Registration number: 00066558

Tarmac Cement and Lime Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Tarmac Cement and Lime Limited

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Tarmac Cement and Lime Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report for Tarmac Cement and Lime Limited (the "Company") for the year ended 31 December 2022.

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

Fair review of the business

During the year, the Company generated turnover of £528.6 million (2021: £395.6 million) and an operating profit of £27.6 million (2021: £33.0 million). EBITDA (being earnings before interest, tax, depreciation, amortisation, income from shares in group undertakings, gain on disposal of investments and impairments) was £59.4 million (2021: £27.6 million).

The Company's profit before tax was £12.5 million, a decrease in performance from last year's profit before tax of £20.0 million. This can be predominantly attributed to a one-off benefit in 2021 from an asset impairment reversal. 2022 was a challenging year with unprecedented inflation fluctuations as a result of political unrest, evident in the year on year cost uplift and commercial recovery within the turnover uplfit.

At 31 December 2022, the Company had net assets of £130.4 million (2021: £127.4 million) and net current liabilities of £270.0 million (2021: £287.5 million).

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

	Unit	2022	2021
Turnover	£m	528.6	395.6
Operating profit/(loss)	£m	27.6	33
Capital additions as a % of depreciation	%	71	109
LTIFR (Lost time injuries frequency rate defined as the number of accidents per 100,000 hours worked)		0.06	0.1
EBITDA (as defined above)		59.4	27.6
Average number of employees		934	919

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

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

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

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

Portfolio review

The Company continuously reviews its site portfolios and makes the necessary changes to reshape the business model to meet the changing needs of customers. During the year, a number of sites across the Tarmac sub-group were in scope of the portfolio review. The focus continues to be on controlling costs and improving operational efficiencies. The Directors will continue to assess the future requirements of the business and adapt operations accordingly.

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

COVID-19 pandemic - public health emergencies, epidemics or pandemics, such as the COVID-19 pandemic, have presented and continue to present additional health and safety challenges. They have the potential to significantly impact operations through a fall in demand for the Company's products, a reduction in staff availability and business interruption. Uncertainty around future global pandemics could have an adverse effect on the operating results, cash flows, financial condition and/or prospects of the Company. Crisis management structures and protocols are in place to enable swift decision-making at times of crisis. Business continuity management structures and plans have been enacted with new working protocols implemented to safeguard our people and business;

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

External market outlook - like many other industries, the global building materials industry has been adversely impacted by disruptions and threats to supply chains caused by the conflict in Ukraine. Significant levels of inflation have also contributed to increased costs and reduced availability of some key inputs as well as general economic uncertainty. We expect demand in 2023 to be resilient, underpinned by a stable infrastructure pipeline but economic conditions may continue to present risks. Economic uncertainty negatively impacts trends in construction activity through postponement of orders and rising interest rates. The Company is exposed to fluctuations in the fuel price and principal energy related raw materials prices such as coal. These uncertainties may have some short-term impacts and there is no guarantee that future actions taken by management will be effective in mitigating them however the risk will be managed through constant focus on cost control and disciplined financial management. The Company continues to monitor the market and government policy to mitigate external risks where possible. In addition, the nature of operations being based outdoors and certain optimal weather conditions being required for a number of key operational activities, means that adverse weather conditions across all seasons can have a significant short term impact on both the Company's performance and the wider market;

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

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

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

Health and safety

The health, safety and wellbeing of employees and contractors is fundamental to the Tarmac business and Tarmac continued to embed its commitment to Work Safe Home Safe during 2022 with an emphasis on ensuring nobody should be adversely affected by Tarmac activities as a result. 2022 continued to present health and safety challenges and Tarmac continued to actively engage in all areas of its business to ensure controls to mitigate the risk to the wellbeing of all stakeholders were suitable and sufficient.

The Tarmac health and safety plan was reviewed and updated in 2022 placing an emphasis on 4 key pillars namely, Leading, Learning, Behaving and Planning for Safety. Each pillar has a small number of initiatives designed to support the business with mitigation of risks in the business and improvement of health, safety and wellbeing as a whole. The key initiative for 2022 was titled Step In and is a programme to empower employees and contractors to challenge unsafe behaviours with the support of Tarmac leadership and to encourage and promote example of Step In across the organisation.

In 2022 there were zero fatalities (2021: 0) and 17 Lost Time Injuries (2021: 32) and the consequent Lost Time Injury Frequency Rate was 0.06 (2021: 0.10) (defined as the number of accidents per 100,000 hours worked).

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

In 2022 there were 12 Medical Treatment Cases (2021: 19), 15 Modified Work Duty cases (2021: 15) and 111 First Aid Cases (2021: 92). The Total Recordable Case Frequency Rate was 0.15 (2021: 0.20), based on 44 incidents (2021: 66). Total Recordable Cases include Lost Time Injuries, Medical Treatment Cases and Modified Work Duty cases.

A total of 27 high potential incidents were recorded for 2022 (defined as incidents that had a realistic chance of fatal or life-changing consequences) (2021: 80).

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

Section 172(1) statement

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

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

In giving due regard to their section 172 duty the Directors are mindful of the Company's principal activities and its purpose and function with the Group. The Directors are particularly focused on the impact of the Company's operations on its workforce, the community and the environment.

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

The Group recognises the need to have appropriate levels of corporate governance across its subsidiaries as part of its approach to risk mitigation and wider stakeholder engagement strategy. Underpinning this approach to corporate governance is the CRH UK Corporate Governance Policy. This Policy is applicable to all CRH UK entities, including the Tarmac sub-group of companies, and sets out clear corporate governance controls and processes and provides detailed guidance for directors and management on the application and execution of Section 172 duties.

Decision making and corporate governance process

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

ExCom meets regularly to discuss and decide on matters pertinent to the business. The Company's Board meets as appropriate through the year as appropriate to confirm and ratify any decisions made on its behalf by CRH and/or ExCom that impact the Company's stakeholders or that are classified as principal decisions. Decision making is guided by the principles set out in the Policy; Group policies; training received on Section 172 duties and other directors' statutory duties under the Act and wider regulatory responsibilities; and Tarmac's values.

Board and ExCom composition

As a key entity of the Tarmac business, and in accordance with the Policy, the Company must have a minimum of three directors with representatives from the finance team and ExCom. The Company has eight Directors, all of whom are members of ExCom. ExCom membership is composed of regional managing directors, business-line managing directors together with directors of key functional areas.

