

Registered number: 00300002

HANSON QUARRY PRODUCTS EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

HANSON QUARRY PRODUCTS EUROPE LIMITED

COMPANY INFORMATION

Directors	B Charleton E A Gretton S L Willis J S Whitelaw M D Barlow G J Day J P Morrish A Quilez Somolinos G A Napier (appointed 4 September 2023)
Company secretary	W F Rogers
Registered number	00300002
Registered office	Second Floor Arena Court Crown Lane Maidenhead Berkshire SL6 8QZ
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

HANSON QUARRY PRODUCTS EUROPE LIMITED

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Business Review

The Company's principal activity is the supply of materials and services to the construction industry.

Turnover for the year increased by £116,371,000 from £984,513,000 to £1,100,884,000, a rise of approximately 12% as a result of price increases. The Operating profit before exceptional items increased by £14,401,000 from £61,681,000 to £76,082,000.

An assessment of the impact of changing market conditions on the business was undertaken during the year and as a result the Company impaired fixed assets by £3,142,000, as management identified further sites which had been impacted by the local market conditions. There was also a reversal of previous impairments of £2,519,000 as a result of expected increases in sales volumes and prices in individual Cash Generating Units. These have been treated as exceptional items.

The Company's program of divestment of surplus land holdings continued through 2023, realising a net profit on disposal of £9,617,000 during the year.

During the year, the Company received dividends totalling £328,626,000 from its subsidiaries. A dividend of £20,010,000 was received from Midland Quarry Products Limited and dividends totalling of £308,616,000 were received from Hanson Building Materials Europe Limited consisting of a dividend in specie of £283,416,000 and a cash dividend of £25,200,000. The Company impaired its investment in its subsidiary Hanson Building Materials Europe Limited by £287,619,000 to bring the carrying value in line with the underlying net assets. This has been treated as an exceptional item.

The prior year figure for the defined benefit pension scheme asset has been reclassified to comply with Companies Act requirements from fixed assets to current assets to be presented under Debtors and since the amount is material Debtors: amounts falling due after more than one year are now presented as a separate Financial Statement Line Item. This has changed the amount of fixed assets and current assets by £508,363,000. This adjustment has not affected the value of the asset or the net assets of the Company.

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

Section 172(1) Statement

This report sets out how the Directors have complied with section 172(1) of the Companies Act 2006 in making its strategic decisions during 2023 and in considering the likely long-term consequences of those decisions and the need to maintain a reputation for high standards of business conduct. This has involved engagement with all of the Company's key stakeholders to ensure that the Directors understand their views and interests when making decisions and when developing the Company's purpose, values and strategy. The Directors ensure that they listen to and consider the interests of the Company's stakeholders and that they foster relationships with the Company's customers and suppliers. The Directors work to ensure the sustainability of the Company's operations within local communities in the context of the potential impact on the local environment.

Heidelberg Materials UK Sustainability Policy

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

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

Full details of Heidelberg Materials UK's Sustainability Policy can be found on the Heidelberg Materials UK website at www.heidelbergmaterials.co.uk. The policy sets out Heidelberg Materials UK's sustainability objectives in terms of: ensuring business and product innovation by engaging with customers and stakeholders to continually improve Heidelberg Materials UK's sustainability performance and adopt an integrated approach to achieve the highest standards in complying with ISOs 9001, 14001, 45001, 45003 and 50001, also PAS 2080 together with BES 6001:Issue 4.0, and National Highway Sector Scheme 16; ensuring health, safety and wellbeing in the workplace; ensuring environmental responsibility to collaborate with suppliers and fulfil Heidelberg Materials UK's share of responsibility to limit global temperature rise to below 1.5°C; conserving natural resources and maximising the use of alternative materials and recycling; being a good neighbour and fulfilling our social value requirements based upon transparency and consultation, staff volunteering on community projects, with local jobs and local procurement; and being a fair, respectful and inclusive company.

During 2023 the Company continued to roll out its Heidelberg Materials UK 2030 commitments in relation to the six key sustainability topics: business and product innovation; health, safety and wellbeing; environmental responsibility; resource use and the circular economy; being a good neighbour; and fairness, inclusion and respect. The 2023 Sustainability Report sets out the 2030 targets and records progress towards attainment of these objectives.

In 2023 the Company updated and revised its social value policy which is available on the Heidelberg Materials UK website www.heidelbergmaterials.co.uk. The social value policy is founded on our core values and responsible leadership principles and applies to all areas of our business, our employees and all parties who undertake activity on our behalf. It focusses on six key areas of social value: collaboration, co-equality, championing local economies, community, climate and communication. It follows the national TOMS (Themes, Outcomes and Measures) framework and integrates our health, safety and wellbeing, and environmental commitments. A steering group ensures the principles of the policy are embedded within the business. During 2023 further work was undertaken to enhance, measure and record Heidelberg Materials UK's social value impact and we achieved certification to Social Value UK's Level 1 'Commit' stage of accreditation. A "Let's Talk Sustainability" webinar was also held involving stakeholders from across the industry which explored social value and its increasing importance in the construction sector.

2023

Within the Company's aggregates business, the Company commenced, continued or completed various strategic investments through 2023. These included:

- the delivery of significant plant at the Pateley Bridge operation in North Yorkshire, set up for sustainable extraction to service markets in Leeds and Harrogate;
- investment in additional rail depots in the South East to ensure sustainable supply by rail to meet demand generated by major projects and schemes;
- the commencement of the installation of a new siding at Horton Quarry, in the North Dales National Park, to reconnect the quarry by rail.

Within the Company's asphalt business, various investments were made across the portfolio of plants including:

- new burners, as part of an ongoing replacement programme, which reduces energy consumption and carbon emissions;
- covered storage for asphalt plantings which reduces the energy consumption required to heat the materials and reduces carbon emissions;
- upgraded bitumen storage facilities and heating that are more efficient and will reduce the electricity required to power them

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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

2023 (continued)

Within the Company's concrete business, the Company commenced, continued to progress or completed the following investments:

- replacement of the concrete production facilities at Sutton Courtenay, Teesport and York allowing for new standards in efficiency, energy usage and emissions management;
- investment in four new high specification construction site based mobile plants to complete key UK infrastructure projects such as the Thames Tideway Tunnel in London and the Monopile factory in Teesside;
- investment in 52 new truck mixers designed to the latest specification to replace the ageing fleet of delivery vehicles, improving road safety and vehicle-based emissions;
- purchase and/or implementation of technologies at selected plants to reduce our process carbon, such as reclaimers units, water treatment cyclones and carbon injection units.

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

Information relating to the Company's investments, improvements, performance, outlook and sustainability was presented to our stakeholders through various channels. For employees, this included the Employee Forum, a series of virtual town hall talks presented by the Heidelberg Materials UK chief executive officer, driver forums and driver engagement days and management meetings with trade unions. Regular updates from Heidelberg Materials UK's CEO and business line managing directors on business performance and strategy were provided to the workforce in 2023.

2023 saw a continuation of the return to more normalised working practices for the commercial teams, but with a strong emphasis on making our customer interactions as efficient as possible. This meant that team members had both digital and physical customer meetings, as appropriate.

The Company's Contracting division continued its approach of collaborative working with major customers in relation to highways operations, and in 2023 it renewed, and newly won, places on a number of local authority highways maintenance contracts around the country. A significant success was winning the tender for Somerset's four year road maintenance contract.

Further investments and improvements in the interest of sustainability and lessening the potential for impact on communities and the environment included:

- the establishment of a biodiversity action plan for every one of our active quarries as well as a number of geodiversity action plans;
- leading the industry's consultation response with the Mineral Products Association ("MPA") on the testing and development of the Biodiversity Net Gain metric;
- delivering crushed rock, sand and gravel by rail and sea wherever possible, saving hundreds of thousands of lorry miles and the associated emissions every year, with each delivery of stone at the Hinkley Point C jetty taking around 250 lorry-loads off the road;
- reducing mains water usage in all of the Company's operations and deploying the use of smart meters at our larger water-using sites;
- maximising the usage of recycled asphalt plantings (RAP) in new asphalt mixes;
- promotion of Hanson's ERA range of warm mix asphalts that typically reduce carbon emissions by 15% compared with standard mixes;

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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

2023 (continued)

- new washing plants at our quarries to create a new manufactured sand for use in concrete as a substitute for land-won and marine sand;
- promotion of the Hanson EcoCrete concrete range giving customers the opportunity to specify and use low carbon concrete, with the mix incorporating the cement substitute Regen (Ground Granulated Blastfurnace Slag).

Occupational health and safety is one of the Company's core values, as a Heidelberg Materials UK company, and a fundamental element of our work processes. It is well understood that the health and wellbeing of the business's employees, contractors as well as people in the local communities, together with a safe working environment, is key to a successful, productive business and the Company therefore prioritises the reduction of risks leading to accidents, injuries and occupational illness in order to achieve the declared aim of Heidelberg Materials UK to do zero harm. The Company's principles for protecting its own employees, contractors as well as those of third parties are specified in the Heidelberg Materials UK policy on occupational health and safety.

In order to minimise and prevent risks for our employees, customers, suppliers, and other third parties, regular risk assessments were carried out at our locations so that all risks could be evaluated and appropriate protective measures taken. The Company focused on the potentially fatal six risks set out in the business's 2023 Health and Safety improvement plan. The Company also continued to roll out the Heidelberg Materials UK mental health awareness and training programme throughout its business.

Steps taken during 2023 to ensure maintenance of a reputation for high standards of business conduct included training staff in many different compliance areas, covering our Code of Business Conduct, corruption and anti-bribery, competition law, data protection and modern slavery, all supported by a regime of policies and procedures that underpin the Company's purpose and values; the compliance program is supported by an online reporting platform that allows concerns to be reported and investigated outside of reporting lines.

Further information relating to the Company's work at its larger quarries in relation to local community engagement, biodiversity, local career opportunities and its work on reducing energy and water consumption, can be found on the Heidelberg Materials UK community website www.communities.heidelbergmaterials.co.uk.

Climate-related Financial Disclosures

The Company recognises the global importance and potential impact of climate-related issues. This disclosure includes information on how climate change is being addressed by corporate governance, its impact on strategy, how climate-related risks and opportunities are being managed, and the relevant performance metrics and targets applied.

The Company monitors climate-related risks, physical and transition, and the opportunities this presents that could reasonably be expected to impact the Company.

The nature of the Company's business primarily involves the production and distribution of aggregates, ready-mixed concrete, and asphalt. The Company's business model encompasses the entire value chain, from the extraction of raw materials, processing and recycling through to the sales and distribution of the end products to customers. The products are used, for infrastructure, traffic routes (roads and rail), commercial and industrial facilities and the construction of houses.

Overview of products:

- Aggregates (sand, gravel, and crushed rock) are the main component in the production of concrete and asphalt and are also used as base courses in the construction of infrastructure, such as roads and rail. To some extent, aggregates are also obtained from recycled products.

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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Climate-related Financial Disclosures (continued)

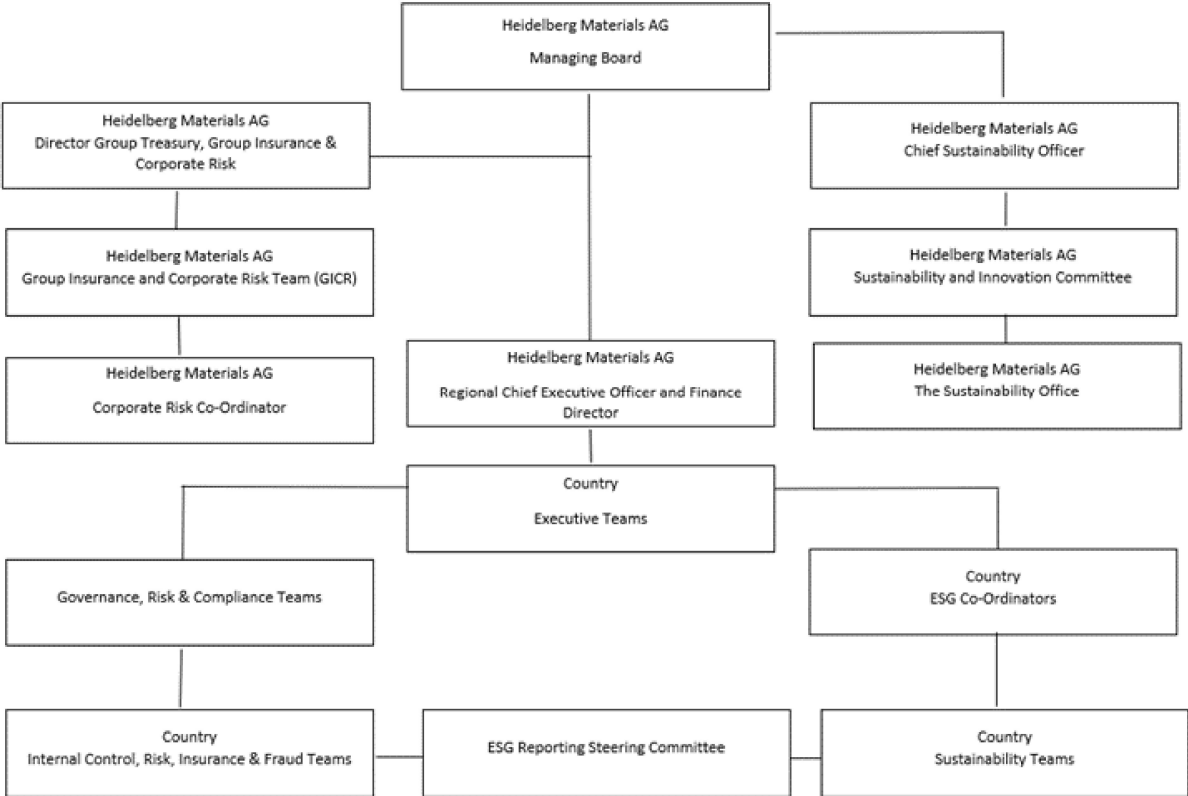
- Concrete is a mixture of aggregates (about 80%), cement (about 12%), and water. Cement typically consists of almost 100% clinker, composite cements, in which a portion of the clinker is replaced by alternative materials, such as fly ash and ground granulated blast furnace Slag (GGBS), can enhance cement properties and reduce CO2 emissions associated with concrete product, such as EcoCrete.
- Asphalt is a mixture of aggregates (about 95%) and bitumen and is generally used as a top layer in road construction.

