SAPPHIRE ENERGY RECOVERY LIMITED

Annual report and financial statements

For the year ended 31 December 2014

Registered number: 04027738

SAPPHIRE ENERGY RECOVERY LIMITED

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SAPPHIRE ENERGY RECOVERY LIMITED

STRATEGIC REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity is to acquire used/scrap vehicle tyres from appropriate sources, for processing and onward disposal through environmentally sound facilities. The Company also sources alternative waste materials to be used in the manufacture of cement as either an alternative fuel or raw material.

BUSINESS REVIEW

As explained in note 1, during the year, the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 21.

Financial review

Turnover in 2014 decreased to £7.3m (2013: £8.8m) as a result of a full year effect of the loss of supply of alternative fuels and raw materials to Hope Cement Limited due to the divestment on the formation of Tarmac (formerly "Lafarge Tarmac"). Profit on ordinary activities has remained at the same level £0.1m (2013: £0.2m).

Net assets of the Company remain strong and has strengthened to £1.6m at 31 December 2014 (2013: £1.5m, 2012: £1.3m).

POST BALANCE SHEET EVENTS

As at the balance sheet date, Tarmac Holdings Limited (formerly Lafarge Tarmac Holdings Limited) ("Tarmac") was the Company's ultimate parent undertaking. On 10 July 2015 Lafarge and Holcim announced completion of a global merger, which required the disposal of assets by both groups over several jurisdictions to meet competition authorities' requirements. At the time of the LafargeHolcim merger, Lafarge UK Holdings Limited owned 50% of Tarmac. On 31 January 2015, Lafarge and Holcim entered into exclusive negotiations further to a binding commitment with CRH plc, regarding the divestment of several assets, including Tarmac, but excluding the Cauldon and Cookstown cement plants and certain other non-operational properties of Tarmac. On 17 July 2015 Anglo American Finance (UK) Limited sold their 50% shareholding in Tarmac to Lafarge UK Holdings Limited. The sale of Tarmac from Lafarge UK Holdings Limited to CRH plc completed on 31 July 2015.

KEY PERFORMANCE INDICATORS

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

	2014	2013
Turnover	£7.3m	£8.8m
Operating profit before exceptional items	£0.1m	£1.0m
EBITDA (being earnings before interest, tax, depreciation and amortisation) before exceptional items	£0.3m	£1.1m
LTIFR (Lost time injuries frequency rate) *	1.02	0.90
Average employees	36	46

* This is measured on a Group basis.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks.

Credit risk:

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Environmental liabilities and risk:
The Company manages its environmental risk through its EMS (Environmental Mangement System) which is certified to ISO 14001 and registered to EMAS (eco management audit scheme). Within the EMS are procedures to carry out risk assessments on all materials used and supplied by the Company, these risk assessments include environmental risk in all stages of the material from transport to storage to use. All materials supplied by the Company are subject to environmental quality criteria to ensure they meet both regulatory and company requirements to prevent environmental harm.

SUSTAINABILITY

2014 has seen the launch and implementation of the Group's new sustainability strategy. The strategy is a significant step towards the Group's vision to be its customers' preferred choice for sustainable construction solutions.

The vision recognises the importance of sustainability to the success of the business, its customers and communities.

Construction products have a vital role to play in sustainable development. They create homes, schools, hospitals, workplaces and infrastructure, all essential for social and economic well-being and through supporting regeneration, meeting the challenge of increasing urbanisation and helping to adapt and mitigate the impact of climate change.

The strategy sets out the sustainability priorities for the Group and encompasses an ambitious program of commitments and targets around the themes of people, planet, performance and solutions. Further details about the approach and targets can be found at www.tarmac.com/sustainability.

The new strategy promotes the importance of taking a whole life approach and embedding sustainability into everything the Group does. Key activities in 2014 have been the communication and implementation of the strategy across the business and establishing governance, reporting and strategic review processes. The Group has also begun to implement new approaches to responsible procurement, community involvement, carbon efficiency and environmental management. Focus has also been on supporting sustainable construction through Building Information Modelling, product carbon footprints and providing sustainable construction solutions. The Group continues to work with an External Sustainability Panel, chaired by Lord Glentoran to provide expert advice and challenge on sustainability. The Group will report on its sustainability performance in 2015.

SAFETY AND HEALTH

The safety and health of employees is fundamental to the Group and one of its core values. Tarmac's goal is zero harm. Everyone who works with Tarmac should go home safe at the end of their working day, whether they are employees, contractors or visitors. Employees should also be fit for work as defined by occupational health requirements.

A new safety and health strategy has been defined, focusing on Leadership and Culture, Risk Management, Assurance and Learning. As part of the strategy, a common management system is being implemented, and all sites aim to achieve certification to the international specification OHSAS18001 by the end of 2015.

