included: continuing to reduce energy consumption, carbon emissions and fossil fuel use year on year at all sites.

The Company installed Ruimeca high efficiency conveyor drive systems at Cliffe Hill, which significantly improves efficiency by removing the need for an additional gear box. Other ongoing improvements were made at Cliffe Hill Quarry including a new modern welfare facility for employees.

The Company carried out a review of its compressed air requirements and as a result made changes to key equipment including compressors at Groby, Northampton and Cliffe Hill, which improves the compressed air drying process. Trial compressed air flow meters have also been installed at Ettingshall and these will be monitored during 2022.

The business is continuing to see the benefits of the revised quarry development plans. The plans are designed to reduce vehicle movements whilst also reducing inclines through better ramp design.

The Company also focused on waste reduction ensuring that a higher proportion of material meets specification at the first pass. Results from telematics on plant vehicles have shown significant improvements in fuel efficiency which are further developed with specialised driver training.

With respect to the Company's health and safety workplace processes, COVID-19 policies and procedures continued to be enforced in 2021 at the Company's sites, and positive cases or self-isolations were promptly reported and closely monitored. The Company acted as an active member of the Mineral Products Association's (MPA) COVID-19 task force, sharing information and best practice across the industry.

Continuing improvement in the Company's health and safety performance in 2021 included: ongoing revisions to our risk assessment processes, the Company has a clearly defined health and safety improvement plan which was reviewed monthly by the Managing Director and was focussed on the key business risks and actions required to either eliminate or reduce them; the holding of focused safety initiatives such as a Back to Work day at the beginning of January, which provide the opportunity for the Directors to brief employees on the Company's trading and financial performance and discuss prospects, objectives and strategy for the year ahead.

MIDLAND QUARRY PRODUCTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

2021 (continued)

Further health and safety improvements during 2021 included: tackling Potential Fatal Incidents (PFIs) and Lost Time Incidents (LTIs) to ensure both learnings and remedial actions, as well as ensuring the establishment of root cause analysis for accidents and severe near hits, with operational employees being trained in basic incident investigation and root cause analysis techniques; and the holding and recording of everyday safety conversations on site through usage of the Intelex platform. All of the Company's sites participate in the MPA Stay Safe campaign. The Company has also continued to recognise the importance of mental health and wellbeing with further employees being trained in this area during 2021 with more mental health first aiders appointed. During the summer of 2021 the Managing Director created a webinar on Mental Health and Wellbeing giving advice to employees.

Steps taken during 2021 to ensure maintenance of a reputation for high standards of business conduct included training staff in many different compliance areas, covering our Code of Business Conduct, corruption and anti-bribery, competition law, data protection and modern slavery, all supported by a regime of policies and procedures that underpin the Company's purpose and values; the compliance program is supported by an online reporting platform that allows concerns to be reported and investigated outside of reporting lines.

Further information relating to the Company's work on sustainability, communities, carbon and energy, waste and raw materials, water and biodiversity and the Company's quality processes can be found on the Company website www.mqp.co.uk and on the Hanson UK website www.hanson.co.uk.

Principal risks and uncertainties

Competitive markets

The Company operates in highly competitive markets. It needs to respond effectively to the demand of its customers and the activities of its competitors. In doing this the Company needs to maintain the lowest possible cost base and highest possible level of customer service.

Cost impacts

The cost drivers in the Company are predominantly linked to hydrocarbon costs, fuel, electricity, bitumen, diesel etc, and any significant increases in the costs of these materials could impact on the future profitability of the business and the industry. The Company aims to continue to find opportunities to mitigate the impact of these cost pressures through revised operating techniques, substitution and productivity gains.

Foreign exchange risk

The Company is not exposed to the financial risks of foreign currency exchange rates.

Credit risk

The Company's principal financial assets are cash, trade and other debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

Commodity price risk

The Company is exposed to commodity price risk. The Company does manage its exposure to commodity price risk where it is considered financially appropriate; presently this is only in respect of electricity purchasing.

Supplier payment policy

Whilst not following any recognised code or standard, the policy on payment of all creditors is to pay 60 days from the end of the month of invoice; reduction from these terms is allowed for commercial consideration.

MIDLAND QUARRY PRODUCTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal risks and uncertainties (continued)

Environmental risk

The Company's impact upon the environment or the effects of climate change could expose us to regulatory breaches, significant disruption, reputational risk or a reduction in demand for our products. Emission restrictions and the transition to a low carbon economy could impact performance. The Company closely monitors the latest legislation and enacts internal policies to ensure the environmental impact of the business is minimised.