Governance

The Chief Sustainability Officer at Heidelberg Materials AG has oversight of Environmental, Social and Governance (“ESG”) matters across the Group, including climate-related financial risks.

The following organogram provides an overview of the responsibilities of the various climate-related bodies across the Group.

Governance Organogram



The Managing Board of Heidelberg Materials AG (“the Managing Board”) has oversight of strategy, guiding the development of transition plans, setting of targets, agreeing climate-related employee incentives, integrating climate-related issues into strategy and coordinating climate-related risk and opportunities. The Managing Board is advised by the Chief Sustainability Officer who is highest individual with responsibility of ESG related issues. The Chief Sustainability Officer is assisted by the Sustainability and Innovation Committee, which reports on all aspects of sustainability, including the decarbonisation roadmap, reduction of carbon footprints and innovation and growth opportunities. The Sustainability Office advises on sustainability across the Group to ensure that sustainability criteria are incorporated into every decision and is led by the Chief Sustainability Officer.

HANSON QUARRY PRODUCTS EUROPE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Climate-related Financial Disclosures (continued)

The Managing Board are also advised by the Director Group Treasury, Group Insurance & Corporate Risk on climate related risk. Country Risk and Insurance Managers are responsible for the assessment and management of a given risk (avoid, minimize, transfer of risk to a third party). Country ESG Coordinators attend ESG Coordinator meetings facilitated by Heidelberg Materials AG, to discuss ESG strategy and actions.

At a country level, ESG strategy and actions are overseen by ESG Coordinators, who report material risks and opportunities; integrate climate related risk and opportunities into strategy; and consider metrics and targets from a country perspective. The ESG Reporting Steering Committees meet periodically to assess and review internal gap assessments, new ESG regulations, data collection processes and remediation steps and additional information to be reported at a country level. Executive Teams meets regularly and discuss the CO2 roadmap, sustainability risks and opportunities, and business specific climate-related impacts, including energy KPIs, carbon trackers and key projects and initiatives.

Risk Management

The risk management process is managed at both Heidelberg Materials AG and country level combining a bottom-up reporting of risks and a top-down global analysis of climate-related physical and transition risk exposure.

Risks are assessed qualitatively and, wherever possible, supplemented with quantitative appraisals. As part of the regular risk management process, identified risks are monitored and possible risk avoidance and reduction measures are evaluated.

Climate-related financial risks are identified at a country level and reported to Heidelberg Materials AG, in line with the enterprise risk management framework. The Group Insurance and Corporate Risk team (GICR) identifies risk at a global level and feeds into the broader global risk map.

The GICR presents a Risk Report on a quarterly basis to the Managing Board at a risk management team meeting.

The Executive Team sets up and supervises internal controls and risk management systems. They have responsibility for the scope and organisation of the established systems. The process of identification within the regular risk management process are supplemented by ad-hoc risk reports in the event of a sudden occurrence of serious risk.

Climate risk assessments are also performed on a project-by-project basis and fed into the formal capital approval process.

Time periods by reference to which those risks and opportunities are assessed are as follow:

Time	Definition	Rationale
Short	Current to 2025	Short term relates to regular business and financial planning routines as well as existing and readily foreseeable regulatory requirements.
Medium	Current to 2030	The medium term is defined as the time horizon that goes beyond that of regular strategic planning, but for which a strategic roadmap exists.
Long	2030 onwards	Long term refers to the time horizons that extend beyond the next ten years. In the climate scenarios, this is the 2030 and 2050 time horizon.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Climate-related Financial Disclosures (continued)

Climate scenario analysis has been considered and can be found in the Heidelberg Materials 2023 Annual and Sustainability Report. For this reporting cycle, assessments to help inform a shortlist of risks that could have a material impact on the business to be assessed further. More details on the scenarios used to assess climate-related risks and opportunities, as well as potential mitigations can be found in the Strategy section of these disclosures.

Climate risks and opportunities are typically divided into two categories:

- Transition risks (or opportunities) are viewed as those associated with transitioning to a low carbon economy that may result from regulation, technology, reputational and market responses.
- Physical risks are the exposure of assets or value chain to physical hazards caused by the effects of climate change (e.g. flooding or heat stress).

Transition and physical risks can manifest over different time horizons. The potential impact under various temperature scenarios and transition pathways can be assessed through climate scenario analysis. In the future further climate scenario analysis to consider risks and opportunities and sensitivities to these risks and opportunities.

Strategy

The climate-related risks and opportunities are assessed as material for the current year and plans to fully analyse the potential impact of the climate-related risks and opportunities on strategy and business model in future periods are in progress.

Scenario overview

Scenario analysis allows for the identification and analysis of the potential implications of a range of plausible future states. Scenarios are not designed to deliver precise outcomes or forecasts. They are intended to illustrate a potential range of impacts of certain risks or assumptions and have been applied qualitatively for this assessment.

The Scenario analysis referenced in the Heidelberg Materials 2023 Annual and Sustainability Report. makes qualitative assessments at regional levels.

Scenario selection

When selecting scenarios, UK-CFD recommends considering both 1.5°C and 4°C scenarios as options to assess a “well below 2°C” Paris-aligned transition scenario, as well as a scenario consistent with increased physical risk. Conducting scenario analysis across the 1.5°C and 4°C range allows businesses to assess both the high transition and high physical risk potentials (1.5°C and 4°C scenarios respectively).

Potential exposure to transition risks and opportunities are reviewed in qualitative terms across a 1.5°C transition scenario. Potential physical risk exposure is reviewed in qualitative terms across a 4°C high physical risk scenario, with the underlying hazard dataset assessed by a third party. The risk rating assigned to each shortlisted risk or opportunity is based on the potential qualitative magnitude of the risk or opportunity.

Scenario assumptions, limitations and frequency

Scenario analysis risk and opportunity ratings were determined at regional levels and aggregated proportionally.

It is expected that assessments in future periods are updated in light of developments in either climate science or business strategy. The risks and opportunities disclosed were prioritised for further analysis following workshops with stakeholders from across the Group and are not exhaustive. In future reporting cycles, additional disclosures or different risks and opportunities may be chosen.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Climate-related Financial Disclosures (continued)

Climate-related Risks -Transition

		Definition	Potential Impact	Strategic response and mitigation
Transition	Type Market Risk Increased cost of raw materials Time Horizon 2050 Scenario 1.5°C	The price of raw materials may increase due to the impact of rising GHG emissions pricing and the widespread shift towards cleaner technologies affecting demand across sectors, including the Company’s supply chain.	This could present a “high” risk as raw materials constitute a large proportion of total costs, specifically for concrete and. An uplift in demand to support low carbon transition potentially exacerbating price fluctuations. Further, increasing raw material pricing across the supply chain could potentially be passed on from suppliers in the form of increased cost of raw material extraction and transportation. This could also lead to an impairment of the Company’s investments.	The Company and its operating subsidiaries are taking diversifying measures to decarbonise their products and investing in R&D to develop innovative new low carbon building materials. The Company and its operating subsidiaries are actively taking measures to promote circular economy in the value chain through closing the loop in the material cycle of sand, aggregates, and concrete. This could reduce reliance on raw materials produced via carbon intensive processes and reduce embodied carbon.
	Type Reputation Risk Shift in consumer preferences Time Horizon 2050 Scenario 1.5°C	Customers may shift preferences away from traditional concrete products containing cement in response to the end client’s increased focus on environmental impacts.	This could present a “high” risk to the Company and its operating subsidiaries, as this may potentially reduce demand for carbon-intensive building materials, such as concrete and asphalt, which currently constitute a significant proportion of revenue. This could also lead to an impairment of the Company’s investments.	The development of, and investment into low carbon products by the Company and its operating subsidiaries and their commitment to offer circular alternatives for 50% of concrete products by 2030 is ongoing.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Climate-related Financial Disclosures (continued)

Climate-related Risks – Physical

		Definition	Potential Impact	Strategic response and mitigation
Physical	Type Acute Risk Exposure to physical hazards Time Horizon 2050 Scenario 4°C (RCP 8.5)	Increased severity of extreme weather events such as cyclones and floods.	This could present a “high” risk to the Company and its operating subsidiaries, as hazard data suggests that at least one UK site has potentially significant exposure to river flooding. This could lead to disruption of business activities or cause direct site damage. This could also lead to an impairment of investments.	The Company and its operating subsidiaries have detailed site-level assessments for potentially material sites to review adaptation and mitigation measures locally.
	Type Chronic Risk Exposure to physical hazards Time Horizon 2050 Scenario 4°C (RCP 8.5)	Changing weather patterns and rising mean temperature and sea levels.	This could present a “medium” risk based on the hazard data provided in a 4°C scenario. This could also lead to an impairment of investments.	The Company and its operating subsidiaries have detailed site-level assessments for potentially material sites to review adaptation and mitigation measures locally.

Climate-related Opportunities

		Definition	Potential Impact	Strategic response and mitigation
Transition	Type Technology Risk Opportunity for lower emissions technology and products Time Horizon 2050 Scenario 1.5°C	Increased use of lower emission technology and products may result in new revenue streams (such as low emission concrete).	This could present a “high” opportunity, resulting in new revenue streams for the Company and its operating subsidiaries. Given the wide range of innovative new products that can be manufactured with alternative low carbon fuels and electrification. There is potential opportunity to expand market share if the Company and its operating subsidiaries adopt these new technologies at a faster rate than peers.	The Company and its subsidiaries have recognised this opportunity through our 2023 commitments to generate 50% of revenue from low carbon and circular products.

HANSON QUARRY PRODUCTS EUROPE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Climate-related Financial Disclosures (continued)

Metrics & Targets

The progress of the Company and its operating subsidiaries in meeting the 2030 commitments is monitored together with measurable KPIs.

2030 commitments	Contribution as at 31 December 2023
<p>Reduce the carbon impact of products with a science-based 1.5% pathway targets of 15% reduction from a 2016 baseline.</p>	<ul style="list-style-type: none"> • The Company is working with customers to develop performance specified low CO₂ concretes. Implementing mix optimisation to reduce cement consumption per m³ and exploiting cementitious technologies to reduce CO₂ per m³. • The Company is making progress to change all burners from gas oil to lower emission fuels, as the burner is the single largest CO₂ emissions source in the asphalt production process. • Trials to use hydrogen in asphalt plants are also being planned. • The Company is improving its network of rail-connected depots to reduce vehicle movements and associated CO₂ emissions
<p>Generate 50% of our revenue from sustainable concrete and asphalt products by 2030 and reduce CO₂ emissions associated with cementitious products to 400kg CO₂/tonne CEM by 2030.</p>	<ul style="list-style-type: none"> • High specification watertight concrete containing 70% Regen GGBS, minimising production of heat and reducing the risk of thermal cracking, whilst also reducing CO₂ emissions is being sold to customers. • The Company is engaging in early trials of anti-aging and biogenic bitumen to extend the life cycle of asphalt, which will cut carbon emissions, as replacements are required less frequently.
<p>Offer 50% circular alternatives for products.</p>	<ul style="list-style-type: none"> • The Company is continuing to reduce waste and increase recycling. <ul style="list-style-type: none"> • Zero non-production waste to landfill. • 9 million tonnes of recycled aggregates processed. • Recycled asphalt plannings (RAPs) are being maximised in new asphalt mixes. • The Company is becoming more active in the recycled aggregates market. The acquisition of A1 Services (Manchester) Limited in 2021 strengthened the circular materials offering and brings a recycling platform and the opportunity to expand expertise in construction soil and aggregate recycling.
<p>Operational sites in the UK to have full IMS (Integrated Management System) certification to ISO 9001 (Customer needs), ISO 14001 (Environmental), ISO 50001 (Energy), and BES 6001 (Responsible sourcing).</p>	<ul style="list-style-type: none"> • 100% of UK sites fully comply with the internal IMS and all hold, or are working towards, ISO 9001, ISO 14001, ISO 50001, ISO 45001, and BES 6001 certification.