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

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

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

The Board:

Bevan Browne: Managing Director of Building Products & National Commercial
Peter Buckley: Senior Vice President
Shaun Davidson: Regional Managing Director - North and Scotland (appointed 21 November 2022)
John Delaney: Finance Director (appointed 28 February 2023)
Rob Doody: Regional Managing Director - Midlands (appointed 21 November 2022)
Simon Grey: Regional Managing Director - South West (appointed 21 November 2022)
Mark Wood: Regional Managing Director - South East (appointed 21 November 2022)

It is noted that Paul Fleetham was a Director in the year but resigned on 30 April 2022 and that Johanna O'Driscoll was a Director in the year but resigned on 28 February 2023 and that Seamus Lynch was a Director in the year but resigned on 2 August 2023.

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

Directors' training

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

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

Under the Policy, all newly appointed Directors will receive director training on appointment and all Directors will refresh their training regularly. The provision of training is facilitated by the Company's Legal Department. Recent Board training delivered digitally has focused on directors' duties, in particular those under the Companies Act 2006.

Principal decisions

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

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

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

In line with the Regulations and FRC guidance, and in accordance with the approach taken during the financial year under review, having considered the Company's principal risks and uncertainties as detailed in the Strategic Report, the Company made no principal decisions during the year ended 31 December 2022.

15th August 2023

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

DocuSigned by:

John Delaney

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J Delaney

Director

Tarmac Cement and Lime Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their annual report and the financial statements of Tarmac Cement and Lime Limited for the year ended 31 December 2022.

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

P Fleetham (resigned 30 April 2022)

J O'Driscoll (resigned 28 February 2023)

S Lynch (resigned 2 August 2023)

P Buckley

B J Browne

S Davidson (appointed 21 November 2022)

R Doody (appointed 21 November 2022)

S Grey (appointed 21 November 2022)

M Wood (appointed 21 November 2022)

The following director was appointed after the year end:

J Delaney (appointed 28 February 2023)

Principal activity
The Company's principal activity is the manufacture and supply of cement and cementitious products.

Dividends
The Company did not pay any dividends in the year (2021: £nil).

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: £nil).

Political donations
The Company did not make any political donations in the year (2021: £nil).

Charitable donations
The Company did not make any charitable donations in the year (2021: £nil).

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

Stakeholder Engagement Statement

The Policy provides detailed guidance for Directors and management on their accountability, statutory responsibilities and the process for stakeholder mapping across the Group.

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

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

Engagement with employees
For details on how the Directors engaged with the Company's employees, how the Directors had regard to those employees' interests, and the effect of that regard, including on the decisions taken by the Directors during the reporting period, refer to the Employee Engagement Statement in the Directors' Report (details of which are set out on page 11).

Customers

Stakeholders' interests
• Focused on minimising the impact on the environment, including the provision of low carbon solutions;
• Expected responsible and sustainable sourcing of materials;
• Projects that maximise sustainability, including the health, safety and wellbeing of workers, lower carbon and reduce environmental impact;
• Excellent and reliable service;
• Transparency through the supply chain, committed to respecting human and labour rights and preventing modern slavery; and
• Engage with customers to promote product innovation.

How we have fostered relationships
Customer sustainability in Environmental, Social and Governance (ESG) requirements often form an integral part of the pre-qualification questionnaire for tender processes, especially for larger customers and tenders. In recent years, there has been a steadily increasing weighting applied to ESG aspects in assessing tenders. In engaging with customers, either through tender submissions or outside of the formal tender process, the Company positively takes into account how Tarmac's sustainability strategy and journey complements their sustainability ambitions. Our sustainability strategy, Act, sets out Tarmac's goals to secure long-term success for our business, our customers and communities by continually improving environmental, social and economic performance throughout the whole lifecycle of our products, services and solutions, enabling the transition to a sustainable, resilient built environment.

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

Suppliers

Stakeholders' interests

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

How we have fostered relationships

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

Tarmac works with its suppliers to identify and mitigate risks throughout the supply chain. Supply chain risks are forefront to the Group and more information can be found on our commitment to human rights through our Modern Slavery Statement.

Tarmac places business ethics and sustainability at the forefront of all business interactions, including those with its suppliers, recognising they are key stakeholders in the success of the Tarmac business. We demonstrate our commitment through certification to BES 6001 - responsible sourcing, and 6002 - ethical labour. The Company expects our suppliers to share our unwavering commitment to ethical business practices and meet our standards including in respect of human rights, health & safety and environmental stewardship. As a globally responsible business, we ensure our supply chain matches our business ethics by ensuring all suppliers sign up to the CRH Code of Conduct prior to being approved as a Tarmac supplier.

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

Our annual Supplier Sustainability Week and Supplier Innovation Challenge highlight our commitment to working with our supply chain stakeholders to enhance our supply chains and deploy innovations at pace.

Local communities

Stakeholders' interests

• To conduct operations in a considerate, responsible and responsive way;
• The provision of a safe place of work for the communities in which the Company works;
• To support local and national safety initiatives to raise awareness of the dangers of the industries in which the Company operates in;
• Commitment to working with local communities and supporting the development of highly skilled workforce for the future; and
• Compliance with all relevant legal, regulatory and tax obligations.

How we have fostered relationships
Tarmac is a leading contributor on a wide range of sector associations, including Construction Products Association, UK Green Building Council, the Supply Chain Sustainability School and the Mineral Products Associations (MPA).

Tarmac engages with schools in our local communities. Through our national partnership with Solutions for the Planet, now in its 9th year, we have supported thousands of students to learn how STEM skills and careers can help solve sustainability issues. In 2022 we delivered 724 volunteer hours through 40 mentors across 27 schools near our operations. In 2022, Tarmac started working with its employees and local volunteers to progress the planting of a new jubilee woodland at Panshanger Park, planting trees in memoriam to honour Her Majesty the Queen. We have supported a variety of local causes including several village in bloom initiatives, as well as local football and cricket clubs, and search and rescue operations in North Wales.

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

As part of our continuing commitment to electric vehicles as a means to meet our climate targets, during 2022 Tarmac unveiled the UK's first battery electric concrete mixer. Based out of Tarmac's flagship Washwood Heath site in Birmingham, the 'e-mixer' is the first vehicle in the company's national HGV fleet. Its arrival marks a significant milestone for both the business and wider UK construction industry as part of a continued drive towards net zero. To celebrate the achievement, the e-mixers feature a hand-drawn design by an eight-year-old competition winner from Wolverhampton, in the West Midlands.

Tarmac continued to operate key standards including the third-party certified ISO 50001 energy management standard across the business and ISO 14001 which refers to environmental management systems. Such standards are used to drive continuous improvement in energy and environmental impacts. For further information on the energy efficiency actions taken by Tarmac, please refer to the streamlined energy and carbon reporting in the Directors' Report on page 14.

Shareholders

Stakeholders' interests
• Long term success of the Company;
• The Company's ability to maintain delivering dividends;
• The Company's commitment to maintaining an appropriate balance between total cash returns to shareholders, investment in the business and maintaining a strong capital position to support capital investment and infrastructure to sustain long term value creation; and
• Recognition of the need to understand and report on ESG initiatives.