Financial key performance indicators

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

This report was approved by the board on 2 August 2022 and signed on its behalf.



W F Rogers
Secretary

MIDLAND QUARRY PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Results and dividends

The profit for the year, after taxation, amounted to £14,411,000 (2020 - £14,306,000).

The Directors do not recommend the payment of a final dividend (2020 - £nil).

Future developments

The Company continues to invest in plant and long term reserves, whilst working towards its commitments to reduce CO2 and moving to a more sustainable business model.

The Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, we will continue to see strong demand for our products and growth in our revenue. The Directors will continue to focus on maintaining margins during a continued period of cost pressures.

Going concern

On the basis of their assessment of the Company's financial position and relevant enquiries, the Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, we continue to see strong demand for our products and growth in our revenue. Therefore no material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern.

The Directors have noted that the ultimate parent undertaking, HeidelbergCement AG (HCAG), has made an assessment on the impact of the Ukraine crisis upon the wider group. Whilst HCAG is not able to make a reliable forecast of the impact as a result of the Ukraine crisis, its financial statements for the year ended 31 December 2021 continue to be prepared on a going concern basis, whilst recognising that there will be volatility in energy markets ahead.

Thus the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the financial statements.

Engagement with stakeholders

The Directors' statement on compliance with their duty to promote the success of the Company included within the Strategic Report includes a summary of how the Company engaged with its key stakeholders during 2021.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

MIDLAND QUARRY PRODUCTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Streamlined Energy and Carbon Reporting (continued)

	2021	2020
Energy consumption used to calculate emissions (kWh)	24,531,299	24,086,346
Emissions from combustion of gas tCO ₂ e (Scope 1)	0	0
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	122	132
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	0	0
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	5,095	5,484
Total gross tCO ₂ e based on above ⁴	5,217	5,616
Intensity ratio (tCO ₂ e/Turnover in £000)	0.0464	0.0581

Energy Efficiency Action Summary

The Company forms part of the Hanson UK operating division of HeidelbergCement AG. The Directors believe that effective management of safety, health, environment, quality, energy, carbon, and responsible sourcing is of key importance to the continued and sustainable success of the business. The Company continues to use a systematic and integrated approach to energy and carbon reductions through its accredited management systems being certified to both ISO 14001 Environmental Management and ISO 50001 Energy Management, that covers all operations. The Energy Management system covers Hanson UK, which includes the Company.

The Company takes a holistic approach to net zero and is developing strategic carbon roadmaps across each product group to help fulfil its share of the responsibility to keep the global temperature rise below 1.5°C. Science-based targets have been set and, as a group, HeidelbergCement aims to lead the market in sustainable action and ambition.

The Company strives for improvement opportunities across sites and operations and have recently completed a number of projects including:

- Installation of Rulmeca high efficiency conveyor drive systems at Cliffe Hill which significantly improves efficiency by removing the need for an additional gear box.
- Completion of a review of compressed air requirements which has led to changes in key equipment including compressors at Groby, Northampton and Cliffe Hill, which improves the compressed air drying process. Trial compressed air flow meters have also been installed at Ettingshall and these will be monitored during 2022.

The business is continuing to see the benefits of the revised quarry development plans. The plans are designed to reduce vehicle movements whilst also reducing inclines through better ramp design. Results from telematics on plant vehicles have shown significant improvements in fuel efficiency which are further developed with specialised driver training.

The Company has also focused on waste reduction ensuring that a higher proportion of material meets specification at the first pass.

The management team have worked to optimise the allocation of resources across all sites to all asphalt plants, and consequently overall output has gone up.

MIDLAND QUARRY PRODUCTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Streamlined Energy and Carbon Reporting (continued)

The Company has also embedded a culture of proactive and preventative maintenance using advanced tools such as vibration analysis and oil sampling. These systems maximise the effectiveness of process equipment and reduce destructive down time. An assessment of carbon and energy efficiency benefits is now standard on relevant capital expenditure.

The Company's primary electricity supply remains the zero carbon "BLUE for business" tariff from EDF. The Directors continue to support development projects for renewable energy including solar generation in partnership with suppliers at Company sites and within the wider supply chain. The Company has committed to decarbonising Company cars and vans and has now started to progressively increase the installation of charging points across its sites and electric vehicles are available as a choice.

The Company aims to conserve natural resources using resources appropriately and sustainably and, where possible, by substituting primary resources with alternative and recycled materials. The Company is also certified to ISO 6001 Responsible Sourcing of Construction Products.