Net Zero by 2050

The Company plans to be NetZero by 2050.

HANSON QUARRY PRODUCTS EUROPE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Principal Risks and Uncertainties

Market Demand Risk

The demand for many products produced by the Company is closely linked with economic conditions. As a result, depressed economic conditions in the United Kingdom have an adverse effect on demand for and pricing of the Company's products which could result in reduced sales and profits.

Most of the markets in which the Company operates are extremely competitive. Local factors such as the number of competitors and production capacity, the proximity of natural resources, economic conditions and product demand exert further competitive pressure. The pricing policies of the Company's competitors in the markets in which it operates can have an adverse effect on the demand for and pricing of the Company's products. Consequently the Company's profitability may be affected.

Seasonality Risk

Extended periods of inclement weather, especially periods of heavy or sustained rainfall, during peak construction periods can result in a material reduction in demand for the Company's products. It may also impact the Company's ability to produce products and consequently result in reduced revenues and profits.

Regulatory Risk

Government policy relating to the development of transport infrastructure and housing have a significant effect on demand for the Company's products and, as a result, the Company's profitability. Decreases in government funding for transport infrastructure and housing projects could reduce the funds available for spending on the Company's products, therefore potentially reducing sales and profits.

Changes in government policy or legislation relating to planning, the environment, health and safety and industry related taxes could significantly affect the Company's regulatory compliance and other operating costs. Numerous governmental approvals are required for the Company's operations. In the past the Company has been required to make significant capital expenditure to comply with planning, water, air and solid and hazardous waste regulations. The Company may be required to make similar expenditure in the future to ensure business continuity. The imposition of industry related taxes such as the aggregates levy and the climate change levy increase the costs of the Company and encourage imports of competing products and product substitution.

Energy Risk

The Company is a significant purchaser of energy and fuel for the processing and transport of its products. The Company also purchases significant amounts of materials including bitumen for use in asphalt production and cement for use in premix concrete production. The cost of these materials and the cost of energy and fuel fluctuates, sometimes by significant amounts. Increases in the costs of these materials, or their lack of availability can significantly impact the Company's costs and disrupt its operations. The profitability of the Company could be adversely affected if the Company was not able to recoup such costs in the prices of its products. The Company attempts to limit its exposure to these risks by entering into hedges where appropriate.

Systems Compliance Risk

The implementation of software to improve the efficiency and effectiveness of various business processes is an important contributor to the Company's ongoing operations. Failure to design, select appropriate suppliers and implement such systems effectively could result in unplanned costs or reduced levels of customer satisfaction. This could adversely affect the Company's results and profitability.

HANSON QUARRY PRODUCTS EUROPE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Principal Risks and Uncertainties (continued)

Cyber Security Risk

Due to the current geopolitical situation and the increasing prevalence of cyberattacks as a business model, the threat of attack, especially from external sources, is significantly heightened. This could expose the Company to significant downtime, which could adversely affect the Company's performance.

To counteract this threat level, Heidelberg Materials UK has appointed an Information Security Officer who is responsible for leading the Information Security Programme in the UK, intended to improve the maturity of Heidelberg Materials UK's people, processes, and technology measured against the NIST (National Institute of Standards and Technology) Cyber Security Framework. This includes cyber education for all employees, introducing information security compliance check-points into the IT Demand/Delivery Process and supporting the creation and testing of business continuity plans at regular intervals.

Continuous improvements to the Company's IT networks evidence developments in cyber resilience, to ensure security and stability are maintained at a high level.

Credit Risk

Credit risk is the potential exposure of the Company to loss in the event of non-payment by a counter party. The Company controls this credit risk through credit approval limits.

Transport Risk

Transport logistics play an important part in the Company's supply chain whether by road, rail or river. Any material disruption to, or lack of availability, of such transport support could significantly impact operating costs.

Pensions Risk

The Company is a principal employer of the Hanson Industrial Pension Scheme (defined benefit section) (the "Scheme"), which is closed to future accruals. The amounts reported in the accounts relating to the Scheme are based on advice from independent actuaries.

Results under IAS 19 can change dramatically depending on market conditions, and will lead to volatility in the net pension asset on the Company's Balance Sheet and in Other Comprehensive Income. The actuarial assumptions have been set so that they represent a best estimate of future experience from the Scheme. In practice, the true costs for the Scheme could be different to those shown.

The Scheme exposes the Company to a number of risks, the most significant of which are:

- Asset volatility - the Scheme holds a significant proportion of growth assets, which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
- Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
- Inflation risk - A significant proportion of the Scheme's benefit obligations are linked to inflation. Meanwhile, the majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the liabilities.
- Life expectancy - The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

HANSON QUARRY PRODUCTS EUROPE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Financial Key Performance Indicators

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

This report was approved by the board on 27 September 2024 and signed on its behalf.



W F Rogers
Secretary

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their report and the financial statements for the year ended 31 December 2023.

Results and dividends

The profit for the year, after taxation, amounted to £105,817,000 (2022 - £152,754,000).

A net actuarial loss after tax of £21,603,000 (2022: £105,125,000) was recognised during the year.

No dividend was paid during the year (2022: £nil). The Directors do not recommend the payment of a final dividend for the year (2022 - £nil).

Research and development activities

The Company carries out research and development on its own behalf to advance the marketability of its products. Research costs are written off in the year in which they are incurred. Development costs are capitalised if they meet the criteria of IAS 38.

Post balance sheet events

In January 2024, the Company offset £20,753,000 of its intercompany receivable from Hanson Quarry Products Ventures Limited against its liability of £20,753,000 to Hanson Quarry Products Ventures Limited to fully settle its debt.

In January 2024, the Company assigned £134,584,000 of its intercompany receivable due from Hanson Limited to Houserate Limited to fully settle its liability.

In May 2024, the Company completed the purchase of the share capital of Mick George Limited together with its subsidiaries, as part of the Company's strategy to meet its sustainability commitments to progressively move to a more circular business model. The purchase price for the transaction, which is subject to purchase price adjustments totals £172,306,000. To facilitate completion of the acquisition of Mick George Limited the Company also divested five concrete sites and two quarries. Subsequently, the Company subscribed for a loan note issued by Mick George Limited for £70,000,000 to refinance bank borrowings and provide Mick George and its subsidiaries with working capital.

In May 2024, the Company also purchased the share capital of Briston & Avon Group Limited and Balla Homes Ltd, to provide the Company with access to additional high quality recycled materials to bolster the Company's source of sustainable business materials. The purchase price for the transaction, which is subject to purchase price adjustments totals £50,582,000 and consists of a cash payment of £49,082,000 and a liability for contingent consideration with a fair value of £1,500,000.

The Company is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case, including the 2024 court of appeal ruling published on 25 July 2024, which ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation. Although the appeal upheld the original ruling, there remain significant areas of uncertainty and, in particular, there is the potential for Department for Work and Pensions intervention. As a result, the Company and Trustees cannot at this stage be certain of the potential implications (if any) and therefore no allowance for this case has been made in calculating the defined benefit obligation at the reporting date.

Future developments

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

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Going concern

The Directors have performed an assessment on the ability of the Company to operate on a going concern basis. This includes an assessment of the Company's financial position, Heidelberg Materials UK's divisional cash flow forecasts up to December 2025 and other relevant enquiries, including the on-going impact of the Ukraine and Middle East crises, political uncertainties, the volatility in energy and raw materials markets, continuing inflationary pressures, high interest rates and the overarching impact these factors have on construction and consumer markets, as well as consideration of identifiable risks made by the ultimate parent undertaking, Heidelberg Materials AG, on their global business activities. The ultimate parent undertaking continues to operate on a going concern basis.

The Directors continue to see ongoing demand for the Company's products and have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future having considered the risks and uncertainties that are relevant to both the Company and its ultimate parent undertaking and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

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

B Charleton
E A Gretton
S L Willis
J S Whitelaw
M D Barlow
G J Day
J P Morrish
A Quilez Somolinos
G A Napier (appointed 4 September 2023)

Statement of corporate governance arrangements

The Company has adopted The Wates Corporate Governance Principles for Large Private Companies. The summary below sets out how the Company has applied the six principles.

Purpose and Leadership – The board of Directors recognise that the world is undergoing profound changes and that our building materials and solutions shape significant development worldwide and our purpose and leadership principles lay the foundation for the Company's future. At the centre of the Company's actions lies the Company's responsibility for the environment. The Company wants to be the leader in the industry on the path to carbon-neutrality. The Company delivers long-term financial performance through operational excellence, dedication, and openness for change. The Directors have progressive minds with the ambition to drive transformation and want to push the boundaries to strengthen innovation and deepen partnerships with customers and other stakeholders as the Company crafts material solutions for the future.

The Directors have defined the Company's strategy as aligning with the customers at all times in the interests of our mutual success. The Company promotes these principles and works to be the first choice for our customers, providing consistently good services and solutions and protecting the local environment. The Directors work to lead by example to ensure high ethical, social and legal standards across all of our business operations, with the Directors committed to ensuring a fair, respectful and inclusive company that encourages a culture of meritocracy, openness, transparency and diversity.

The Company regularly communicates its purpose, values and strategy to its workforce to embed our key objectives and achieve the long-term success of the Company. The Company's Engagement with employees section below sets out more information on the steps the board takes to monitor culture within our organisation.

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of corporate governance arrangements (continued)

The Directors champion the ability of employees to report matters of potential misconduct through a regime of compliance policies and training, supported by an online reporting platform that provides employees and third parties with the opportunity to address compliance related concerns independently of reporting lines. The Directors have also embedded processes to identify and manage the conflicts of interest that may arise in the course of Company operations.

Board Composition – the Company's board of directors is led by the chief executive officer, supported by the financial director and the managing directors of the business lines, as well as by the legal and compliance director. The Company's ultimate parent company Heidelberg Materials AG has also appointed the relevant area Vorstand director to the board who, whilst not holding the formal title of Chair, may attend relevant board meetings as the senior, non-executive director.

The Directors believe that this provides an appropriate balance in the context of the Company's position as a principal subsidiary of an overseas listed corporation. Since the board of the Company's ultimate parent company has its own non-executive directors as well as a Supervisory Board with its own independent Chair, the Directors are of the view that it would be neither desirable or efficient for the Company to appoint additional non-executive directors or Chair.

The Directors collectively have very extensive levels of experience in the building materials sector and bring a wide range of commercial, operational, management and professional skills to the board. The Directors are also of the view that the size of the board is sufficient and appropriate relative to the Company's turnover and businesses and provides ample capacity to oversee the operations of the Company. Directors continue their own professional development through their respective memberships of the Institute of Quarrying, accountancy and other professional bodies.

The Directors recognise that in line with much of the building materials industry, the Company has more to do to ensure better representation on our board of Directors for the purposes of ensuring diversity in line with the Equalities Act 2010. The Directors have established a fairness, awareness, inclusion and respect committee chaired by a managing director, which has published a target for 20 per cent of the Company's senior management to be female by 2025.

Directors' Responsibilities – regular management of everyday operations and commercial activity is delegated both to the business line managing directors, who meet on a monthly basis, and to the executive committee which meets once every two months. The Heidelberg Materials UK executive committee also includes each of the human resources, sustainability and IT directors, extending the expertise, capacity and diversity of the Company's senior management.

The business line managing directors focus on health and safety incidents, sustainability, major projects, capital expenditure and business line strategy, whereas the executive committee concentrate on wider policy. These forums facilitate efficient, effective decision making on the basis of informed decisions and debate, both at business line and company-wide levels. Succession planning for every Director and member of the executive team is also in place and reviewed three times a year.

The Company does not have a separate remuneration committee as such, although the remuneration of managing directors includes a long-term incentive element in collaboration with the remuneration strategies devised by the Company's ultimate parent company and its own supervisory board.

The Company has a suite of corporate governance policies, which includes: a management responsibilities policy applicable to all directors and requiring financial control, legal and operational compliance, safety and quality across our operations; a dignity and respect policy that safeguards against the risk of bullying and harassment; a fairness, inclusion and respect policy that sets out the Directors' commitment to ensuring a fair, respectful and inclusive Company that encourages a culture of meritocracy, transparency and diversity; and our group's code of business conduct, which sets out requirements in relation to legal compliance, conflicts of interest, the confidentiality of information, fair employment practices and protection of the environment. The Directors keep these policies under periodic review.