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

Employee Engagement Statement

Why we engage

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

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

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

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

How we have engaged

In the previous year Tarmac employees participated in a CRH group wide employee engagement survey via an online platform run by an external consultancy firm. The survey ran from February to March 2021 and resulted in an overall health score for Tarmac specific employees of 73. This equates to the second quartile in the results scale. The survey was aimed primarily at connected employees i.e. those with an email address, with a sample population from the non-connected workforce. At Tarmac, the sample of non-connected population were from Cement and Lime Dunbar location, and North East and North Yorkshire area. Actions identified to address and take forward in 2022 included to:

• Define and implement an employee engagement plan to support everyone's understanding of our business strategy and how we can all play our part in our success;
• Relaunch the performance review process;
• Create processes and systems to ensure knowledge sharing takes places across the Tarmac business; and
• Launch a training programme for operational frontline people managers.

Across 2022, specific to Tarmac, further engagement surveys were carried via a platform called Hive. These surveys conducted further research amongst the office-based people on hybrid working approaches, guiding the creation of formal hybrid working guidance which was trialled for three months from June 2022, updated in line with employee feedback and formally launched in late 2022.

This hybrid working feedback and the changing pattern of work prompted Tarmac to review its office space. Tarmac planned a national review of offices, refurbishing its workplaces to suit hybrid working. The first of its offices to be reviewed was its Solihull office. This resulted in moving out of a large, standalone building accommodating to a smaller, purpose-designed office in a shared building, accommodating a smaller number of people in line with the populations attending the office in a hybrid pattern across the working week. This office space was designed with full involvement of employees, with input ranging from Hive surveys to a series of in-person workshops. The new office, created to provide a space blending collaborative spaces and focused work, opened in November 2022.

Attracting employees to the business at the early stages of careers has been a priority over 2022. The business focused on maximising its reach through social media platforms and selected job board partners to attract a diverse demographic of applicants. It successfully achieved an uplift in applications of over 500% on prior year figures. Positive action has included the delivery of inclusion training to all hiring managers and the removal of degree classification requirements for graduate applicants. The resulting 2022 intake of graduates and higher apprentices are a majority of individuals who are female or Black, Asian or minority ethnic.

Training and development of employees continued as a priority for Tarmac over 2022 with the Learning & Development team supporting the delivery of over 397,000 learning hours. In 2022, Tarmac's National Skills and Safety Park (The Park), located at Nether Langwith Quarry, near Mansfield, Nottinghamshire, achieved two significant milestones. The Park has successfully undergone its first Ofsted inspection, passing all three assessment areas, receiving very positive feedback of Tarmac's approach to developing apprentices. As an employer provider, the facility delivers industry-created apprenticeship standards across new operational roles through a series of workshops, e-learning modules, and practical on-the-job training. To date of 180 apprentices, 80 have completed the apprenticeship. The Park has also completed the first, of their 3 yearly assessments of the 50+ road surfacing teams. This involved 450 employees with 2,400 licences completed on the Park's purpose-built roadbuilding training area. Opened by His Royal Highness, Prince William of Wales in 2020, the facility provides first-class practical training for emerging industry talent, including apprentices, graduates, and those retraining from other sectors. The Park has welcomed more than 7,000 visitors undertaking learning since its opening.

In 2022 the Company made a discretionary cost of living payment to all employees whose earnings at that point were at or below the UK national average. In addition, the Company has provided access to a suite of other financial education materials and products such as loans, savings vehicles, retail discounts, financial topic webinars, financial wellbeing educational materials and pensions seminars.

Alongside these activities regular employee briefings happened throughout the year including financial results briefings, monthly leadership calls with the Senior Leadership Team, dedicated Health and Safety stand-downs, and weekly production and safety briefings in operational sites.

<u>How the engagement impacted decision making</u>
Tarmac has a series of employee networks called 'Communities' - a new way for our employees to connect with their colleagues. As a business, Tarmac is proud to celebrate what matters to our colleagues and help everyone bring their whole self to work and the Communities will help colleagues find like-minded people to share advice and knowledge, provide support or just socialise together. Our Communities reflect colleague feedback in line with our inclusion and diversity ("I&D") activity. Our communities include:

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

The majority of our Communities are open to both members and allies and each community has an executive sponsor which enables reciprocal mentoring and ensures all employee voices and opinions are heard, especially from our underrepresented groups, enabling us to remove barriers and underpins our I&D agenda. Communities have been very active, holding various events at least monthly. Membership grew in 2022 and now stands at over 1,300. Another recognition was Tarmac being awarded the Clear Assured Silver Standard as a result of the ongoing dedication to I&D in both company policies and culture. This was an improvement on the prior year Bronze Award recognising the positive efforts in the business being made.

Driven by our communities' voices, Tarmac launched new policies in 2022 including enhanced maternity and paternity policies and a new menopause policy. Further policies are in development including to support people who are adopting children and colleagues who are transitioning gender.

Tarmac achieved a number of industry recognition awards for its I&D initiatives including becoming a winner at the first ever Purpose Business Coalition Levelling Up Awards, in recognition of achievements in helping improve social mobility across the UK. Tarmac was awarded in the Infrastructure for Opportunity category, acknowledging the impact that its work has had on delivering opportunity.

<u>Principal decisions</u>
For details on the process behind making decisions, including principal decisions, the effect of engagement on those decisions please refer to the section 172(1) statement on page 4 of the Strategic Report.

Environmental matters

Tarmac, a CRH company, is the UK's leading sustainable building products, construction services and solutions business. Our innovative products, services and solutions help to deliver the infrastructure needed to grow the economy today and create a more sustainable built environment to support the future prosperity of the UK.

Our sustainability strategy, launched in 2021, sets out the third phase of our sustainability journey, covering the next 10 years and beyond. It builds on the significant progress we have made to date and our recognition of the challenges ahead. Our strategy is founded on whole life thinking and pushing the boundaries to develop innovative solutions, which help our customers create sustainable buildings and infrastructure. Our strategy aims to ensure Tarmac continues to remain well positioned to meet sustainability challenges now and in the future and support our customers and communities to do the same.

The strategy builds on our previous achievements, prioritises the issues that are most important to our business and our stakeholders and defines long term commitments and goals under 3 key themes; People, Planet and Solutions.

We aim to embed sustainability into everything we do and our sustainability governance hierarchy helps us to do this. Tarmac's Executive Committee is responsible for setting and delivering the strategy, with actions and programmes delegated to business units and functions. We undertake a formal annual review of our strategy working with our Sustainability Steering Group and External Sustainability Panel, to ensure its continuing appropriateness and high level of ambition.