MIDLAND QUARRY PRODUCTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Streamlined Energy and Carbon Reporting (continued)

Methodology Notes

Reporting Period	January 2021 – December 2021
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Midland Quarry Products Limited's annual accounts made up to 31 December 2021
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2021 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Conversion factor source	Gasoline: Federal Register EPA: 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020 LPG: Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance Direct Emissions from Stationary Combustion Sources 2008
Calculation method	Activity Data x Emission Factor = GHG emissions (tCO ₂ e) Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. The percentage of the Midland Quarry Products Limited employee numbers of the total employee numbers (4.6%) is applied to the total transport diesel and petrol amount to estimate the company's usage. Diesel usage by forklift trucks is not yet tracked separately. An average 3.95 litre per hour consumption is assumed. Source: https://forkliftbriefing.com/save-money/the-forklift-fuel-robbery/ Based on experience an average of 2 hours per run time a day for all working days in the UK is estimated for 2 machines that work on sites.
Exclusions	The Scope 3 transport fuels and the associated emissions were calculated in the first reporting year and were found to be de minimis. The usage was 778 litres of diesel and 363 litres of petrol in financial year 2020. Using the 2021 DEFRA factors for conversion these add up to 2.75 tCO ₂ e, which is less than 0.05% of the company's total annual emissions. As the information is not practical to obtain routinely and is immaterial, we have excluded this category from our annual reporting. The usage of the truck fleet is non reportable as the company hires a franchise company.
Reason for the intensity measurement choice	For consistency, due to the cement market data order, turnover has been chosen for our intensity metric as the company is precluded by law from publishing production data. Turnover reflects business performance and following the recommendations of the SECR reporting guidance on financial metrics.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).

MIDLAND QUARRY PRODUCTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Directors

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

E A Gretton
Dr C M Wendt (resigned 6 October 2021)
S L Willis
G J Day
J R Green
A Quilez Somolinos (appointed 6 October 2021)

Directors' indemnity

HeidelbergCement AG has indemnified, by means of directors' and officers' liability insurance, one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

The articles of association also provide for the Directors to be indemnified by the Company subject to the provisions of the Companies Act.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

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

Independent auditors

PricewaterhouseCoopers LLP having indicated their willingness to act will continue in office, as auditors of the Company, in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on 2 August 2022 and signed on its behalf.



W F Rogers
Secretary

MIDLAND QUARRY PRODUCTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

This report was approved by the board on 2 August 2022 and signed on its behalf.



W F Rogers
Secretary

Independent auditors' report to the members of Midland Quarry Products Limited

Report on the audit of the financial statements

Opinion

In our opinion, Midland Quarry Products Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, omitting, advancing or delaying recognition of events and transactions that have occurred during the reporting period and management bias in accounting estimates or judgements to manipulate results. Audit procedures performed by the engagement team included:

- Reviewing meeting minutes of the board for evidence of breaches of regulations and further reviewing any relevant correspondence.
- Identifying and testing journal entries based on our risk assessment and evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud.
- Inquiries of management in respect of any known or suspected instances of non compliance with Laws and Regulations and Fraud.
- Challenging assumptions and judgements made by management in their significant accounting estimates and obtaining corroborative evidence to support their reasonableness.
- Incorporating an element of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

3 August 2022

MIDLAND QUARRY PRODUCTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover	3	112,517	96,663
Change in stocks of finished goods and work in progress		(115)	(469)
Other operating income	4	639	556
Raw materials and consumables		(40,839)	(30,338)
Other operating expenses	5	(44,322)	(39,196)
Exceptional items - restructuring costs	12	-	(155)
Staff costs	7	(7,778)	(7,602)
Depreciation and amortisation		(4,939)	(5,326)
Operating profit		15,163	14,133
Interest receivable and similar income	9	48	95
Interest payable and expenses	10	(242)	(419)
Profit before tax		14,969	13,809
Tax on profit for the year	11	(558)	497
Profit for the financial year		14,411	14,306
Total comprehensive income for the year		14,411	14,306

All amounts relate to continuing operations.

The notes on pages 19 to 42 form part of these financial statements.