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of corporate governance arrangements (continued)

Opportunity and Risk – the Company's executive team is incentivised to consider the long-term generation and preservation of value since the Company's mineral assets may often require a high level of capital investment and long-term planning in order to ensure the continuity of reserves and operations. The Directors carry out annual and quarterly reviews of reserves and resources relative to operational assets and constraints in order to identify short-life sites and replenishment needs; long-term capital expenditure, property and mineral planning considerations may be required, to provide reserves that can eventually generate value in the long term.

The Company also has a general risk committee that meets on a quarterly basis and supervises Heidelberg Materials UK's risk management processes and associated reporting. Risks across the business are owned in the first instance by operations and employees, subject to review by the executive committee and the general risk committee.

The Directors have also implemented an internal control framework comprising measures ranging from accounting controls and delegated levels of financial authority to detailed capital expenditure, financial reporting and contract requirements, underpinned by periodic internal audit, with regular reports to the Directors and the Company's ultimate parent company.

Executive Remuneration – executive remuneration follows the same structure as the Company's other management grades, incorporating basic pay, with variable pay based upon annual objectives for the Company and the individual, as well as providing a number of benefits such as car provision, health cover and participation in the Company's defined contribution pension scheme; the Company's levels of remuneration are designed to secure and retain a high calibre of management and a skilled workforce, with executive remuneration being benchmarked against other salary bands within the Company, as well as against any available sector data; the Company has adopted the Hay job evaluation methodologies to objectively grade every staff function.

Whilst the Company does not have a separate remuneration committee, the Company's remuneration levels are reviewed and subject to annual approval by the Company's ultimate parent company, based upon the policies of the ultimate parent company's own supervisory board; long term incentives are offered to the senior executive directors to complement both long service and the sustainable success of the Company. Annual objectives include performance objectives to ensure successful, efficient, sustainable operations that will encourage the generation of value in the mid and long term, whilst promoting safe operations for our workforce, drivers and contractors; performance objectives are also set out on the basis of the Company's vision and strategy.

The Company has acknowledged the existence of a gender pay gap based upon the number of women in senior management and certain operational roles. The Directors are taking steps to address the gap in relation to matters such as leadership, recruitment and monitoring.

Stakeholder Relationships and Engagement - the Company's s172 Statement includes a summary of how the Company engaged with key stakeholders during 2023. The Employee Engagement Report also sets out the many steps the Company takes to engage with its workforce. The Directors believe it is essential for the Company to engage proactively and meaningfully with all key stakeholders: with our customers; with local communities; with our employees; and with our contractors and suppliers.

As set out in the Employee Engagement Report, the Company has established an employee forum that includes representatives from the various business lines. The forum meets regularly and engages with the Heidelberg Materials UK chief executive officer and managing directors with regard to business performance and prospects, strategic objectives, health and safety and the sustainability of operations. The chief executive officer also holds a series of national communication roadshows every year in the form of informal town hall talks where similar matters are presented to and discussed with the workforce.

Business update videos are regularly issued to employees, along with the Heidelberg Materials UK Team magazine which set out updates on business performance, strategy and the steps we take to support local communities. Driver forums and similar dialogues with trade unions are also held.

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of corporate governance arrangements (continued)

The Company has also implemented many steps to engage with employees and prioritise health and safety. These include: the regular attendance on site by the executive team to ensure visibly felt leadership; an annual business line led safety improvement plan, which focusses on risk management and the reduction of Potential Fatal Risks in the business; and the continuing development of measures focussing on the wellbeing of all staff and contractors, with a specific emphasis on mental health and the continuation of training mental health first aiders in the business.

A strong regime of policies, procedures and training supports the Company's purpose and values, embedding safe working practices and requiring compliance with applicable laws on matters such as bribery and corruption, modern slavery, data protection and competition law, supported by an online reporting platform that allows concerns to be reported and investigated outside of reporting lines.

Heidelberg Materials UK engages with its customers on many different levels. Our commercial teams plan ahead to ensure field visits to customer sites and digital communications are also made, together with regular proactive outbound calls from our customer service centre. This allows for meaningful dialogue and feedback so that our services and products can be delivered as customers need.

We have invested in customer focussed programs such as Customer Excellence, Sales is a Science, Leading by Example, The Power of Belonging and Professional Skills. These are designed to ensure we understand the needs of our customers so that we can provide services and solutions that deliver value for our customers, allowing us to realign product and service offerings.

We also reach out to customers by offering shared Continuous Professional Development (CPD) seminars, supporting designers, architects and engineers within customer operations on innovative products and specifying sustainable concrete. We also operate a merchant academy that supports staff within our merchant customers with technical support and training.

Our larger sites and quarries also facilitate engagement and hold community liaison meetings with local residents. The Company values long-term relationships to ensure that we retain local support for the sustainability of our operations. We have established a dedicated website www.communities.heidelbergmaterials.co.uk that facilitates strong levels of engagement with communities at our larger sites and quarries.

These dedicated community pages provide immediate contact information for site management and also provide information on matters such as visits from schools and resident groups, the local ecology and our conservation programs, our support for projects in the community, as well as career opportunities.

Our regular trade press releases and presence on social media platforms such as Facebook, LinkedIn, Twitter and Instagram also allow for engagement with our customers, suppliers and other stakeholders. We also operate an up-to-date, optimised website that is designed to allow quick and simple access by customers and other stakeholders using mobile devices.

With regard to our suppliers, the Company allows for both competitive tendering and the establishment of longer-term strategic relationships and framework agreements. Suppliers are required to accept our Supplier Code of Conduct, which helps foster sustainable partnerships based on mutual trust, requiring vendor compliance with international social accountability standard SA8000, environment standard ISO 14001 and the principles of the International Labour Organisation. Together with our Supplier Code, these set out vendor requirements on matters such as working conditions, environmental compliance, health and safety, business ethics, respect for human rights, freedom from discrimination, as well as the requirement that our own vendors require upstream adherence in their own supply chains.

Collectively, the Directors believe that the Company's stakeholder engagement facilitates dialogue and two-way communication that foster the effective sustainable relationships with our key stakeholders.

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Engagement with stakeholders

The Directors' statement on compliance with their duty to promote the success of the Company included within the Strategic Report includes a summary of how the Company engaged with its key stakeholders during 2023.

Engagement with employees

The Company takes a number of measures to ensure proactive and meaningful engagement with its workforce - this applies to all employees and all companies within Heidelberg Materials UK.

Heidelberg Materials UK values engagement with its workforce, as a key stakeholder. The engagement takes place on many different levels, using a variety of formal and informal measures, which facilitates two-way dialogue to ensure employees have a direct voice to the executive team.

An employee forum has been established, with 8 active employee representatives representing the various business lines and staff functions. The forum meets fortnightly and is chaired by the HR Director or Senior HR Business Partner.

Four members of the forum also sit on the ultimate parent company's European Works Council, which the Directors believe represents a positive opportunity for the UK workforce to make its voice heard directly at the level of the ultimate parent company.

The employee forum acts as a key information and discussion channel between employees and executive management. At the September 2023 meeting, Heidelberg Materials UK's chief executive officer (CEO), together with business line managing directors, provided detailed updates on business line specific activities, business performance and markets, health and safety progress and social value topics including our 2030 sustainability commitments as well as on the core objectives of our strategy.

Employee representatives raised numerous points of discussion during the meeting, with employees invited to anonymously submit questions in advance. These processes lead to a combination of management commitments, reviews and explanations on a wide range of safety, environmental, operational and commercial matters. Minutes are taken which are published on the Heidelberg Materials UK intranet, together with the questions and answers. The Directors believe that the employee forum provides a positive and transparent means of engaging with the workforce as a key stakeholder, in the interests of the long-term sustainability of the Company and its operations.

In addition to the employee forum, the CEO delivers a national leadership communication roadshow each year. These take the form of informal town hall talks, with the CEO providing detailed updates to staff regarding business performance, strategy and the priorities for the year ahead, as well as giving the workforce the opportunity to put questions directly to the senior management in attendance. In addition, core business areas have a stall with representatives from across the business discussing their achievements from 2023, providing a forward look to 2024 and engaging on any challenges, issues or other matters employees would like to get feedback on.

Other measures to facilitate effective engagement with employees include the use of regular business update videos by executive management, as well as the quarterly publication of Heidelberg Materials UK's Team magazine, which is sent to every employee's home address, and includes regular updates through the year on business performance and strategy. Heidelberg Materials UK's Team magazine also communicates to employees the many positive measures Heidelberg Materials UK takes to support our local communities as key stakeholders in the context of the long-term sustainability of our operations.

Heidelberg Materials email accounts have now been rolled out to all blue-collar operational staff which has now given them access to all our digital communications, thereby improving our communication channels and allowing engagement with the wider workforce. In addition to this we have started to add a digital device to our vehicles, called TrackIt. This works like an iPad and gives our drivers access to our online and digital platforms.

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Engagement with employees (continued)

We have made progress this year on our Digital journey and have improved how we communicate. We regularly provide updates on Viva Engage and have increased our presence on Social Media which has meant we are reaching a wider and more diverse audience with our communications and business activities, contributing to the enhancement of our employer brand. The Directors value the consultations undertaken with trade unions, setting out detailed business performance updates when meeting with them.

Driver forums continue to be a focus and regular listening sessions take place across our business led by executive members and senior management teams. Heidelberg Materials UK values the importance of visible felt leadership and these sessions and attendance at site demonstrate this engaged leadership. The Head of Human Resources works with the HR Business Partnering Team and attends management meetings to provide insight on feedback regularly received from employees at various forums which often influences the direction of the business's People Strategy. Through the work and engagement carried out within the business the HR team are ensuring the Company's values and culture are embedded within the workforce. Employee surveys are carried out periodically as a further means of monitoring the culture and values within our workforce, leading to the development of plans for managers to address feedback received. Our next wider survey will be launched in September 2024. Until then communication channels are used to ensure employees are aware of the feedback received and subsequent actions taken from our last survey in 2022. These communications are done using a 'You Said, We Did' format.

The health and wellbeing of employees remains a priority as this impacts the success of the business. We continue to train mental health first aiders with about two hundred trained to date. In addition, a wellbeing survey took place in January 2024 to measure the current state of employees' mental health and its completion allowed for an assessment of how effective the business's wellbeing strategies have been and helped to identify areas for improvement.

A further component of engagement with employees is the annual Heidelberg Materials UK return to work carried out on the first working day of the New Year, with the usual Health and Safety stand down held. However this year additional topics were also covered and included Social Value, Wellbeing and Diversity and Inclusion.

To continue to support our commitment to Social Value, Diversity and Inclusion, in 2023 a Social Value co-ordinator position was introduced. This job compliments our Wellbeing Specialist role introduced in 2022. It is a pivotal role working with our Bids and Tenders team to understand what our customers are looking for when tendering for work. The role also works with customers within our supply chain and networks outside of the organisation to understand the types of activities we should be working on. This is then fed into our wider Diversity and Inclusion Strategy. The role is also pivotal in supporting our commitments made in 2023 so works closely with the business on co-ordinating and supporting our community engagement plans.

Heidelberg Materials UK is committed to being a fair, inclusive, and respectful business, whilst raising awareness of key challenges both internally and across the industry. To implement this commitment, we have a Fairness, Awareness, Inclusion and Respect (FAIR) committee. Led by a member of the executive board and made up from a range of diverse backgrounds the committee shape our strategy and promote the business as a place where anyone, regardless of gender, background, age, ethnicity, disability or sexual orientation feels welcome and able to have a successful career.

In addition to the FAIR committee, there are now three employee networks: Network of Women (NOW), LGBT+ network and the newly set-up Armed Force Network. Investing in FAIR continues to be a paramount priority for us, and it plays a pivotal role in our staff retention strategy. It fosters a positive work environment that entices and motivates them to remain part of our team.

We participate in the Disability Confident scheme, providing an inclusive and accessible work environment that values diversity and equal opportunities. In 2023 we became silver accredited with the Armed Forces Covenant which recognises the support we have put in place for employee armed forces personnel, veterans, and their families.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Engagement with employees (continued)

A Sabbatical Policy was introduced recognising the importance of employees' work-life balance and personal development, whether that be via life-long learning, charity work, leisure activities, travel or other interests. This sits alongside our agile working policy allowing people to work from home or more flexibly to give a better work-life balance.

In addition to this there have been enhancements to the business's family policies including the introduction of two weeks paid Paternity Leave, and the establishment of a Neonatal Leave policy, a Fertility policy and a Menopause policy.

Employees are provided with an occupational health program that includes annual and biennial medicals depending on job profile. An Employee Assistance Programme (EAP) provides employees with immediate access to confidential 24-hour telephone counselling and support. The helpline is available to support all Heidelberg Materials UK employees and provides support through work and life issues and problems arising, ranging from legal to medical, stress and general health, fitness and wellbeing advice. The EAP is completely confidential, with high level statistical information relating to usage level being passed to management for periodic review.