In 2022, our parent company, CRH, unveiled our new shared purpose - "We stand together to reinvent the way our world is built". As we redefined our purpose, we took the opportunity to refresh our values, pillars, and vision, retaining the underlying meaning of our previous values but making them more stretching and more future-proof. We have also worked with CRH to revise and set new SBTi carbon reduction targets that will come into place in 2023.

We aim to be a safe and inclusive business, employing great people and maintaining strong community relationships. We want to enhance positive wellbeing across our business, and are committed to building a zero-harm culture that prioritises people's health, safety and wellbeing, and targets continuous improvement. Tarmac has been awarded a RoSPA Gold Health and Safety Award for the fifth year running demonstrating our high health and safety standards in 2022.

Tarmac is also committed to being an employer of choice and an organisation with a truly inclusive culture. Our employees underpin the long-term success of our business and our customers, so it is vital that we continue to build an inclusive business that attracts and retains a talented, motivated and diverse workforce. Tarmac is proud to be awarded Gold accredited membership via the 5% Club's 2022-23 Employer Audit Scheme, and Gold Clear Assured status for our work throughout 2022 and into the start of 2023.

We are committed to outstanding environmental performance, reducing greenhouse gas emissions, optimising the use of resources and making a net positive contribution to biodiversity. The impact of climate change and the transition to a zero-carbon society are arguably the most important challenges for our generation. As society embarks on its journey to net zero emissions, we are fully committed to playing our part in delivering carbon neutrality along our value chains to support the UK's net zero target.

Tarmac is a wholly owned subsidiary of CRH plc, a global leader in sustainable building materials. CRH have set an absolute emissions reduction target for 2030, which compliments their 2050 carbon reduction roadmap, is aligned with the goals of the Paris agreement, and compliments our UK ambitions. At the end of 2022, Tarmac had achieved a 35% reduction in CO2 per tonne of product, compared to a 1990 baseline. We categorise our greenhouse gas emissions into direct and indirect sources in line with the Greenhouse Gas Protocol.

Tarmac is committed to working towards achieving a circular economy, which means designing out waste at every stage of a product's lifecycle, and developing products with greater durability, extending their useful life. We work to design long-lasting products that can be reused at their end of life, to reduce waste and demand for natural resources, and ensure that the essential materials we need to supply our customers remain available.

We are a net user of waste, meaning we re-use more waste generated by other people than the volume of waste we produce. In 2022 we used over 1 million tonnes of recycled asphalt planings (RAP) in our asphalt products; over 7 million tonnes of waste and secondary materials from other sectors as raw materials for our products and as fuel in the manufacturing process; and over 3.75 million tonnes of construction waste in our recovery and recycling operations.

In 2023, Tarmac will continue to work towards a net zero society. We will launch Tarmac's 'Roadmap to net zero', which details the levers we will use to achieve net zero by 2050, and assist our stakeholders to understand the ways in which Tarmac will reach this goal. We are also looking forward to building on the progress we made in 2022 through collaboration and taking part in new trials and projects to help us further reach our goals.

Further details on our approach will be detailed in our 2022 Sustainability Report: https://sustainability-report.tarmac.com.

Environmental report

Methodology

Tarmac Cement and Lime Limited, as a large unquoted company, qualifies for completing Streamlined Energy and Carbon Reporting by satisfying two or more of the specified requirements set out in the guidance. In compliance with the regulations energy use from gas, electricity and transport including their associated emissions have been reported, in conjunction with an intensity ratio of emissions per business turnover (tCO_2e/£) and energy efficiency actions taken.

In determining the entity's energy use and emissions the principles of The Greenhouse Gas Protocol have been followed where possible. For Tarmac Cement and Lime Limited, energy consumption has been determined from billed data with emissions calculated using UK Government GHG Conversion Factors for Company Reporting. Gross CV and gross carbon factors were used from DEFRA to convert fuel volumes to kWh and $kgCO_2e$.
For information see: https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022.

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

Energy Efficiency Actions

In the period covered by the report, Tarmac Cement and Lime Limited continued to operate the third-party certified ISO 50001 energy management standard across the business. This standard is used to drive continuous improvement in energy and CO_2 efficiency. In the period covered by the report, Tarmac Cement and Lime Limited carried out the following energy efficiency actions:

1. The processes and procedures that form our ISO 50001:2018-certified Energy Management System ensure we operate at a high standard, and drive continuous improvement (CI) in our energy usage. Specific energy consumption and CO_2 targets are set for all of our manufacturing sites, enabling us to monitor performance and make these targets more stringent each year to support CI efforts and the investment behind these.
2. Throughout 2022, we continued to source 100% clean electricity, supplied entirely through clean UK-based wind and solar, fully traceable to source through REGO certificates. This makes us a leader of our parent company CRH's 100% club, which encourages our sister companies to also make the transition to ensuring 100% of their electricity is from renewable sources.
3. Our Sustainability team are delivering business-wide training on how to work in line with our Sustainability strategy, including ways to run our sites more energy efficiently. With materials targeted for specific audiences, in 2022, 573 members of Tarmac staff underwent this training.
4. During a major site shutdown in March 2022, our Dunbar cement plant received extensive investment to upgrade the site. Works included replacing 50 metres of kiln brick refractory lining, rebuilding the clinker cooler, and repairing the crushing table in the raw mill. The improved clinker production uses less energy, and enhances cement quality.
5. The new chlorine bypass at our Tunstead cement plant was commissioned in the summer of 2022 and has been operating since then, having passed all environmental testing. This mean alternative fuels can make up to 70 per cent of fuel sources at the plant, with the new system saving an unexpected 9,000 tonnes of CO_2 annually.

The ISO 50001 system helps to ensure all operations are compliant with regulatory requirements, such as the UK government's Energy Savings Opportunity Scheme (ESOS).

GHG emissions and energy data	Unit of Measure	2022	2021
Energy consumption used to calculate emissions	kWh	904,938,243	949,267,479
Emissions from combustion of gas (Scope 1)	tCO2e	109,006	128,952
Emissions from combustion of fuel (Scope 1 & Scope 3)*	tCO2e	6,314	9,312
Emissions from purchased electricity (Scope 2, location-based)	tCO2e	54,698	58,906
Emissions from purchased electricity (Scope 2, market-based factor)	tCO2e	-	-
Total gross CO2e based on above (location-based Scope 2)	tCO2e	170,019	197,170
Total gross CO2e based on above (market-based Scope 2)	tCO2e	115,320	138,263
Intensity ratio	Gross tCO2e per £million turnover	322	498

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

Local communities and partnerships

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

Future developments

The UK government continues to invest in major infrastructure projects to support economic growth, national renewal and greater productivity. In 2021, the National Infrastructure and Construction Pipeline policy paper supported economic recovery from the coronavirus pandemic with £650bn of investment over a 10 year time horizon and in excess of 500 planned projects. Subsequently the infrastructure projects authority 2022 annual report currently details 70 major ongoing government projects within infrastructure and construction with a whole life cost of £339bn and an average duration of 11 years. Therefore, the medium to long term prospects remain positive for the Company given the level of investment required and the commencement of key infrastructure projects such as HS2. Management remains focused on what can be controlled as a business and will continue to work towards investing in construction solutions for the future.