MIDLAND QUARRY PRODUCTS LIMITED
REGISTERED NUMBER: 03173418

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Goodwill	13	-	-
Tangible assets	14	31,310	33,479
		<u>31,310</u>	<u>33,479</u>
Current assets			
Stocks	15	6,614	4,872
Debtors: amounts falling due within one year	16	98,106	78,618
Cash at bank and in hand		192	544
		<u>104,912</u>	<u>84,034</u>
Creditors: amounts falling due within one year	17	(36,284)	(32,661)
Net current assets		<u>68,628</u>	<u>51,373</u>
Total assets less current liabilities		<u>99,938</u>	<u>84,852</u>
Creditors: amounts falling due after more than one year	18	(3,670)	(4,125)
		<u>96,268</u>	<u>80,727</u>
Provisions for liabilities			
Deferred taxation	20	(2,277)	(1,729)
Other provisions	21	(2,889)	(2,307)
		<u>(5,166)</u>	<u>(4,036)</u>
Net assets		<u><u>91,102</u></u>	<u><u>76,691</u></u>
Capital and reserves			
Called up share capital	22	5	5
Share premium account		37,995	37,995
Profit and loss account		53,102	38,691
Total equity		<u><u>91,102</u></u>	<u><u>76,691</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 August 2022.


A Quilez Somolinos
 Director

The notes on pages 19 to 42 form part of these financial statements.

MIDLAND QUARRY PRODUCTS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2020	5	37,995	24,385	62,385
Comprehensive income for the year				
Profit for the year	-	-	14,306	14,306
Total comprehensive income for the year	-	-	14,306	14,306
At 1 January 2021	5	37,995	38,691	76,691
Comprehensive income for the year				
Profit for the year	-	-	14,411	14,411
Total comprehensive income for the year	-	-	14,411	14,411
At 31 December 2021	5	37,995	53,102	91,102

The notes on pages 19 to 42 form part of these financial statements.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies

1.1 General information

Midland Quarry Products Limited ("the Company") is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Company Information.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 (FRS101) 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000).

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

1.3 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the 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:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of HeidelbergCement AG as at 31 December 2021 and these financial statements may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.4 Going concern

On the basis of their assessment of the Company's financial position and relevant enquiries, the Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, we continue to see strong demand for our products and growth in our revenue. Therefore no material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern.

The Directors have noted that the ultimate parent undertaking, HCAG, has made an assessment on the impact of the Ukraine crisis upon the wider group. Whilst HCAG is not able to make a reliable forecast of the impact as a result of the Ukraine crisis, its financial statements for the year ended 31 December 2021 continue to be prepared on a going concern basis, whilst recognising that there will be volatility in energy markets ahead.

Thus the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. The Companies Act 2006 requires goodwill to be reduced by provisions for depreciation of a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a "true and fair view override" to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability nor can the pattern in which goodwill diminishes be known.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

1.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.6 Revenue (continued)

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

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

1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

The estimated useful lives range as follows:

Freehold property	- 20 years
Long term restoration and stripping costs	- Straight line at a rate per tonne calculated as cost of stripping divided by the expected tonnage to be extracted over the estimated exposed reserve
Right of use leased assets	- Over the life of the lease
Plant and machinery	- 4 to 20 years
Fixtures and fittings	- 2 to 20 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.8 Stocks

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

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.9 Cash and cash equivalents

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

1.10 Financial Instruments

Financial assets

Financial assets are initially measured at fair value plus, in the case of a financial asset not subsequently measured at fair value through profit or loss, transaction costs.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The Company's financial assets include cash and trade and other receivables.

Debt instruments at fair value through profit or loss

Debt instruments are subsequently measured at fair value where they are financial assets held within a business model whose objective is to sell the financial asset, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Any fair value gains or losses at each reporting period is recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

In addition financial assets where the contractual terms of the financial asset do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are also subsequently measured at fair value.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.10 Financial instruments (continued)

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The ECL required for other debt instruments is determined using a three stage model.

- At the initial recognition of the financial asset an expected credit loss provision is recorded for the twelve month period following the reporting date. Any interest revenue is calculated on the gross carrying amount of the financial asset.
- If the credit risk of that financial instrument has increased significantly since initial recognition, a loss allowance for full lifetime expected credit losses is recorded. Any interest revenue is calculated on the gross carrying amount of the financial asset. Should the significant increase in credit risk reverse within subsequent reporting periods then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the twelve month expected credit losses.
- If objective evidence of impairment exists, a loss allowance for full lifetime expected credit losses is recognised. Any interest revenue is calculated on the net carrying amount of the financial asset.

Financial liabilities

Financial liabilities are initially measured at fair value and, in the case of loans and borrowing and payables, net of directly attributable transactions costs.

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

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.10 Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.11 Pensions

The Company participates in the Hanson Industrial Pension Scheme and Hanson No. 2 Pension Scheme, which are both funded defined benefit schemes. Funds are held externally under the supervision of the corporate trustees. The assets and liabilities of the Hanson Industrial Pension Scheme are recognised on the balance sheet of Hanson Quarry Products Europe Limited and the Hanson No.2 Pension Scheme is recognised on the balance sheet of Hanson Building Materials Limited. Hanson Quarry Products Europe Limited and Hanson Building Materials Limited are both fellow group subsidiaries and are also the sponsoring companies of the schemes. Accordingly, contributions to the schemes are expensed to the Statement of Comprehensive Income as the liability for payment arises.