Heidelberg Materials UK's values are also underpinned by a broad range of policies ranging from management responsibilities and matters of legal compliance, to dignity at work and ensuring fairness, inclusion and respect in the workplace at all times. Where employees do not feel able to express concerns within the structure of reporting lines, an online reporting platform has been established to provide employees with an opportunity to address any compliance related concerns and matters of potential policy transgression, within a safe and protected process; issues raised are reviewed and investigated, with reporting back to the Heidelberg Materials UK executive team.

The various measures described in this report are reviewed annually by the Heidelberg Materials UK executive team and the Company believes that collectively they allow for a strong level of communication and engagement with employees.

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Streamlined Energy and Carbon Reporting

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

	Year to 31st Dec 2023	Year to 31st Dec 2022
Energy consumption used to calculate emissions (kWh)	196,149,854	179,003,516
Emissions from combustion of gas tCO ₂ e (Scope 1)	13,895	9,645
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	8,240	9,434
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	0	0
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	17,539	16,685
Total gross tCO ₂ e based on above (location-based) *	39,674	35,763
Intensity ratio (tCO ₂ e/Turnover in £000) (location-based)	0.0360	0.0363
Emissions from purchased electricity tCO ₂ e (Scope 2, market-based)	85	88
Total gross tCO ₂ e based on above (market-based)	22,219	19,167
Intensity ratio (tCO ₂ e/Turnover in £000) (market-based)	0.0202	0.0195

*The presented emissions in this section differ from the total emissions of the company.

Energy Efficiency Actions Summary

The Company forms part of the Heidelberg Materials UK operating division of Heidelberg Materials AG, formerly known as Hanson UK.

At the centre of our actions lies our responsibility for the environment. Heidelberg Materials is a front runner on the road to carbon neutrality and circular economy in the building materials industry and is working on intelligent and sustainable building materials as well as solutions for the future.

Sustainability is an integral part of Heidelberg Materials UK and will be at the centre of its strategy going forward. Within the framework of its Beyond 2020 strategy, Heidelberg Materials UK is significantly advancing its ambitious climate targets. By 2050 at the latest, Heidelberg Materials wants to be carbon neutral across its entire product portfolio and achieve Net Zero emissions.

Heidelberg Materials UK is an established leader in the use of alternative fuel resources which the Company uses as alternatives to finite natural raw materials and fossil fuels. In this way, the Company is helping to conserve resources and solve the problems associated with waste disposal faced by municipalities and industrial companies near its plants. At the same time, these efforts are also reducing its CO₂ emissions.

Aggregates, asphalt, and concrete play a vital role in infrastructure. the Company is working to decarbonise them by developing alternative binders to reduce the CO₂ intensity of concrete. It is committed to a functioning circular economy by focusing on resource efficiency, co-processing of waste materials and concrete recycling.

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Streamlined Energy and Carbon Reporting (continued)

The aggregates business has continued improvement in lean 5S activities and training. This includes the: switch from road to rail supply of major infrastructure projects from Machen and Tytherington quarry; electrification of diesel-powered water pumps in Central East Sand & Gravel operations; installation and commissioning of a new plant at Pateley Bridge improving safety and efficiency; capital infusion into Whatley fixed wash plant, eliminating the requirement of using contractor's diesel-powered wash plant; and implementation of sales and production planning process improving pit balance and reducing production of non-saleable materials.

The asphalt business line has completed commissioning of a replacement plant at Pateley Bridge and a new burner unit at Wigan to reduce energy consumption. Engineers have been participating in a collaborative project with EDF to use hydrogen as an alternative fuel at our Criggon site with modifications to plant and control systems to reduce carbon emissions.

The Concrete business line has commissioned a number of new plants at Sutton Courtenay, Teesport and York to achieve energy efficiency and manage carbon emissions.

Methodology Note

Reporting Period	January 2023 – December 2023
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Hanson Quarry Products Europe Limited's annual accounts made up to 31st December 2023
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2023 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023
Conversion factor source	Gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel: U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020 LPG: Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance Direct Emissions from Stationary Combustion Sources 2008
Calculation method	Activity Data x Emission Factor = GHG emissions (tCO ₂ e) Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. The percentage of the Hanson Quarry Products Europe Limited employee numbers of the total employee numbers (64.8%) is applied to the total transport diesel and petrol amount to estimate the company's usage. Diesel usage by forklift trucks is not yet tracked separately. An average 3.95 litre per hour consumption is assumed. Source: https://forkliftbriefing.com/save-money/the-forklift-fuel-robbery/ Based on experience an average of 2 hours per run time a day for all working days in the UK is estimated for 2 machines that work on sites. Less than 1% of the total electric power were based on estimated figures. The following estimation method was used: Value from the same month of the prior year.
Dual reporting approach	Dual reporting allows us to compare our purchasing decision (market-based approach – green electricity) to the overall GHG-intensity of the grid (location-based approach – grid electricity)
Amount of carbon free electricity (kWh) imported from the grid	84,291,939 kWh

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Streamlined Energy and Carbon Reporting (continued)

Information on carbon free electricity	The electricity supplied to Hanson Quarry Products Europe Limited by EDF for 01.01.2023 to 31.12.2023 has been generated from 100% carbon free (nuclear) sources, except for landlord consumption. Using the GHG Protocol Corporate Standards' market-based approach the above enables us to report "0" emissions under Scope 2.
Reason for the intensity measurement choice	For consistency, due to the cement market data order, turnover has been chosen for our intensity metric as the company is precluded by law from publishing production data. Turnover reflects business performance and following the recommendations of the SECR reporting guidance on financial metrics.
Exclusions	The Scope 3 transport fuels and the associated emissions were calculated in the first reporting year (2020) and were found to be de minimis. As the information is not practical to obtain routinely and is immaterial, we have excluded this category from our annual reporting. The usage of the truck fleet is non reportable as the company hires a franchise company.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%)

Directors' indemnity

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

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

Disclosure of information to auditors

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

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

Independent Auditors

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

This report was approved by the board on 27 September 2024 and signed on its behalf.



W F Rogers
Secretary

HANSON QUARRY PRODUCTS EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Responsibility Statement was approved by the board on 27 September 2024 and signed on its behalf.



W F Rogers
Secretary

Independent auditors' report to the members of Hanson Quarry Products Europe Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2023; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

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

- Testing the mathematical accuracy of the cash flow forecasts and the models;
- Performing a comparison of budget versus prior year actuals to assess management's ability to forecast accurately;
- Understanding the key assumptions management have applied in developing their forecasts and where appropriate, we engaged experts to assess management assumptions or validated the assumptions to third party information;
- Assessing the disclosure given in the financial statements in respect of going concern and whether it gives a fair and balanced view.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Reviewing meeting minutes of the board for evidence of breaches of regulations and further reviewing any relevant correspondence;

- Identifying and testing journal entries based on our risk assessment and evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud;
- Inquiring of management in respect of any known or suspected instances of non compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates and obtaining corroborative evidence to support their reasonableness.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
30th September 2024

HANSON QUARRY PRODUCTS EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Turnover	5	1,100,884	984,513
Change in stocks of finished goods and work in progress		(2,912)	5,908
Other operating income	6	31,716	25,534
Raw materials and consumables		(650,303)	(597,318)
Other operating expenses	7	(227,281)	(199,131)
Exceptional items	8	(288,871)	15,892
Staff costs	10	(139,724)	(126,854)
Depreciation and amortisation	15,17	(36,271)	(30,971)
Operating (loss)/profit		<u>(212,762)</u>	<u>77,573</u>
Income from shares in group undertakings		328,626	70,820
Interest receivable and similar income	12	36,906	18,090
Interest payable and similar expenses	13	(8,175)	(4,791)
Profit before tax		<u>144,595</u>	<u>161,692</u>
Tax on profit	14	(38,778)	(8,938)
Profit for the financial year		<u><u>105,817</u></u>	<u><u>152,754</u></u>
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit schemes	29	(28,804)	(140,166)
Movements on deferred tax relating to pension surplus	25	7,201	35,041
		<u>(21,603)</u>	<u>(105,125)</u>
Total comprehensive income for the year		<u><u>84,214</u></u>	<u><u>47,629</u></u>

All amount relate to continuing operations.

The notes on pages 35 to 70 and Appendix I form part of these financial statements.

HANSON QUARRY PRODUCTS EUROPE LIMITED
REGISTERED NUMBER: 00300002

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £000	As restated 2022 £000
Fixed assets			
Goodwill	16	5,117	5,117
Other intangible assets	15	217	443
Tangible assets	17	552,792	527,908
Investments	18	350,055	637,674
		<u>908,181</u>	<u>1,171,142</u>
Current assets			
Stocks	19	63,645	60,660
Debtors: amounts falling due after more than one year	20	485,034	509,436
Debtors: amounts falling due within one year	20	1,102,771	706,852
Cash at bank and in hand	21	13,386	10,225
		<u>1,664,836</u>	<u>1,287,173</u>
Creditors: amounts falling due within one year	22	<u>(520,275)</u>	<u>(515,009)</u>
Net current assets		1,144,561	772,164
Total assets less current liabilities		<u>2,052,742</u>	<u>1,943,306</u>
Creditors: amounts falling due after more than one year	23	<u>(70,811)</u>	<u>(66,770)</u>
		1,981,931	1,876,536
Provisions for liabilities			
Deferred taxation	25	(167,599)	(148,422)
Other provisions	26	(33,415)	(31,411)
		<u>(201,014)</u>	<u>(179,833)</u>
Net assets		<u><u>1,780,917</u></u>	<u><u>1,696,703</u></u>

HANSON QUARRY PRODUCTS EUROPE LIMITED
REGISTERED NUMBER: 00300002

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2023

	Note	2023 £000	As restated 2022 £000
Capital and reserves			
Called up share capital	27	51,917	51,917
Revaluation reserve	28	195,297	195,297
Other reserves	28	4,650	4,650
Profit and loss account	28	1,529,053	1,444,839
Total equity		<u>1,780,917</u>	<u>1,696,703</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2024.



A Quilez Somolinos
Director

See note 4 for details of the prior year restatement.

The notes on pages 35 to 70 and Appendix I form part of these financial statements.

HANSON QUARRY PRODUCTS EUROPE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2023	51,917	195,297	4,650	1,444,839	1,696,703
Comprehensive income for the year					
Profit for the year	-	-	-	105,817	105,817
Actuarial losses on pension scheme asset net of deferred taxation	-	-	-	(21,603)	(21,603)
Other comprehensive expense for the year	-	-	-	(21,603)	(21,603)
Total comprehensive income for the year	-	-	-	84,214	84,214
At 31 December 2023	51,917	195,297	4,650	1,529,053	1,780,917

The notes on pages 35 to 70 and Appendix I form part of these financial statements .

HANSON QUARRY PRODUCTS EUROPE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2022	51,917	195,297	4,650	1,397,210	1,649,074
Comprehensive income for the year					
Profit for the year	-	-	-	152,754	152,754
Actuarial losses on pension scheme asset net of deferred taxation	-	-	-	(105,125)	(105,125)
Other comprehensive expense for the year	-	-	-	(105,125)	(105,125)
Total comprehensive income for the year	-	-	-	47,629	47,629
At 31 December 2022	51,917	195,297	4,650	1,444,839	1,696,703

The notes on pages 35 to 70 and Appendix I form part of these financial statements .

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- 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.

This information is included in the consolidated financial statements of Heidelberg Materials AG as at 31 December 2023 and these financial statements may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the goods or services have transferred to the customer and the customer has the control of these. The following criteria must also be met before revenue is recognised:

Sale of goods

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

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

Construction contracts

Revenue from sale of contracting is recognised over time as the work is performed. In this case control is transferred to the customer over time. Revenue is recognised on a cost plus basis (incurred cost plus fee) or schedule of rates basis (work physically completed multiplied by rates).

Contract revenue

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.3 Revenue (continued)

Contract costs

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

The Company will not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between transfer of goods or services and the receipt of payment will be one year or less.

The Company may recognise the incremental costs of obtaining a contract as an expense when incurred, if the expected amortisation period is one year or less.

2.4 Going concern

The Directors have performed an assessment on the ability of the Company to operate on a going concern basis. This includes an assessment of the Company's financial position, Heidelberg Materials UK's divisional cash flow forecasts up to December 2025 and other relevant enquiries, including the on-going impact of the Ukraine and Middle East crises, political uncertainties, the volatility in energy and raw materials markets, continuing inflationary pressures, high interest rates and the overarching impact these factors have on construction and consumer markets, as well as consideration of identifiable risks made by the ultimate parent undertaking, Heidelberg Materials AG, on their global business activities. The ultimate parent undertaking continues to operate on a going concern basis.

The Directors continue to see ongoing demand for the Company's products and have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future having considered the risks and uncertainties that are relevant to both the Company and its ultimate parent undertaking and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.5 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on computer software which is not deemed to be integral to the computer hardware is capitalised at cost and amortised on a straight line basis over its economic life.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.5 Other intangible assets (continued)

Options to acquire freehold / leasehold mineral bearing land are capitalised and amortised over the period of the option. Upon exercise any remaining unamortised balance will be treated as the asset acquisition cost.