Finance risk management objectives and policies

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

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

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

Price risk - the Company seeks to mitigate its exposure to commodity price risk through using relevant pricing mechanisms in the course of business with its customers. These could include hedging and supplier rebates as appropriate. Recent inflation related price increases expose the Company to rises in commodities such as fuel prices and principal energy related raw materials prices like coal, as well as having an impact on salaries and recruitment. The Company monitors the market to mitigate price risks where possible.

Finance risk policies are included in note 2.

Research and development

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

Going concern

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

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

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

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

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

Post balance sheet events

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

Directors indemnities

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

Disclosure of information to the auditors

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

Auditors

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

Approved by the Board on 15th August 2023 and signed on its behalf by:

DocuSigned by:

John Delaney

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J Delaney
Director

Tarmac Cement and Lime Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Tarmac Cement and Lime Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Tarmac Cement and Lime Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Accounting Policies; and
- the related notes 1 to 27.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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 were authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

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

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

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

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

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

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

Independent Auditor's Report to the Members of Tarmac Cement and Lime Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

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Sukhpal Kaur Gill ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

Birmingham, United Kingdom

Date: 15th August 2023

Tarmac Cement and Lime Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ m	2021 £ m
Turnover	4	528.6	395.6
Cost of sales		(373.3)	(307.1)
Gross profit		155.3	88.5
Distribution costs		(75.2)	(64.0)
Administrative expenses		(52.8)	(27.2)
Fixed assets impairment reversal		-	35.7
Other operating income	5	0.3	-
Operating profit	5	27.6	33.0
Interest receivable and similar income	6	0.5	0.1
Interest payable and similar expenses	7	(15.6)	(13.1)
Profit before tax		12.5	20.0
Tax on profit	9	(2.0)	(21.9)
Profit/(loss) for the year		10.5	(1.9)

The above results were derived from continuing operations.

Tarmac Cement and Lime Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022 £ m	2021 £ m
Profit/(loss) for the year	10.5	(1.9)
Other comprehensive income/(expense) - cash flow hedge movements	2.6	(2.9)
Total comprehensive income/(expense) for the year	13.1	(4.8)

The notes on pages 26 to 53 form an integral part of these financial statements.

Tarmac Cement and Lime Limited

(Registration number: 00066558)
Balance Sheet as at 31 December 2022

	Note	31 December 2022 £ m	31 December 2021 £ m
Fixed assets			
Intangible assets	10	0.4	0.7
Tangible assets	11	458.3	468.8
Right of use assets	12	17.8	28.1
Investments	13	27.5	27.5
		504.0	525.1
Current assets			
Stocks	14	135.2	78.6
Debtors	15	106.0	114.3
Cash at bank and in hand		5.5	1.6
		246.7	194.5
Creditors: Amounts falling due within one year	16	(516.7)	(482.0)
Net current liabilities		(270.0)	(287.5)
Total assets less current liabilities		234.0	237.6
Creditors: Amounts falling due after more than one year	17	(14.5)	(25.4)
Provisions for liabilities	9, 19	(89.1)	(84.8)
Total liabilities		(620.3)	(592.2)
Net assets		130.4	127.4
Capital and reserves			
Called up share capital	20	200.0	200.0
Share based payment reserve	21	1.3	1.6
Cashflow hedge reserve	21	-	7.2
Profit and loss account	21	(70.9)	(81.4)
Shareholders' funds		130.4	127.4

Approved by the Board and authorised for issue on 15th August 2023 They were signed on its behalf by:

DocuSigned by:
John Delaney
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J Delaney
Director

The notes on pages 26 to 53 form an integral part of these financial statements.

Tarmac Cement and Lime Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ m	Share based payment reserve £ m	Cash flow hedging reserve (note 21) £ m	Profit and loss account £ m	Total £ m
At 1 January 2021	200.0	1.4	0.8	(79.5)	122.7
Loss for the year	-	-	-	(1.9)	(1.9)
Other comprehensive expense	-	-	(2.9)	-	(2.9)
Total comprehensive expense	-	-	(2.9)	(1.9)	(4.8)
Cash flow hedge reserve movements	-	-	9.3	-	9.3
Share based payment transactions	-	0.2	-	-	0.2
At 31 December 2021	200.0	1.6	7.2	(81.4)	127.4

	Share capital £ m	Share based payment reserve £ m	Cash flow hedging reserve (note 21) £ m	Profit and loss account £ m	Total £ m
At 1 January 2022	200.0	1.6	7.2	(81.4)	127.4
Profit for the year	-	-	-	10.5	10.5
Other comprehensive income	-	-	2.6	-	2.6
Total comprehensive income	-	-	2.6	10.5	13.1
Cash flow hedge reserve movements	-	-	(9.8)	-	(9.8)
Share based payment transactions	-	(0.3)	-	-	(0.3)
At 31 December 2022	200.0	1.3	-	(70.9)	130.4

The notes on pages 26 to 53 form an integral part of these financial statements.

1 General information

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

The address of its registered office is:
Ground Floor
T3 Trinity Park
Bickenhill Lane
Birmingham
B37 7ES
United Kingdom

2 Accounting policies

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Summary of disclosure exemptions

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

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

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

Where required, equivalent disclosures are given in the group accounts of CRH plc. The group accounts of CRH plc are available to the public and can be obtained as set out in note 26.

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2022 and did not have a material effect on the financial statements:

• Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Costs of Fulfilling a Contract
• Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
• Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework
• Annual Improvements 2018 - 2020 Cycle

2 Accounting policies (continued)

Revenue recognition

Recognition

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

Goods are sometimes sold with discounts or rebates based on cumulative sales over a period. This variable consideration is only recognised when it is highly probable that it will not be subsequently reversed and is recognised using the most likely amount or expected value methods, depending on the individual contract terms. In the application of appropriate revenue recognition, judgement is exercised by management in the determination of the likelihood and quantum of such items based on experience and historical trading patterns. The Company recognises revenue in the amount of the price expected to be received for goods and services supplied at a point in time or overtime, as contractual performance obligations are fulfilled and control of goods and services passes to the customer. It excludes trade discounts and value-added tax/sales tax. Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on dispatch of the goods.