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

1.12 Emissions allowances

The Company, as a manufacturer of cement, is involved in the European Emission Trading Scheme ('EU ETS'), which aims to reduce greenhouse gas emissions.

Emission rights are shown as intangible assets. Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment. Provisions for the obligation to return emission rights are recognised if the actual CO2 emissions up to the reporting date are not covered by emission rights granted free of charge.

The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date. The market value of the emissions allowances is measured according to the trade weighted average price of the futures market for United Kingdom Allowances.

1.13 Restoration and teardown provision

The Company aims to reinstate land following mineral extraction or industrial occupation to a beneficial use as soon as reasonably practicable. This is done by consulting with interested parties to ensure that the after use is appropriate to both the needs of the local people and the natural environment.

The Company makes a provision on a discounted basis to return a factory site to a decontaminated, cleared and improved site and to make a provision to restore the present extracted areas to currently anticipated after-use.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.14 Current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

However, for taxable temporary differences associated with investment in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised in accordance with IAS 12.39.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

1.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.16 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Leases for quarries do not fall within the scope of IFRS 16. These leases are considered pending transactions and the expenses are recognised in the material costs in the period in which they arise.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The interest rates were calculated on the basis of the remaining term of the leases.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.16 Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the Tangible Fixed Assets in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in Exceptional Items.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Impairment of non-current assets

A cash flow-based method in accordance with IAS 36 (Impairment of Assets) is used to determine the recoverable amount of cash-generating units as part of the impairment test for goodwill and other noncurrent assets. In particular, estimates are required in relation to future cash flows of the groups of cash generating units as well as to the discount rates used (discounted cash flow method). A change in the influencing factors may have a significant impact on the existence or amount of impairment losses.

Recoverability of amounts owed by group undertakings

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Restoration provision

Provisions for restoration are measured on the basis of estimates of the development of costs and expected life of the quarry. A change in influencing parameters may have an impact on the income statements as well as the amounts recognised in the Balance Sheet. The actual outflow of resources may differ from the outflow of resources expected at the reporting date and may have an impact on the recognition and measurement. Further explanations on provisions can be found in note 21.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Turnover

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	112,517	96,663

4. Other operating income

	2021 £000	2020 £000
Other operating income	639	516
Profit on disposal of tangible assets	-	40
	639	556

5. Other operating expenses

	2021 £000	2020 £000
Selling and administrative expenses	850	789
Distribution expenses	21,461	19,238
Expenses for third party repairs and services	13,696	11,648
Loss on disposal of tangible assets	7	-
Rental and leasing expenses	2,129	1,722
Other expenses	6,179	5,799
	44,322	39,196

6. Auditors' remuneration

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

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Staff costs

Staff costs, including Directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	6,710	6,534
Social security costs	616	623
Cost of defined contribution scheme	452	445
	<u>7,778</u>	<u>7,602</u>

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

	2021 No.	2020 No.
Production and distribution	97	98
Administrative and sales	55	62
	<u>152</u>	<u>160</u>

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	186	114
Company contributions to defined contribution pension schemes	18	9
	<u>204</u>	<u>123</u>

During the year retirement benefits were accruing to 1 Director (2020 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £186,000 (2020 - £91,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £18,000 (2020 - £7,000).

The Directors of the Company are also directors of a number of the group's fellow subsidiaries. In addition to the remuneration paid directly by the Company, the Directors received total remuneration of £1,879,000 (2020 - £1,656,000), which was paid by various fellow subsidiaries. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as directors of fellow subsidiary companies.

MIDLAND QUARRY PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from group companies	39	95
Discounted adjustments to provisions	9	-
	<u>48</u>	<u>95</u>

10. Interest payable and similar expenses

	2021 £000	2020 £000
Discounted adjustments to provisions	6	147
Interest on lease liabilities	132	153
Other interest payable	104	119
	<u>242</u>	<u>419</u>

11. Taxation

	2021 £000	2020 £000
Corporation tax		
Current UK Corporation tax on profits for the year	10	-
Adjustments in respect of prior periods	-	36
Total current tax	<u>10</u>	<u>36</u>
Deferred tax		
Origination and reversal of timing differences	224	(100)
Changes to tax rates	546	-
Adjustments in respect of prior periods	(222)	(433)
Total deferred tax	<u>548</u>	<u>(533)</u>
Taxation on profit	<u>558</u>	<u>(497)</u>

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Taxation (continued)

Reconciliation of the tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	14,969	13,809
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,844	2,624
Effects of:		
Expenses not deductible for tax purposes	(65)	16
Adjustments to tax charge/(credit) in respect of prior periods	(222)	(663)
Group relief	(2,593)	(2,732)
Changes in tax rates	600	266
Transfer pricing adjustments	(6)	(8)
Total tax charge/(credit) for the year	558	(497)

Change in corporation tax rate

The main rate of corporation tax increases from 19% to 25% on 1 April 2023.