The carrying value of intangible fixed assets is reviewed annually for impairment. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.

The useful economic lives of intangible assets range from 1 to 6 years.

2.6 Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. The UK Companies Act requires goodwill to be reduced by provisions for depreciation of a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a “true and fair view override” to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

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

2.7 Tangible fixed assets

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- up to 50 years
Long term Leasehold Property	- over the life of the lease
Plant and machinery	- 4 - 30 years
Mineral resources	- Based on the tonnage of the material extracted during the year

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

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

2.8 Government grants

Government and similar grants received for the acquisition of assets are recognised only when there is reasonable assurance that they will be received and any conditions attached to them have been fulfilled. The grant is held in the Balance Sheet within deferred income and released to the Statement of Comprehensive Income over the periods necessary to match the related depreciation charges or other expenses of the asset as they are incurred.

2.9 Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less provision for impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Financial instruments

Financial assets

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

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

The Company's financial assets include cash, trade and other receivables, and amounts due from group undertakings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.11 Financial instruments (continued)

Debt instruments at fair value through profit or loss

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

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

Debt instruments at amortised cost

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

Impairment of financial assets

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.11 Financial instruments (continued)

Impairment of financial assets (continued)

- If objective evidence of impairment exists, a loss allowance for full lifetime expected credit losses is recognised. Any interest revenue is calculated on the net carrying amount of the financial asset.

Financial liabilities

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

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

Fair value through profit or loss

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

At amortised cost

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

Offsetting of financial instruments

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.13 Pensions

The Company participates in the Hanson Industrial Pension Scheme, which is of the funded defined benefit type that share risks between entities which are under common control. Funds are held externally under the supervision of the corporate trustee.

Management has determined that no contractual agreement or stated policy exists for charging to individual group entities the net defined benefit cost for the plans as a whole measured in accordance with IAS 19 'Employee Benefits', as a result, the net defined benefit cost is recognised in these financial statements as the Company bears the risks relating to the plans and is considered the principal sponsoring employer.

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

2.14 Emission allowances

Emission rights are shown as inventories. Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost using the moving average method and are subject to write-down in the event of impairment. Provisions for the obligation to return emission rights are recognised if the actual CO₂ emissions up to reporting date are not covered by emission rights granted free of charge. The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.15 Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of rectification, repairs and rationalisation are charged against profits when required. The effect of the time value of money is not material and therefore the provisions are not discounted.

2.16 Restoration provision

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

The Company's accounting policy is to make a provision on a discounted basis to return a quarry site to a decontaminated, cleared and improved site and to make provision to restore the present extracted areas to currently anticipated after use. The unwinding of discounts relating to restoration are expensed to the Statement of Comprehensive Income and included in interest payable.

2.17 Current and deferred taxation

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.17 Current and deferred taxation (continued)

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

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

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

2.18 Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of their nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

2.19 Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

2.20 Exploration for and Evaluation of Mineral Resources

All costs associated with exploration and evaluation of mineral resources as well as the research phase, are expensed to the Statement of Comprehensive Income as incurred. Property, plant and equipment that is acquired in the exploration, evaluation phase or development phase which can then be further utilised within the business irrespective of the outcome of the exploration, evaluation or development phase is capitalised and depreciated over its useful economic life.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.22 Leases

The Company as a lessee

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

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

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

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

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.22 Leases (continued)

subsequently measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

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

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

Restoration and environmental provisions

Provisions for damages and environmental obligations are measured on the basis of an extrapolation of the claims and estimates of the development of costs. A change in the influencing parameters may have an impact on the Statement of Comprehensive Income as well as the amounts recognised in the Balance Sheet. The recognition and measurement of the other provisions are based on estimates of the probabilities of future outflow of resources and on the basis of empirical values and the circumstances known at the reporting date. The actual outflow of resources may differ from the outflow of resources expected at the reporting date and may have an impact on the recognition and measurement. Further explanations on provisions can be found in note 25.

Impairment of goodwill and other non-current assets

A cash flow-based method in accordance with IAS 36 (Impairment of Assets) is used to determine the recoverable amount of cash-generating units as part of the impairment test for goodwill and other non-current assets. In particular, estimates are required in relation to future cash flows of the groups of cash-generating units as well as to the discount rates used (discounted cash flow method).

- Cash flow estimates extend over a five-year planning period, after which a terminal value is applied. A three-year detailed bottom-up operational plan approved by the Directors forms the basis for these estimates.
- The sales volumes derived from the demand are generally based on the latest industry estimates and assumption of constant market shares.
- Variable costs are assumed to evolve in line with the projected development of sales volumes and

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Judgements in applying accounting policies (continued)

prices.

- In view of the volatility in the energy markets, we expect high energy costs in the year ahead which will ease again over the course of the planning horizon.

- The variables used in the WACC calculation are the risk-free rate, market risk premium, volatility (levered and unlevered beta) and the gearing ratio. The credit spread as premium to the risk-free rate was derived from the rating of the homogenous peer group. The peer group is subjected to an annual review and adjusted if necessary. The following rates were used in the impairment test.

	2023	2022
Weighted average cost of capital before taxes	10.83%	10.64%
Perpetual growth rate	2%	2%

A change in the influencing factors may have a significant impact on the existence or amount of impairment losses. Explanations concerning the composition of the carrying amount of goodwill and other non-current assets and the impairment tests are provided in note 15 and note 16 respectively.

Impairment of investments

The Company reviews investments in subsidiaries and other investments for impairment if there are any indications that the carrying values may not be recoverable. The carrying value of the investment is compared to the recoverable amount and where a deficiency exists, an impairment charge is considered by management.

The recoverable amount represents the net assets of the investment at the time of the review or where applicable is represented by an estimate of future cash flows expected to arise from the investment. A suitable discount rate is applied to the future cash flows in order to calculate the present value.

Reversals of impairments are recognised where there is a favourable change in the economic assumptions in the period since the provision was made.

Recoverability of amounts owed by group undertakings

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

Estimating the defined benefit pension scheme obligations

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate. See note 28 for further details.

4. Prior period adjustment

The prior year figure for the defined benefit pension scheme asset has been reclassified to comply with Companies Act requirements from fixed assets to current assets to be presented under Debtors and since the amount is material Debtors: amounts falling due after more than one year are now presented as a separate Financial Statement Line Item. This has changed the amount of fixed assets and current assets by £508,363,000. This adjustment has not affected the value of the asset or the net assets of the Company.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5. Turnover

Turnover is attributable to the continuing activity of the supply of building materials and services to the construction industry.

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Sale of goods	979,717	884,971
Rendering of services	121,167	99,542
	<u>1,100,884</u>	<u>984,513</u>

All turnover arose within the United Kingdom.

Timing of revenue recognition:

	2023 £000	2022 £000
Goods and services transferred at a point in time	979,717	884,971
Goods and services transferred over time	121,167	99,542
	<u>1,100,884</u>	<u>984,513</u>

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The amount of revenue recognised in 2023 from performance obligations satisfied (or partially satisfied) in previous year is £nil (2022 - £nil).

The amount of revenue recognised in 2023 that was included in the contract liability balance at the beginning of the year is £1,908,000 (2022 - £2,530,000).

6. Other operating income

	2023 £000	2022 £000
Other operating income	15,969	15,008
Net rents receivable	4,704	2,453
Profit on disposal of tangible assets	10,972	7,955
Foreign exchange gains	71	118
	<u>31,716</u>	<u>25,534</u>

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

7. Other operating expenses

	2023	2022
	£000	£000
Distribution expenses	166,409	139,703
Selling and administrative expenses	679	593
Expenses for third party repairs and services	12,090	13,236
Rental and leasing expenses	12,992	10,859
Loss on disposal of tangible fixed assets	1,355	1,480
Other taxes	136	107
Foreign exchange losses	113	325
Other expenses	33,507	32,828
	<u>227,281</u>	<u>199,131</u>

8. Exceptional items

	2023	2022
	£000	£000
Restructuring costs	629	-
Impairment of tangible fixed assets	3,142	2,753
Impairment reversal of tangible fixed assets	(2,519)	(26,296)
Impairment of fixed asset investment	287,619	7,651
	<u>288,871</u>	<u>(15,892)</u>

During the year an assessment of the impact of changing market conditions on the business was undertaken and as a result an impairment of tangible fixed assets of £3,142,000 was made. In addition, £2,519,000 of the impairment of tangible fixed assets made in previous years was reversed.

During the year, the Company impaired its investment in Hanson Building Materials Europe Limited by £287,619,000 to bring the carrying value in line with the underlying net assets following the receipt of dividends totalling £308,616,000. Net assets have been used as an approximation of the fair value less costs of disposal. In the prior year, the Company had impaired this investment by £7,651,000.

In the prior year management identified some sites which were impacted by weakening local market conditions and an impairment of tangible fixed assets of £2,753,000 was made. In addition, £26,296,000 of the previous impairment of tangible fixed assets was reversed.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

9. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2023 £000	2022 £000
Audit services	750	660
Other services	2	2
	<u>752</u>	<u>662</u>

Fees for audit services include costs incurred on behalf of other group undertakings. It is not practicable to ascertain what proportion of such fees relate to other group undertakings.

10. Staff costs

Staff costs were as follows:

	2023 £000	2022 £000
Wages and salaries	112,873	107,061
Social security costs	12,030	11,153
Cost of defined benefit pension scheme	1,895	2,739
Cost of defined contribution pension scheme	12,926	5,901
	<u>139,724</u>	<u>126,854</u>

Included within wages and salaries above is a charge of £1,291,000 (2022 - £418,000) in relation to the Heideberg Materials AG Long Term Incentive Plan (LTIP).

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

10. Staff costs (continued)

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

	2023	2022
	No.	No.
Production and distribution	1,034	1,106
Administrative and sales	1,147	1,153
	<u>2,181</u>	<u>2,259</u>

11. Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	3,167	2,825
Company contributions to defined contribution pension schemes	104	85
	<u>3,271</u>	<u>2,910</u>

During the year retirement benefits were accruing to 7 Directors (2022 - 7) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £830,000 (2022 - £798,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £9,000 (2022 - £9,000).

The Directors of the Company are also directors of a number of the group's fellow subsidiaries.

12. Interest receivable and similar income

	2023	2022
	£000	£000
Net interest on defined benefit pension asset	<u>36,906</u>	<u>18,090</u>

13. Interest payable and similar expenses

	2023	2022
	£000	£000
Other interest payable	<u>8,175</u>	<u>4,791</u>

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. Current and deferred taxation

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	11,153	204
Adjustments in respect of previous periods	1,247	-
Total current tax	<u>12,400</u>	<u>204</u>
Deferred tax		
Origination and reversal of timing differences	12,237	22,455
Adjustments in respect of previous periods	14,141	(13,721)
Total deferred tax	<u>26,378</u>	<u>8,734</u>
Taxation on profit on ordinary activities	<u>38,778</u>	<u>8,938</u>

Reconciliation of the tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 23.5% (2022 - 19%). The differences are explained below:

	2023 £000	2022 £000
Profit on ordinary activities before tax	<u>144,595</u>	<u>161,692</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022 -19%)	33,980	30,721
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	67,689	1,228
Changes to tax rates	734	5,389
Adjustments to tax charge in respect of prior periods	15,388	(13,721)
Book profit on chargeable assets	(2,396)	(1,387)
Capital gains	3,273	961
Dividends from UK companies	(77,227)	(13,456)
Tax losses not recognised in deferred tax	(2,241)	-
Group relief	(3,758)	(1,321)
Transfer pricing adjustments	3,336	524
Total tax charge for the year	<u>38,778</u>	<u>8,938</u>

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. Current and deferred taxation (continued)

Change in corporation tax rate

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

15. Intangible assets

	Computer software £000	Other intangible assets £000	Total £000
Cost			
At 1 January 2023	15,133	131	15,264
Intra-group transfers	695	-	695
Disposals	(3,438)	-	(3,438)
At 31 December 2023	<u>12,390</u>	<u>131</u>	<u>12,521</u>
Amortisation			
At 1 January 2023	14,727	94	14,821
Charge for the year on owned assets	226	-	226
On disposals	(2,743)	-	(2,743)
At 31 December 2023	<u>12,210</u>	<u>94</u>	<u>12,304</u>
Net book value			
At 31 December 2023	<u>180</u>	<u>37</u>	<u>217</u>
At 31 December 2022	<u>406</u>	<u>37</u>	<u>443</u>

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. Goodwill

	2023 £000
Cost	
At 1 January 2023 and 31 December 2023	8,401
Accumulated impairment	
At 1 January 2023 and 31 December 2023	3,284
Net book value	
At 31 December 2023	5,117
At 31 December 2022	5,117

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a "true and fair view override" to overcome the prohibition for the non-amortisation of goodwill required by the Companies Act. Had the Company amortised goodwill, a period of 20 years would have been chosen as its useful economic life. There would have been no impact on the profit for the year (2022 - £872,000 lower) as the goodwill would have been fully amortised due to the passage of 20 years had goodwill been amortised on this basis.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. Tangible fixed assets