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

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

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

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

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

2 Accounting policies (continued)

Other income

Below are details of other income:

- Rental income - The Company's policy for recognition of revenue from operating leases is described below.
- Interest revenue - Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

Research and development expenditure

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

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

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

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

2 Accounting policies (continued)

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

Tangible assets

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

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

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

Depreciation

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

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

Asset class	**Depreciation method and rate**
Freehold land	Not depreciated
Freehold buildings	2% - 20% straight-line
Long leasehold properties	2% straight-line
Short leasehold buildings	Period of lease
Plant and machinery	2.5% - 33% straight-line

Assets under construction are not depreciated until they come into use.

2 Accounting policies (continued)

Intangible assets

The amount intially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria required by IAS 38 Intangible assets. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation

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

Asset class	Amortisation method and rate
Computer software	13% - 33% straight-line

Investments

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

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

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

Stocks

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

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

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

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

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

Transfers of development land take place from property plant and equipment to inventory when land is no longer owner occupied by Tarmac and begins to be redeveloped for the purpose of selling it in the near future. Transfers of development from inventory back to property plant and equipment would take place if the land becomes owner occupied by Tarmac.

Emissions allowances are intangible assets recorded at cost and classified within inventory, as they are an essential input in the production process. The first-in, first-out (FIFO) method is applied when settling obligations, with free allowances utilised first, in accordance with IAS 2 Inventories which states that the cost of inventories shall be assigned by using the FIFO or weighted average cost formulas.

2 Accounting policies (continued)

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

Provisions

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

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

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

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

Restoration and decommissioning

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

Leases

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Defined contribution pension obligation

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

2 Accounting policies (continued)

Share based payments

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

Awards under the Performance Share Plans

20% of the awards under the 2014 Performance Share Plan are subject to a Total Shareholder Return ('TSR') (and hence market based) vesting condition measured against a tailored sector peer group (2021: 25%). Accordingly, the fair value assigned to the related equity instruments at the grant date is derived using a Monte Carlo simulation technique to model the market-based performance conditions; and is adjusted to reflect the anticipated likelihood as at the grant date of achieving the vesting condition. Awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The remaining awards granted under the 2014 Performance Share Plan are subject to non-market based vesting conditions; 45% are subject to a cumulative cash flow target (2021: 50%); and 20% are subject to a RONA metric (2021: 25%). In 2022 a new sustainability and diversity scorecard metric of 15% was introduced for awards made in 2022 (a non-market based vesting condition). The fair value of the awards is calculated as the market price of the shares at the date of grant. No expense is recognised for awards that do not ultimately vest. At the balance sheet date the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Profit and Loss Account.

Savings-related Share Option Schemes

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

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

Details in relation to the above scheme are set out in CRH plc's 2022 published financial statements.

Financial instruments

Classification and measurement

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

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

Financial assets

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

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

2 Accounting policies (continued)

Financial liabilities

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

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

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

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

Derecognition

Financial assets

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

Financial liabilities

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

Impairment of financial assets

Financial assets

The Company assesses the indicators of impairment at each reporting date and as required recognises a loss allowance for expected credit losses on investments. The amount of expected credit losses is updated to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime expected credit losses (ECL) 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.

In assessing whether the credit risk on a financial instrument has increased significantly, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Accounting policies (continued)

Derivative financial instruments

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

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

Hedge accounting

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

For cash flow hedges, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

Climate change

In 2021, Tarmac launched its new sustainability strategy including new strategy and net zero targets. Climate change risks including the impact of achieving this target have been considered and assessed in the preparation of the Financial Statements for the year ended 31 December 2022. In line with the application of our accounting policies, estimates and underlying assumptions are reviewed on an ongoing basis as we continue to develop and implement our strategy to meet these targets.

3 Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The following are areas of judgement:

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

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

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

Impairment of tangible assets, right of use assets, intangible assets and investments
At each reporting date, or where decisions are made to alter the industrial footprint of the Company's operations (such that sites are either closed, mothballed or identified for sale), the Company reviews the carrying amounts of its tangible assets, right of use assets and investments to determine whether there is any indication that those assets require impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment required (if any). No indicators of impairment have been identified during 2022.

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

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

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Other key estimates include growth rates and assumptions around cost management. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. The assumptions and conditions for determining impairments reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above, many of which are not under management's control. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

The following are areas of estimation uncertainty:

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

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

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

Factors which could impact useful economic lives of assets include:

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

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

4 Turnover

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

	2022 £ m	2021 £ m
Sale of goods	528.6	395.4
Land development activities	-	0.2
	528.6	395.6

The analysis of the Company's turnover for the year by market is as follows:

	2022 £ m	2021 £ m
United Kingdom	526.5	388.8
Europe	1.2	4.6
Asia	0.2	0.4
USA	0.2	0.3
Africa	0.4	1.4
South America	0.1	0.1
	528.6	395.6

5 Operating profit

Arrived at after charging/(crediting)

	2022 £ m	2021 £ m
Depreciation expense on tangible assets	26.5	24.6
Depreciation expense on right of use assets	5.0	5.5
Loss/(profit) on disposal of property, plant and equipment	0.2	(0.1)
Amortisation expense	0.3	0.3
Cost of stock recognised as an expense	100.7	64.2
Management charges	30.8	25.7
Share based payment expense	1.0	1.1
Foreign exchange	(0.4)	0.5
HMRC research and development expenditure credit	(0.3)	(1.1)
Fixed assets impairment	-	(35.7)

Auditor's remuneration of £211,700 (2021: £161,700) for the auditing of the financial statements is borne by a fellow group company. There were no non audit services provided in either year.

In 2022, the Company recognised the HMRC research and development expenditure credit in other operating income to align with how this was reported by the Group for the year. In 2021, the HMRC research and development expenditure credit was recognised in administrative expenses.

6 Interest receivable and similar income

	2022 £ m	2021 £ m
Interest receivable from group companies	0.5	0.1

7 Interest payable and similar expenses

	2022 £ m	2021 £ m
Unwinding of discount on provisions	0.4	0.4
Interest paid to group undertakings	14.6	11.8
Interest expense on leases	0.6	0.9
	15.6	13.1

8 Staff costs

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

	2022 £ m	2021 £ m
Wages and salaries	40.9	40.0
Social security costs	4.4	4.2
Other post-employment benefit costs	3.0	2.3
	48.3	46.5

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

	2022 No.	2021 No.
Production and distribution	878	862
Administration and selling	56	57
	934	919

The amounts paid to the Directors during the current and prior years were paid by a fellow Tarmac subsidiary, Tarmac Services Limited. The costs recharged to the Company were emoluments of £0.3 million (2021: £0.5 million) and pension contributions of £nil (2021: £nil). During the year payments of £0.1 million were made to Directors for compensation in respect of loss of office (2021: £nil).