Deferred tax has been recognised at 25% (2020 - 19%), being the enacted main rate of corporation tax at the balance sheet date on which the deferred tax liability is expected to be settled.

12. Exceptional items

	2021 £000	2020 £000
Restructuring costs	-	155

An exceptional charge of £nil (2020: £155,000) has been recognised in relation to redundancy costs.

MIDLAND QUARRY PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Goodwill

	2021 £000
Cost	
At 1 January 2021 and 31 December 2021	3,284
Amortisation	
At 1 January 2021 and 31 December 2021	3,284
Net book value	
At 1 January 2021 and 31 December 2021	

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Tangible fixed assets

	Property £000	Long term restoration £000	Stripping costs £000	Plant and machinery £000	ROU Plant and machinery £000	Fixtures and fittings £000	ROU Land and buildings £000	Assets under construction £000	Total £000
Cost									
At 1 January 2021	2,083	586	18,950	92,964	3,827	235	2,673	1,103	122,421
Additions	-	7	-	9	91	113	225	2,559	3,004
Disposals	-	-	-	(123)	(229)	(113)	-	-	(465)
Transfers between classes	-	-	-	1,571	-	-	-	(1,571)	-
At 31 December 2021	2,083	593	18,950	94,421	3,689	235	2,898	2,091	124,960
Depreciation									
At 1 January 2021	1,694	290	13,249	71,800	1,245	235	429	-	88,942
Charge for the year on owned assets	42	12	756	3,209	-	19	-	-	4,038
Charge for the year on right-of-use assets	-	-	-	-	642	-	259	-	901
Disposals	-	-	-	(118)	-	(113)	-	-	(231)
At 31 December 2021	1,736	302	14,005	74,891	1,887	141	688	-	93,650
Net book value									
At 31 December 2021	347	291	4,945	19,530	1,802	94	2,210	2,091	31,310
At 31 December 2020	389	296	5,701	21,164	2,582	-	2,244	1,103	33,479

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

15. Stocks

	2021 £000	2020 £000
Raw materials and consumables	3,529	2,815
Finished goods and goods for resale	3,085	2,057
	<u>6,614</u>	<u>4,872</u>

Replacement costs of stock

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

16. Debtors

	2021 £000	2020 £000
Due within one year		
Trade debtors	8,265	5,744
Amounts owed by group undertakings	89,608	72,749
Corporation tax receivable	-	29
Prepayments and accrued income	233	96
	<u>98,106</u>	<u>78,618</u>

Included within amounts owed by group undertakings is an amount of £89,586,000 (2020 - £72,727,000) which is unsecured, repayable on demand and accrues interest at overnight GBP LIBOR. The remaining debtors balances are interest free. All amounts are unsecured, have no fixed date of repayment and are repayable on demand.

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. SONIA replaced GBP LIBOR on 1 January 2022. There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. SONIA is a 'backward-looking' rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which SONIA currently does not. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences will need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

The replacement of LIBOR is not expected to materially impact the financial statements of the entity when adopted in 2022. No other changes to the terms of the floating-rate instruments are anticipated.

MIDLAND QUARRY PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Creditors: Amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	14,633	10,346
Amounts owed to group undertakings	11,275	10,993
Other taxation and social security	1,790	3,488
Lease liabilities	534	754
Other creditors	2,060	1,728
Accruals and deferred income	5,992	5,352
	<u>36,284</u>	<u>32,661</u>

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

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

	2021	2020
	£000	£000
Lease liabilities	<u>3,670</u>	<u>4,125</u>

19. Leases

Company as a lessee

The Company leases property, plant and machinery as well as vehicles used by its employees.