	Property and mineral resources £000	Plant and machinery £000	ROU Property and Mineral Resources £000	ROU Plant and Machinery £000	Total £000
Cost or valuation					
At 1 January 2023	547,186	536,779	88,120	47,737	1,219,822
Additions	7,186	38,167	10,543	7,844	63,740
Disposals	(2,129)	(16,952)	(6,714)	(16,323)	(42,118)
Transfers between classes	138	(833)	-	-	(695)
At 31 December 2023	<u>552,381</u>	<u>557,161</u>	<u>91,949</u>	<u>39,258</u>	<u>1,240,749</u>
Depreciation					
At 1 January 2023	276,690	348,095	28,496	38,633	691,914
Charge for the year on owned assets	6,159	16,289	-	-	22,448
Charge for the year on right- of-use assets	-	-	5,456	8,141	13,597
Disposals	(2,106)	(15,726)	(6,606)	(16,187)	(40,625)
Impairment charge	1,309	1,833	-	-	3,142
Impairment losses written back	-	(2,519)	-	-	(2,519)
At 31 December 2023	<u>282,052</u>	<u>347,972</u>	<u>27,346</u>	<u>30,587</u>	<u>687,957</u>
Net book value					
At 31 December 2023	<u>270,329</u>	<u>209,189</u>	<u>64,603</u>	<u>8,671</u>	<u>552,792</u>
At 31 December 2022	<u>270,496</u>	<u>188,684</u>	<u>59,624</u>	<u>9,104</u>	<u>527,908</u>

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. Tangible fixed assets (continued)

The net book value of property and mineral resources may be further analysed as follows:

	2023 £000	2022 £000
Freehold land and buildings	228,823	227,278
Leasehold property	41,506	43,218
	<u>270,329</u>	<u>270,496</u>

In accordance with IAS 36 'Impairment of Assets' the carrying values of the Company's assets at 31 December 2023 have been compared to their recoverable amounts, represented by their value in use to the Company.

The historical cost of mineral bearing land shown at valuation amounts to £192,762,000 as at 31 December 2023 (2022 - £185,818,000) and the accumulated depreciation thereon would have been £179,903,000 (2022 - £170,569,000).

Mineral bearing land was revalued internally, on an open market value for existing use basis on 1 July 1989 by a professionally qualified surveyor.

The net book value of assets held at valuation was £243,824,000 as at 31 December 2023 (2022 - £241,345,000). Total cost and valuation as at 31 December 2023 was £496,743,000 (2022 - £489,800,000). Accumulated depreciation at 31 December 2023 was £252,919,000 (2022 - £248,455,000).

Plant and machinery includes £29,120,000 (2022 - £41,398,000) in respect of assets in the course of construction.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

18. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2023	2,365,362
At 31 December 2023	<u>2,365,362</u>
Impairment	
At 1 January 2023	1,727,688
Charge for the period	287,619
At 31 December 2023	<u>2,015,307</u>
Net book value	
At 31 December 2023	<u>350,055</u>
At 31 December 2022	<u>637,674</u>

During the year, the Company impaired its investment in Hanson Building Materials Europe Limited by £287,619,000 to bring the carrying value in line with the underlying net assets. Net assets have been used as an approximation of the fair value less costs of disposal. In the prior year, the Company had impaired this investment by £7,651,000 following the receipt of dividends totalling £308,616,000.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

18. Fixed asset investments (continued)

Subsidiary undertakings

The investments in which the Company directly held any class of share capital are as follows:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Cumbrian Industrials Limited	England and Wales	Ordinary	100%	Group finance and property holding company
Habfield Limited	England and Wales	Deferred Ordinary	100%	Property rental
Hanson Building Materials Europe Limited	England and Wales	A Ordinary	100%	Investment holding company
Midland Quarry Products Limited	England and Wales	B Ordinary A Ordinary	100% 100%	Aggregates and asphalt production
Charterneed Limited	England and Wales	B Ordinary C Ordinary Ordinary	100% 100% 100%	Investment holding company

The registered office of all investments is Second Floor, Arena Court, Crown Lane, Maidenhead, Berkshire, SL6 8QZ.

A full listing of indirectly held investments is presented within Appendix I.

19. Stocks

	2023 £000	2022 £000
Raw materials and consumables	16,444	15,465
Finished goods and goods for resale	47,201	45,195
	<u>63,645</u>	<u>60,660</u>

Replacement costs of stock

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

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

20. Debtors

	2023	As restated
	£000	2022
		£000
Due after more than one year		
Defined benefit pension scheme asset (see note 29)	483,977	508,363
Other debtors	576	487
Amounts recoverable on long-term contracts	481	586
	<u>485,034</u>	<u>509,436</u>
	<u><u>485,034</u></u>	<u><u>509,436</u></u>
	2023	As restated
	£000	2022
		£000
Due within one year		
Trade debtors	49,744	59,328
Amounts owed by group undertakings	995,105	597,967
Other debtors	29,252	18,257
Prepayments and accrued income	17,090	24,298
Amounts recoverable on long-term contracts	11,580	7,002
	<u>1,102,771</u>	<u>706,852</u>
	<u><u>1,102,771</u></u>	<u><u>706,852</u></u>

See note 4 for details of the prior year restatement.

Included within amounts owed by group undertakings is an amount of £397,793,000 (2022 - £251,759,000) which accrues interest at SONIA.

The remaining amounts owed by group undertakings are interest free. All amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Amounts recoverable on contracts comprise:

	2023	2022
	£000	£000
Recorded contract turnover	192,233	159,550
Less: payments on account	(180,172)	(151,962)
	<u>12,061</u>	<u>7,588</u>
	<u><u>12,061</u></u>	<u><u>7,588</u></u>

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

20. Debtors (continued)

In respect of long term construction contracts in progress at the balance sheet date:

	2023 £000	2022 £000
Contract costs incurred to date	16,723	22,044
Recognised losses to date	-	-
Contract retentions	-	-
	<u>16,723</u>	<u>22,044</u>

21. Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	13,386	10,225
	<u>13,386</u>	<u>10,225</u>

22. Creditors: Amounts falling due within one year

	2023 £000	2022 £000
Contract liabilities	10,341	8,050
Trade creditors	142,205	113,067
Amounts owed to group undertakings	293,625	317,536
Corporation tax	4,978	204
Other taxation and social security	1,803	714
Lease liabilities	8,635	9,838
Other creditors	37,287	38,549
Accruals and deferred income	21,401	27,051
	<u>520,275</u>	<u>515,009</u>

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

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

	2023 £000	2022 £000
Lease liabilities	70,634	66,426
Other creditors	177	344
	<u>70,811</u>	<u>66,770</u>

Creditors falling due after more than one year include amounts falling due as follows:

	2023 £000	2022 £000
Between one to five years	23,937	22,995
After five years	46,874	43,775
	<u>70,811</u>	<u>66,770</u>

24. Leases

Company as a lessee

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

Lease liabilities are due as follows:

	2023 £000
Not later than one year	8,635
Between one and five years	23,937
Later than five years	46,697
	<u>79,269</u>

During the year, the total interest expense incurred on leases is £2,444,000 (2022 - £2,283,000) and the total payments in respect of leases is £15,231,000 (2022 - £16,716,000).

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

25. Deferred taxation

	2023	2022
	£000	£000
At beginning of year	(148,422)	(174,729)
Charged to Statement of Comprehensive Income	(26,378)	(8,734)
Credited/(charged) to other comprehensive income	7,201	35,041
At end of year	(167,599)	(148,422)

	2023	2022
	£000	£000
Accelerated capital allowances	(44,165)	(29,068)
Other temporary differences	(2,440)	7,737
Deferred tax on defined benefit pension	(120,994)	(127,091)
	(167,599)	(148,422)

Deferred tax has been recognised at 25% (2022 - 25%), being the enacted main rate of corporation tax at the balance sheet date on which the deferred tax liability is expected to be settled.

A potential deferred tax asset of £9,535,000 (2022 - £Nil) in respect of tax losses carried forward has not been recognised as it is uncertain whether relevant taxable profits to offset these losses would arise in future periods.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

26. Provisions

	Other £000	Restoration and environment £000	Total £000
At 1 January 2023	8,066	23,345	31,411
Charged to profit or loss	5,104	3,990	9,094
Utilised in year	(2,729)	(4,361)	(7,090)
At 31 December 2023	10,441	22,974	33,415

Other

Other provisions include amounts committed in respect of redundancy and other restructuring costs and provisions for rectification works where instances of defective supply have been notified. The provisions are expected to be utilised within 3 years.

Restoration & environmental

Restoration and environmental provisions relate mainly to the costs of restoring quarries and other sites after use as required by legal or other constructive requirements. Restoration and environmental provisions will be utilised as and when mineral reserves at the Company's quarries are extinguished, which can last from 6 months up to 60 years.

Provisions for terminal restoration have been discounted at 3.99% (2022 - 4.02%) per annum on current prices and where appropriate have been established after taking account of the advice of suitably qualified and experienced consultants and after establishing the costs in line with current practice and standards. All amounts greater than 12 months are discounted.

27. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
103,833,567 (2022 - 103,833,567) ordinary shares of £0.50 each	51,917	51,917

The Company has no authorised share capital limit.

28. Reserves

Revaluation reserve

The revaluation reserve represents the excess of the fair value of land and buildings over cost. As of 2017 no transfer has been performed between the revaluation reserve and the profit and loss account as it is not a mandatory requirement.

Other reserves

Other reserves includes a capital reserve which represents amounts received from Hanson Trustees Limited for the purpose of paying future liabilities relating to the closure of employee share schemes.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. Pension commitments

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

The results of the latest funding valuation at 31 December 2021 have been adjusted to the balance sheet date by an independent actuary from AON Hewitt Limited taking account of experience over the period since 31 December 2021, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

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

The assets and liabilities of the Scheme are recognised in the financial statements of the Company and the balances at 31 December were:

	2023	2022
	£000	£000
Scheme assets at fair value		
Cash and cash equivalents	34,680	31,854
Equity	143,443	160,643
Interest rate swaps	48	689
Nominal government bonds	565,216	385,207
Nominal corporate bonds	121,984	95,825
Index linked bonds	623,376	836,080
Real estate	92,329	95,367
Insurance policies	5,563	6,681
	<hr/>	<hr/>
Fair value of Scheme assets	1,586,639	1,612,346
Present value of Scheme Liabilities	(1,102,662)	(1,103,983)
	<hr/>	<hr/>
Defined benefit Scheme assets	<u>483,977</u>	<u>508,363</u>

Scheme assets can be further disaggregated as:

Equity

- Investment of £46,039,000 is in a pooled investment world equity fund with inputs based on indirectly observable quoted prices
- Investment of £97,404,000 is in a pooled investment infrastructure equity fund with inputs that are unobservable.

Interest rate swaps

- Interest rate swaps have inputs that are unobservable.

Real estate

- Investments in property funds are unlisted and the inputs are unobservable.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. Pension commitments (continued)

The value of the “buy-in” insurance policies held in the name of the Trustee has been set equal to the value of the matched liabilities.

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

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

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

Included within the Statement of Comprehensive Income

	2023 £000	2022 £000
Expected return on Scheme assets	(75,238)	(45,680)
Interest on pension liabilities	51,295	32,901
	<hr/>	<hr/>
Included within other finance expense	(23,943)	(12,779)
Current service cost	1,895	2,739
Administrative expenses	1,408	1,375
	<hr/>	<hr/>
Total	<u>(20,640)</u>	<u>(8,665)</u>

Included within Other Comprehensive (expense)/income

	2023 £000	2022 £000
Actuarial loss on Scheme assets	12,635	675,653
Actuarial loss/(gain) on Scheme liabilities	16,169	(535,487)
	<hr/>	<hr/>
Net loss on Scheme	<u>28,804</u>	<u>140,166</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

29. Pension commitments (continued)

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

	2023	2022
	%	%
Rate of salary increases*	3.05	3.10
Rate of increase in pension payments LPI 5%	2.88	2.97
Discount rate	4.55	4.80
RPI inflation assumption	3.05	3.20
CPI inflation assumption	2.55	2.60

* For 2023 this reflects CPI inflation + 0.5% p.a. (2022 - CPI inflation + 0.5% p.a.).

The mortality assumptions are based on recent actual mortality experience of members within the Scheme with an allowance for future improvements. The assumptions mean that a member currently aged 65 is expected to live on average for a further 20.9 years if they are male (2022 - 21.1 years) and for a further 22.9 years if they are female (2022 - 23.1 years).

For a member who retires in 2044 (2022 - 2043) at the age of 65 the assumptions are that they will live on average for a further 21.9 years after retirement if they are male (2022 - 22.1 years), and for a further 24.1 years after retirement if they are female (2022 - 24.3 years).