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

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

9 Tax on profit/(loss)

Tax charged in the profit and loss account

	2022 £ m	2021 £ m
Current taxation		
Adjustments in respect of prior years	0.1	-
Deferred taxation		
Origination and reversal of temporary differences	8.3	5.9
Change of rate	2.6	12.6
Adjustments in respect of prior years	(9.0)	3.4
Total deferred taxation	1.9	21.9
Tax charge in the profit and loss account	2.0	21.9

The differences between the total tax for the year and the amount calculated by applying the standard rate of UK corporation tax of 19% (2021: 19%) to the profit before tax are as follows:

	2022 £ m	2021 £ m
Profit before tax	12.5	20.0
Tax at the standard UK corporation tax rate of 19% (2021: 19%)	2.4	3.8
Adjustments in respect of prior years	(8.9)	3.4
Income not taxable	(1.0)	(0.1)
Expenses not deductible	1.0	(0.3)
Share based payments	(0.1)	(0.2)
Group relief surrendered for nil payment	6.0	6.1
Depreciation on non qualifying fixed assets	-	0.1
Differential between corporate and deferred tax rates	2.6	12.6
Movement in capital loss	-	(3.5)
Total tax charge	2.0	21.9

9 Tax on profit/(loss) (continued)

Group relief within Tarmac is surrendered free of charge.

Group relief claimed from other Group companies registered within the UK is paid for at the prevailing rate of corporation tax for the year at 19% (2021: 19%).

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

On 3 March 2021, the Chancellor of the Exchequer announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of Corporation Tax for all non-ring fence profits to 25% for the financial year 2023. This change was substantively enacted on 24 May 2021 and no further changes to the corporation tax rate have been proposed.

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. The timing of the reversal of the Company's deferred tax items has been considered, and accordingly at 31 December 2022 deferred tax has been calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled. e been measured at 25% being the rate enacted at the balance sheet date.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2022 £ m	Recognised in income £ m	Recognised in equity £ m	At 31 December 2022 £ m
Accelerated tax depreciation	60.1	2.8	-	62.9
Share-based payment	(0.6)	0.1	0.2	(0.3)
Provisions	(7.1)	(0.4)	-	(7.5)
Tax losses	-	(0.5)	-	(0.5)
	52.4	2.0	0.2	54.6

There are £152.4 million of unused tax losses (2021: £152.4 million) for which no deferred tax asset is recognised in the statement of financial position.

10 Intangible assets

	Software £ m
Cost or valuation	
At 1 January 2022	2.0
At 31 December 2022	2.0
Amortisation	
At 1 January 2022	1.3
Amortisation charge	0.3
At 31 December 2022	1.6
Carrying amount	
At 31 December 2022	0.4
At 31 December 2021	0.7

11 Tangible assets

	Land and buildings £ m	Leasehold land and buildings £ m	Plant and machinery £ m	Assets in course of construction £ m	Total £ m
Cost or valuation					
At 1 January 2022	178.5	10.5	806.2	19.4	1,014.6
Additions	-	-	4.7	14.0	18.7
Disposals	(2.7)	-	(1.6)	-	(4.3)
Transfers between asset class	0.3	-	5.3	(5.6)	-
At 31 December 2022	176.1	10.5	814.6	27.8	1,029.0
Depreciation					
At 1 January 2022	100.5	4.2	441.1	-	545.8
Charge for the year	3.3	0.8	22.4	-	26.5
Eliminated on disposal	-	-	(1.6)	-	(1.6)
At 31 December 2022	103.8	5.0	461.9	-	570.7
Carrying amount					
At 31 December 2022	72.3	5.5	352.7	27.8	458.3
At 31 December 2021	78.0	6.3	365.1	19.4	468.8

11 Tangible assets (continued)

Land and buildings

The net book value of land and buildings comprises:

	31 December 2022 £ m	31 December 2021 £ m
Freehold	72.3	78.0
Leasehold - long	3.3	3.5
Leasehold - short	2.2	2.8
	77.8	84.3

Value of land not depreciated

The value of land not depreciated is as follows:

	31 December 2022 £ m	31 December 2021 £ m
Land not depreciated	0.4	0.4

12 Right of use assets

	Land and buildings £ m	Plant and machinery £ m	Vehicles £ m	Total £ m
Cost or valuation				
At 1 January 2022	17.7	1.1	24.0	42.8
Additions	-	1.0	2.6	3.6
Disposals	(12.2)	(0.3)	(1.5)	(14.0)
Remeasurements	0.1	-	0.1	0.2
Transfers from other group companies	-	-	0.1	0.1
Transfers between asset class	-	3.0	(3.0)	-
At 31 December 2022	5.6	4.8	22.3	32.7
Depreciation				
At 1 January 2022	5.0	1.9	7.8	14.7
Charge for the year	0.9	0.8	3.3	5.0
Eliminated on disposal	(3.0)	(0.3)	(1.5)	(4.8)
At 31 December 2022	2.9	2.4	9.6	14.9
Carrying amount				
At 31 December 2022	2.7	2.4	12.7	17.8
At 31 December 2021	12.7	(0.8)	16.2	28.1

Remeasurements in the year are £0.2m which predominantly relate to changes to future lease payments on land and vehicles leases.

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

13 Investments

Subsidiaries	£ m
Cost or valuation	
At 1 January 2022	29.9
At 31 December 2022	29.9
Provision	
At 1 January 2022	2.4
At 31 December 2022	2.4
Carrying amount	
At 31 December 2022	27.5
At 31 December 2021	27.5

No dividends were received from subsidiaries during the year (2021: £nil).

Details of the subsidiaries at 31 December 2022 are as below. All companies listed below are owned directly by the Company. All companies operate principally in their country of incorporation, which is the United Kingdom unless otherwise indicated.

All companies have a registered address of Portland House, Bickenhill Lane, Solihull, Birmingham, B37 7BQ, England.

Name of subsidiary	Proportion of ownership % 2022	2021
Aberthaw Cement Limited	100%	100%
Associated Portland Cement Manufacturers (1978) Limited (The)	100%	100%
Blue Circle Dartford Estates Limited	100%	100%
Blue Circle Developments Limited	100%	100%
Blue Circle Investments Limited	100%	100%
Blue Circle Properties Limited	100%	100%
Blue Circle Residential Estates Limited	100%	100%
Blue Circle Share Shop Limited	100%	100%
British Portland Cement Association Limited (The)	100%	100%
Medway Valley Park Limited	100%	100%
Sapphire Energy Recovery Limited	100%	100%
ScotAsh Limited	100%	100%

14 Stock

	31 December 2022 £ m	31 December 2021 £ m
Raw materials and consumables	33.1	20.4
Finished goods and goods for resale	28.0	15.8
Development land	3.6	3.4
Emission rights stock	70.5	39.0
	135.2	78.6

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

During the year the Company recognised £70.5 million in emissions allowances as part of a carbon purchase programme (2021: £39.0 million). See Stock policy in note 2 for detailed description.