Lease liabilities are due as follows:

	2021	2020
	£000	£000
Not later than one year	534	754
Between one year and five years	2,627	2,852
Later than five years	1,043	1,274
	<u>4,204</u>	<u>4,880</u>

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

	2021	2020
	£000	£000
Interest expense on lease liabilities	<u>132</u>	<u>153</u>

MIDLAND QUARRY PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Deferred taxation

	2021 £000	2020 £000
At beginning of year	(1,729)	(2,262)
Credited to the Statement of Comprehensive Income	(548)	533
At end of year	(2,277)	(1,729)

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(2,740)	(2,089)
Other temporary differences	463	360
	(2,277)	(1,729)

21. Other provisions

	Restoration £000	Carbon Emissions £000	Other provision £000	Total £000
At 1 January 2021	1,817	329	161	2,307
Charged to profit or loss	32	297	455	784
Transfer from fixed assets	7	-	-	7
Unwind of discount	(3)	-	-	(3)
Utilised in year	-	(39)	(167)	(206)
At 31 December 2021	1,853	587	449	2,889

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

21. Other provisions (continued)

Provisions for terminal restoration have been discounted at 1.113% (2020 - 0.745%) per annum on current prices and where appropriate have been established after taking account of the advice of suitably qualified and experienced consultants and after establishing the costs in line with current practice and standards. All amounts greater than 12 months are discounted. The restoration provision is held to cover the costs of restoring land to its original state. The costs will be incurred over the useful life of the land, most of which is over 12 months.

Carbon emission provisions relate to the obligation to return emission rights. These obligations are recognised if the actual carbon dioxide emissions up to the reporting date are not covered by emission rights granted free of charge. The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date. Amounts have not been discounted as they are expected to be realised in less than twelve months.

Other provisions relate to expected rent accruals required due to rent reviews incurred but not formally agreed and finalised on leases out of scope for IFRS 16.

22. Share capital

	2021 £000	2020 £000
Authorised		
1,499 (2020 - 1,499) "A" Ordinary shares of £1 each	1	1
1,499 (2020 - 1,499) "B" Ordinary shares of £1 each	1	1
3,000 (2020 - 3,000) "C" Ordinary shares of £1 each	3	3
	<u>5</u>	<u>5</u>
Allotted, called up and fully paid		
1,001 (2020 - 1,001) "A" Ordinary Shares of £1 each	1	1
1,000 (2020 - 1,000) "B" Ordinary Shares of £1 each	1	1
3,000 (2020 - 3,000) "C" Ordinary Shares of £1 each	3	3
	<u>5</u>	<u>5</u>

"A" and "B" Ordinary Shares have equal voting rights, but the holders of "C" Ordinary Shares are not entitled to vote or attend any general meeting of the company.

The "A" Ordinary Shares, "B" Ordinary Shares and "C" Ordinary Shares shall rank pari passu in respect of any dividend or distribution declared by the Company in any financial year after holders of the "A" and "B" Ordinary Shares have received a dividend of £10,000,000 in respect of each "A" and "B" Ordinary Share.

In case of winding up, the holder of the "B" Shares shall be entitled to 50 per cent of the amount so returned; the holder of the "C" Ordinary Shares shall be entitled to the lesser of:

i) 50p per share; or

ii) 50 per cent of the amount so returned;

and the holder of the "A" Ordinary Shares shall be entitled to the balance.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Pension commitments

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

The results of the latest funding valuation at 31 December 2018 have been adjusted to the balance sheet date by an independent actuary from AON Hewitt Limited taking account of experience over the period since 31 December 2018, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

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

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

	2021 £000	2020 £000
Scheme assets at fair value		
Cash and cash equivalents	73,706	29,957
Equity	151,507	146,974
Interest rate swaps	(1,201)	(240)
Nominal government bonds	637,923	782,345
Nominal corporate bonds	122,495	122,941
Index linked bonds	1,126,964	1,085,360
Real estate	108,408	98,955
Insurance policies	9,595	10,832
Other	96,238	103,389
Fair value of Scheme assets	2,325,635	2,380,513
Present value of Scheme liabilities	(1,686,298)	(1,865,761)
Defined benefit Scheme asset	639,337	514,752

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

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

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Pension commitments (continued)

The Company and Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Scheme by investing in assets such as swaps which perform in line with the liabilities of the Scheme so as to protect against inflation being higher than expected.

The Trustee aims to achieve the Scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than low risk assets like cash and gilts. This is done within a broad liability driven investing framework that uses cash, gilts and other hedging instruments like swaps in a capital efficient way. In combination this efficiently captures the Trustee risk tolerances and return objectives relative to the Scheme's liabilities. A number of investment managers are appointed to promote diversification by assets, organisation and investment style.