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

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase / decrease 0.5%	Decrease 5% / increase 6%
Rate of pension increase	Increase / decrease 0.25%	Increase 2% / decrease 3%
Life expectancy	Increase / decrease 1 year	Increase 4% / decrease 4%

The assumption on discount rate for sensitivity analysis has been changed from 1% to 0.5% following the the insignificant movement in discount rate during the year.

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

	2023	2022
	£000	£000
Opening defined benefit obligation	1,103,983	1,686,298
Current service cost	1,895	2,739
Interest cost	51,295	32,901
Actuarial loss /(gain) on Scheme liabilities	16,169	(535,487)
Net benefits paid out	(70,680)	(82,468)
Closing defined benefit obligation	<u>1,102,662</u>	<u>1,103,983</u>

The actuarial loss on Schemes liabilities can be broken down into effects from the adjustment of financial assumptions resulting in a loss of £22,722,000 (2022 - £516,127,000 gain), effects from experience adjustments resulting in a loss of £9,726,000 (2022 - £8,974,000), and effects from changes in demographic assumptions resulting in a gain of £16,279,000 (2022 - £28,334,000).

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. Pension commitments (continued)

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

	2023 £000	2022 £000
Opening fair value of Scheme assets	1,612,346	2,325,635
Expected return on Scheme assets	75,238	45,680
Administrative expenses paid by the Scheme	(1,408)	(1,375)
Actuarial losses on Scheme assets	(12,635)	(675,653)
Contributions (paid) / received by the employers	(16,222)	527
Net benefits paid out	(70,680)	(82,468)
	<u>1,586,639</u>	<u>1,612,346</u>
Closing fair value of Scheme assets	<u>1,586,639</u>	<u>1,612,346</u>

Amounts for the current and previous four years:

	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000
Fair value of Scheme assets	1,586,639	1,612,346	2,325,635	2,380,513	2,247,904
Defined benefit obligation	(1,102,662)	(1,103,983)	(1,686,298)	(1,865,761)	(1,686,834)
	<u>483,977</u>	<u>508,363</u>	<u>639,337</u>	<u>514,752</u>	<u>561,070</u>
Surplus in Scheme	<u>483,977</u>	<u>508,363</u>	<u>639,337</u>	<u>514,752</u>	<u>561,070</u>
Experience (losses)/gains on Scheme assets	(12,635)	(675,653)	(892)	182,621	151,897
Experience (losses)/gains on Scheme liabilities *	(9,726)	(8,974)	(6,117)	17,984	2,818
	<u>(9,726)</u>	<u>(8,974)</u>	<u>(6,117)</u>	<u>17,984</u>	<u>2,818</u>

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

UK legislation requires that pension schemes are funded prudently. The latest funding valuation as at 31 December 2021 was agreed on 22 December 2022. The valuation showed a surplus of £358,500,000, therefore no deficit recovery contributions are required. As part of the valuation it has been agreed that the Company will pay no contributions in respect of death in service, incapacity retirement and redundancy retirement benefits. Expenses, including levies payable to the Pensions Protection Fund (PPF) are met out of the Scheme assets. The next funding valuation is due with an effective date no later than 31 December 2024.

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. Pension commitments (continued)

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

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

The Company also participates in the Hanson Industrial Pension Scheme (Defined Contribution Section). The charge to the Statement of Comprehensive Income in respect of this section of the Scheme was £12,926,000 (2022 - £5,901,000). Contributions in relation to the Defined Contributions Section are met from the Scheme's surplus. The forecast contributions payable for the year ending 31 December 2024 from the Scheme's surplus are expected to be £16,800,000.

At the year end, there were unpaid defined benefit pension contributions of £nil (2022 - £nil) and unpaid defined contribution pension contributions of £2,388,000 (2022 - £2,097,000) included in other creditors.

The Company recognises the Scheme surplus in accordance with the requirements of IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The Trustee of the Scheme does not have the unilateral right to commence wind-up of the Scheme. Thus, the Company assumes that the Scheme continues in existence until the last benefit payments are made to members, at which point any residual assets are returned to the employer in line with the rules of the Scheme.

The Company understands that the IASB's proposed amendments to IFRIC 14 have been withdrawn and as such the treatment outlined in the paragraph above remains appropriate.

30. Contingent liabilities

Guarantees relating to performance bonds on certain construction supply contracts and financial commitments of haulage contractors made in the normal course of business, which are not expected to crystallise amounted to £5,587,000 (2022 - £5,587,000).

The Company has been notified of a number of claims from former employees in relation to alleged health related issues. The Directors do not consider it probable that a material outflow of economic resources will be required to settle the obligation nor can the amount of any obligation be measured with sufficient reliability.

31. Capital commitments

At 31 December the Company had capital commitments as follows:

	2023	2022
	£000	£000
Contracted for but not provided in these financial statements	146	146

HANSON QUARRY PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

32. Commitments under operating leases

At 31 December the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023	2022
	£000	£000
Not later than 1 year	249	379

33. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with wholly owned subsidiaries in the group headed by Heidelberg Materials AG. Balances outstanding at 31 December with related parties, are as follows:

	2023	2022
	£000	£000
Amounts owed by ultimate parent undertaking	397,793	251,759
Amounts owed by indirect/direct parent undertakings	328,380	328,380
Amounts owed by indirect/direct subsidiary undertakings	24,131	8,596
Amounts owed by fellow group subsidiary undertakings	244,801	9,232
Amounts owed to indirect/direct subsidiary undertakings	(126,381)	(116,183)
Amounts owed to fellow group subsidiary undertakings	(167,244)	(201,353)
	<u>701,480</u>	<u>280,431</u>

34. Post balance sheet events

In January 2024, the Company offset £20,753,000 of its intercompany receivable from Hanson Quarry Products Ventures Limited against its liability of £20,753,000 to Hanson Quarry Products Ventures Limited to fully settle its debt.

In January 2024, the Company assigned £134,584,000 of its intercompany receivable due from Hanson Limited to Houserate Limited to fully settle its liability.

In May 2024, the Company completed the purchase of the share capital of Mick George Limited together with its subsidiaries, as part of the Company's strategy to meet its sustainability commitments to progressively move to a more circular business model. The purchase price for the transaction, which is subject to purchase price adjustments totals £172,306,000. To facilitate completion of the acquisition of Mick George Limited the Company also divested five concrete sites and two quarries. Subsequently, the Company subscribed for a loan note issued by Mick George Limited for £70,000,000 to refinance bank borrowings and provide Mick George and its subsidiaries with working capital.

In May 2024, the Company also purchased the share capital of Briston & Avon Group Limited and Balla Homes Ltd, to provide the Company with access to additional high quality recycled materials to bolster the Company's source of sustainable business materials. The purchase price for the transaction, which is subject to purchase price adjustments totals £50,582,000 and consists of a cash payment of £49,082,000 and a liability for contingent consideration with a fair value of £1,500,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

34. Post balance sheet events (continued)

The Company is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case, including the 2024 court of appeal ruling published on 25 July 2024, which ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation. Although the appeal upheld the original ruling, there remain significant areas of uncertainty and, in particular, there is the potential for Department for Work and Pensions intervention. As a result, the Company and Trustees cannot at this stage be certain of the potential implications (if any) and therefore no allowance for this case has been made in calculating the defined benefit obligation at the reporting date.

35. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is UDS (No 10), a company registered in England and Wales. The Company's ultimate parent undertaking is Heidelberg Materials AG, a company registered in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by Heidelberg Materials AG. Copies of the consolidated financial statements of Heidelberg Materials AG may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.

HANSON QUARRY PRODUCTS EUROPE LIMITED

APPENDIX I – LISTING OF INDIRECT SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS AT 31 DECEMBER 2023

Name	Country of incorporation	Group ownership %	Registered office
A.R.C. (Western) Limited	England and Wales	100	*
A1 Services (Manchester) Limited	England and Wales	100	*
ARC Concrete (Anglia) Limited	England and Wales	100	*
ARC South Wales Limited	England and Wales	100	*
ARC South Wales Mortar Limited	England and Wales	100	*
ARC South Wales Quarries Limited	England and Wales	100	*
ARC South Wales Surfacing Limited	England and Wales	100	*
Cloughton Manor Brick Limited (The)	England and Wales	100	*
Drew Group Holdings Limited	England and Wales	49	Caird Avenue, BH25 5PX New Milton, United Kingdom
F.C. Precast Concrete Limited	England and Wales	100	*
Hanson Aggregates Marine Limited	England and Wales	100	*
Hanson Aggregates South Wales Holdings Limited	England and Wales	100	*
Hanson Aggregates South Wales Limited	England and Wales	100	*
Hanson Bath and Portland Stone Limited	England and Wales	100	*
Hanson Blocks North Limited	England and Wales	100	*
Hanson Building Products (2003) Limited	England and Wales	100	*
Hanson Concrete Products Limited	England and Wales	100	*
Hanson Crewing Services Limited	England and Wales	100	*
Hanson Facing Bricks Limited	England and Wales	100	*
Hanson Marine Holdings Limited	England and Wales	100	*
Hanson Marine Limited	England and Wales	100	*
Hanson Quarry Products Holdings Limited	England and Wales	100	*
Hanson Quarry Products Trade Finance Limited	England and Wales	100	*
Hanson Quarry Products Ventures Limited	England and Wales	100	*
Holme Sand & Ballast LLP	England and Wales	24.5	Caird Avenue, BH25 5PX New Milton, United Kingdom
Humber Sand and Gravel Limited	England and Wales	50	CEMEX House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TY, United Kingdom
ISIS Management Company Limited	England and Wales	31.08	5th Floor Minerva House, 29 East Parade, LS1 5PS, Leeds, United Kingdom

HANSON QUARRY PRODUCTS EUROPE LIMITED

APPENDIX I – LISTING OF INDIRECT SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS AT 31 DECEMBER 2023

Name	Country of incorporation	Group ownership %	Registered office
Kingston Minerals Limited	England and Wales	100	*
Manchester Waste Recycling Limited	England and Wales	100	*
Marples Ridgway Limited	England and Wales	100	*
Mendip Rail Limited	England and Wales	50	Bardon Hall, Copt Oak Road, LE67 9PJ Markfield, United Kingdom
Milton Hall (Southend) Brick Company Limited (The)	England and Wales	100	*
National Brick Company Limited	England and Wales	100	*
National Star Limited	England and Wales	100	*
New Milton Concrete Limited	England and Wales	49	Caird Avenue, BH25 5PX New Milton, United Kingdom
New Milton Sand and Ballast Limited	England and Wales	49	Caird Avenue, BH25 5PX New Milton, United Kingdom
North Tyne Roadstone Limited	England and Wales	50	Ground Floor T3 Trinity Park, Bickenhill Lane, B37 7ES Birmingham, United Kingdom
Pencrete Limited	England and Wales	100	*
Purfleet Aggregates Limited	England and Wales	100	*
Samuel Wilkinson & Sons Limited	England and Wales	100	*
Seagoe Concrete Products Limited	England and Wales	100	*
Small Lots (Mix-It) Limited	England and Wales	100	*
Smiths Concrete Limited	England and Wales	49	Enslow, Kidlington, OX5 3AY Oxford, United Kingdom
Solent Industrial Estates Limited	England and Wales	49	Caird Avenue, BH25 5PX New Milton, United Kingdom
The Purfleet Ship to Shore Conveyor Company Limited	England and Wales	50	*
W.G. Hibbs & Co. Limited	England and Wales	49	Caird Avenue, BH25 5PX New Milton, United Kingdom

* The registered office of the investments is Second Floor, Arena Court, Crown Lane, Maidenhead, Berkshire, SL6 8QZ, United Kingdom.

The registered office of Mendip Rail Limited was changed after the year end to Bardon Hill, Bardon Road, Coalville, Leicestershire, LE67 1TL.

HANSON QUARRY PRODUCTS EUROPE LIMITED

APPENDIX I – LISTING OF INDIRECT SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS AT 31 DECEMBER 2023

Mick George Limited (now a direct subsidiary) and its subsidiaries, Mick George Earthworks Limited, Mick George Recycling Limited, Mick George Contracting Limited, Mick George Concrete Limited, Mick George EBT Trustee Limited, Mick George Environmental Limited, Mick George Demolition Limited, Mick George Mepal Limited, DRBS East Limited and Frimstone Limited were acquired on 3 May 2024.

Bristol & Avon Group Limited (now a direct subsidiary) and its subsidiaries, Balla Homes Ltd, Bristol & Avon Stone Supplies Limited, Bristol & Avon Transport & Recycling Ltd and Terrain Plant (Holdings) Limited were acquired on 17 May 2024.

After the year end, the Company's indirect subsidiary, Hanson Quarry Products Ventures Limited, acquired the remaining 51% of the issued share capital in its joint venture, Smiths Concrete Limited, to become sole shareholder, and the registered office of Smiths Concrete Limited was moved to Second Floor, Arena Court, Crown Lane, Maidenhead, Berkshire, SL6 8QZ, United Kingdom.