15 Debtors

	31 December 2022 £ m	31 December 2021 £ m
Trade debtors	47.7	41.2
Amounts owed by group companies	51.1	57.7
Amounts owed by joint ventures and associated companies	0.1	0.2
Prepayments	0.7	1.0
Other debtors	5.9	11.1
Corporation tax	0.5	0.5
Social security and other taxes	-	2.6
	106.0	114.3

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

At 31 December 2022 allowances for doubtful debts were only held against Trade debtors, amounts included were £1.3m (2021: £1.5m).

16 Creditors: Amounts due in less than one year

	31 December 2022 £ m	31 December 2021 £ m
Trade creditors	68.4	63.8
Accruals and deferred income	45.3	46.7
Amounts owed to group companies	388.1	356.7
Amounts owed to group companies - group relief	8.7	8.6
Social security and other taxes	1.4	0.2
Current portion of long term lease liabilities	4.8	6.0
	516.7	482.0

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

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The Company has an agreement with Santander Commercial Finance for supplier financing with a balance of £33.0 million (2021: £25.3 million). This balance is recorded in trade creditors. The purpose of these agreements is to improve working capital.

Deferred revenue arises as a result of the benefit received from government grants for rail sidings facilities. The deferred revenue amounts will be unwound over the period the expenditure is incurred or the asset is depreciated, depending on the specific terms of the grant.

Amounts owed to group companies and amounts owed to joint ventures have no fixed repayment date and are repayable on demand. No interest is charged on these balances, apart from the loan due to Tarmac Trading Limited for the transfer of the business and assets of certain cement plants. The interest rate charged on this loan is LIBOR plus 3.5%.

17 Creditors - amounts falling due after more than one year

	31 December 2022 £ m	31 December 2021 £ m
Long term lease liabilities	14.5	25.2
Deferred income	-	0.2
	14.5	25.4

18 Leases

Leases included in creditors

	Note	31 December 2022 £ m	31 December 2021 £ m
Current portion of long term lease liabilities	16	4.8	6.0
Long term lease liabilities	17	14.5	25.2
		19.3	31.2

18 Leases (continued)

Lease liabilities maturity analysis

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

	31 December 2022 £ m	31 December 2021 £ m
Less than one year	4.9	6.3
1 - 2 years	4.0	5.6
2 - 3 years	2.5	4.8
3 - 4 years	1.9	3.2
4 - 5 years	1.4	2.5
Between 5 and 10 years	3.8	10.0
Between 10 and 20 years	2.6	3.5
More than 20 years	1.3	1.1
Total lease liabilities (undiscounted)	22.4	37.0

Lease costs charged to the Profit and Loss Account

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

	2022 £ m	2021 £ m
Short term leases	0.5	0.6

Total cash outflows related to leases

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

	2022 £ m	2021 £ m
Lease liabilities		
At 1 January	31.2	34.6
Effect of adopting IFRS 16	-	2.4
Addition of right of use assets	3.6	-
Disposals	(10.4)	-
Remeasurements	0.2	(0.2)
Payments	(6.0)	(6.5)
Discount unwinding	0.6	0.9
Reclassifications	0.1	-
At 31 December	19.3	31.2

Other lease items

No sublease income or gains or losses arising from sale and leaseback transactions were recognised during the period (2021: £nil).

19 Provisions

	Restoration and decommissioning £ m	Restructuring £ m	Other provisions £ m	Total £ m
At 1 January 2022	23.4	2.5	6.5	32.4
(Released)/provided during the year	-	(0.4)	7.0	6.6
Reclassification of provisions	0.7	-	(0.7)	-
Provisions utilised	(0.2)	(0.2)	(0.7)	(1.1)
Unwinding of discount	0.4	-	-	0.4
Change in discount rate	(3.8)	-	-	(3.8)
At 31 December 2022	20.5	1.9	12.1	34.5

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

Restructuring provisions relate to commitments under various internal restructuring and redundancy programmes, primarily as a result of the portfolio review and management reorganisation carried out between 2020 and 2022. These provisions are expected to be utilised over the remaining lease periods of the sites.

Other provisions primarily relate to onerous contracts and legal claims and are expected to be utilised over the next two years, except for onerous contracts which are expected to be utilised over the remaining life of the lease. The onerous contracts provided for are principally in relation to mineral leases and related obligations at closed and mothballed sites.

20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022 No. m	31 December 2022 £ m	31 December 2021 No. m	31 December 2021 £ m
Ordinary shares of £0.25 each	800	200	800	200

The Company has one class of ordinary shares which carry no right to fixed income.

21 Reserves

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

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

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

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

Details of all movements in reserves are shown in the Statement of Changes in Equity on page 25.

22 Share-based payments

	2022 £ m	2021 £ m
2014 Performance Share Plan expense	0.5	0.6
Savings related share option expense	0.4	0.5
	0.9	1.1

Savings related share option

The savings related share option expense of £0.4m (2021: £0.5m) reported in the Profit and Loss account has been arrived at through applying the trinomial model, which is a lattice option-pricing model.

Details in relation to the above schemes are set out in CRH plc's 2022 published financial statements.

	2022	2021
Weighted average remaining contractual life (years)	2.77	1.86
Range of exercise price (£)	20.11 - 31.04	20.11 - 31.04

The weighted average share price at the date of exercise for share options exercised during the period was €34.59 (2021: €42.50). No savings related share options were exercised during 2022 or 2021.

	At 1 January 2022 £ m	2022 expense £ m	Shares vested £ m	2022 deferred tax charge £ m	At 31 December 2022 £ m
2014 Performance Share Plan	0.8	0.5	(0.5)	-	0.8
Savings related share option expense	0.6	0.4	(0.5)	-	0.5
Deferred tax	0.2	-	-	(0.2)	-
	1.6	0.9	(1.0)	(0.2)	1.3

23 Capital commitments

The total amount contracted for but not provided in the financial statements was £3.5 million (2021: £3.9 million). This relates to planned fixed asset purchases.

24 Contingent liabilities

The Company has contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements entered into under the normal course of business. At 31 December 2022, the value of these were £3.7 million (2021: £3.7 million). The likelihood of these having a material adverse impact on the Company's financial position is considered remote.

25 Retirement benefit schemes

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

The total cost charged to the profit and loss account of £3.0 million (2021: £2.3 million) represents contributions payable to these schemes by the Company.

26 Parent and ultimate parent undertaking

The Company's immediate parent is Tarmac Holdings Limited.

The ultimate parent and controlling party is CRH plc.

Relationship between entity and parents

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

The address of CRH plc is:
42 Fitzwilliam Square,
Dublin,
D02 R279,
Ireland

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

27 Post balance sheet events

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