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

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

	2021 £000	2020 £000
Opening defined benefit obligation	1,865,761	1,686,834
Current service cost	3,305	3,355
Interest cost	23,707	32,774
Actuarial losses/(gains) on Scheme liabilities	(122,112)	238,839
Net benefits paid out	(84,363)	(96,239)
Past service cost	-	198
Closing defined benefit obligation	<u>1,686,298</u>	<u>1,865,761</u>

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

	2021 %	2020 %
Rate of salary increases *	3.25	2.70
Rate of increase in pension payments LPI 5%	3.16	2.83
Discount rate	2.00	1.30
RPI inflation assumption	3.30	2.90
CPI inflation assumption	2.75	2.20

* For 2021 this reflects CPI inflation + 0.5% p.a. (2020 - CPI inflation +0.5% p.a.).

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Pension commitments (continued)

The mortality assumptions are based on recent actual mortality experience of members within the Scheme with an allowance for future improvements. The assumptions mean that a member currently aged 65 is expected to live on average for a further 21.7 years if they are male (2020 - 21.6 years) and for a further 23.6 years if they are female (2020 - 23.5 years).

For a member who retires in 2042 (2020 - 2041) at the age of 65 the assumptions are that they will live on average for a further 22.5 years after retirement if they are male (2020 - 22.5 years), and for a further 24.9 years after retirement if they are female (2020 - 24.8 years).

Sensitivity analysis

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase / decrease 0.5%	Decrease 8% / increase 9%
Rate of pension increase	Increase / decrease 0.25%	Increase 3% / decrease 3%
Life expectancy	Increase / decrease 1 year	Increase 5% / decrease 5%

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

	2021 £000	2020 £000
Opening fair value of Scheme assets	2,380,513	2,247,904
Expected return on Scheme assets	30,398	44,018
Administrative expenses paid by the Scheme	(789)	(858)
Actuarial (losses)/gains on Scheme assets	(892)	182,621
Contributions paid by the employers	768	3,067
Net benefits paid out	(84,363)	(96,239)
Closing fair value of Scheme assets	<u>2,325,635</u>	<u>2,380,513</u>

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Pension commitments (continued)

Amounts for the current and previous four years:

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Fair value of Scheme assets	2,325,635	2,380,513	2,247,904	2,131,717	2,211,669
Defined benefit obligation	(1,686,298)	(1,865,761)	(1,686,834)	(1,566,352)	(1,769,104)
Surplus in Scheme	639,337	514,752	561,070	565,365	442,565
Experience (losses)/gains on Scheme assets	(892)	182,621	151,897	(38,285)	58,099
Experience (losses)/gains on Scheme liabilities *	(6,177)	17,984	2,818	(8,309)	8,913

* This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

UK legislation requires that pension schemes are funded prudently. The latest funding valuation as at 31 December 2018 was agreed on 27 November 2019. Under the recovery plan agreed as part of the valuation, contributions of 1.9% of pensionable salaries in respect of death in service, incapacity retirement and redundancy retirement benefits that contain an element of service after 30 September 2010 in their calculation are made. The valuation showed a surplus of £150,000,000, therefore no deficit recovery contributions are required. Expenses, including levies payable to the Pension Protection Fund (PPF) are now met out of the Scheme assets. The actuarial method used in the calculation of the technical provisions underpinning the recovery plan was the projected unit method. The forecast contributions payable for the year ending 31 December 2022 are expected to be £768,000, which is net of unallocated funds within the Scheme. Midland Quarry Products Limited does not contribute to the employer contributions payable. Note that these contributions could be subject to change at the next triennial valuation.

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

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

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

Hanson Quarry Products Europe Limited recognises the Scheme surplus in accordance with the requirements of IFRIC 14. The Trustee of the Scheme does not have the unilateral right to commence the winding-up of the Scheme. Thus, the Company assumes that the Scheme continues in existence until the last benefit payments are made to members, at which point any residual assets are returned to the employer in line with the rules of the Scheme.

The Company is not yet clear on whether the IASB's proposed amendments to IFRIC 14 will affect its ability to receive a refund of surplus in this situation. Once the amendments have been finalised, management will review the likely impact.

MIDLAND QUARRY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with wholly owned subsidiaries in the group headed by HeidelbergCement AG. Balances outstanding at 31 December with related parties, are as follows:

	2021 £000	2020 £000
Amounts owed by ultimate parent undertaking	89,586	72,727
Amounts owed by fellow subsidiary undertakings	22	22
Amounts owed to immediate parent undertaking	(11,275)	(10,993)
	<u>78,333</u>	<u>61,756</u>

25. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Hanson Quarry Products Europe Limited, a company registered in England and Wales. The Company's ultimate parent undertaking is HeidelbergCement AG, a company registered in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by HeidelbergCement AG. Copies of the consolidated financial statements of HeidelbergCement AG may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.