In 2014 there were 23 Lost Time Injuries (2013: 20) and the consequent Lost Time Injury Frequency Rate was 1.02 (2013: 0.89) (defined as the number of accidents per 1,000,000 hours worked). This represents a 16% increase. As part of the new Company safety and health strategy, a deliberate emphasis has been placed on the open reporting of incidents, followed by appropriate investigation and action. The apparent increase in accident rate may be partially due to this new focus. The strategy is intended to identify and address the factors underlying the accident rate and to set the Group on a sustainable path towards its goal of zero harm.

In 2014 there were 34 Medical Treatment Cases (2013: 23), 12 Modified Work Duty cases (2013: not recorded), 110 First Aid Cases (2013: 162) and 202 Non-Treatment Injuries (2013: 126). The Total Recordable Case Frequency Rate was 2.97 (2013: 1.91), based on 70 incidents (2013: 43). Total Recordable Cases include Lost Time Injuries, Medical Treatment Cases and Modified Work Duty cases, although Modified Work Duty cases were not included in 2013. Hence a direct comparison shows a 55% increase in the Total Recordable Case Frequency Rate.

SAPPHIRE ENERGY RECOVERY LIMITED

STRATEGIC REPORT (continued)

SAFETY AND HEALTH (CONTINUED)

A total of 98 high potential incidents were recorded for 2014 (defined as incidents that had a realistic chance of fatal or life-changing consequences). The rate was not recorded in 2013 so there are no comparable figures. This includes some incidents which resulted in lesser injuries, and some near hits (i.e. 'no harm' incidents).

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

LOCAL COMMUNITITES AND PARTNERSHIPS

In the Group's recently launched Sustainability Strategy, a commitment was made to delivering a net positive contribution to the communities the Group operates in. Apart from the contribution the Group makes as a major employer and buyer of goods and services, the Group also builds local partnerships with community organisations to enhance biodiversity, support youth employment and education. As part of this journey to deliver a net positive contribution, the Group are enhancing community engagement to explain the Group's activities, but also seek feedback. This includes a continued commitment to involving, engaging and consulting local communities in connection with plans for new operations or alterations to existing operations, prior to formal planning permissions being sought. As such, a range of communication methods are in place for each major operational site including community liaison groups, websites, site visits, newsletters and social media.

EMPLOYMENT POLICIES

It is Group policy to communicate with, and involve employees on, matters affecting their interests at work and to inform them of the performance of the business. The Group adopts such employee consultation as is appropriate, including consultative committees, training and development and communication programmes. The information is complemented by the Group magazine and information on the Group intranet, which contain items of news, current affairs and information relevant to employees. It is also Group policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and, wherever possible, to re-train employees who become disabled so that they can continue their employment.

GOING CONCERN AND FUTURE OUTLOOK

The Directors have considered going concern in preparing these financial statements. The Company operates as part of the Tarmac Holdings Limited (formerly Lafarge Tarmac Holdings Limited) Group cash pooling arrangement. Each company participating in the cash pooling arrangement has a memorandum balance, with the true balance at bank being the sum of all of the memorandum balances. While the overall balance at bank in the cash pool is usually maintained as a positive cash balance, there are points in time during which the overall balance may temporarily fall into an overdraft position. The nature of the cash pooling arrangement increases the risk to the Company of withdrawing cash balances in full on demand, in the event of other Tarmac Holdings Limited Group companies having overdraft positions. The Directors do not consider that this presents a material risk to the Company regarding the availability of cash balances to continue operations under the normal course of business.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

F Penhallurick
For and on behalf of Tarmac Directors (UK) Limited
Director
30 September 2015

SAPPHIRE ENERGY RECOVERY LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, together with the audited financial statements and Auditor's Report, for the year ended 31 December 2014.

The financial statements have been prepared on a going concern basis, which is discussed in the Strategic Report on page 3. An indication of likely future developments in the business of the Company is also included in the Strategic Report.

DIVIDENDS

The Company's profit for the year of £0.1m (2013: £0.1m) has been transferred to reserves. The Directors recommend no final dividend to be paid for the year (2013: £nil).

DIRECTORS

The Directors, who served throughout the year and up to the date of approval of these financial statements, except as noted, were as follows:

C Law

JP Janse Van Rensburg

Tarmac Directors (UK) Limited (formerly Lafarge Tarmac Directors (UK) Limited)

R Hodder (Resigned 26 June 2015)

No Directors in office at the end of the year had any interest in the shares of the Company.

No Director has, or has had, a material interest, directly or indirectly, at any time during the year under review in any contract significant to the Company's business.

POLITICAL CONTRIBUTIONS

There were no political donations made during the year (2013: £nil).

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor. No notice in accordance with section 488 of the Companies Act 2006 (which would operate to prevent the deemed reappointment of auditors under s487(2) of that Act) has been or is expected to be received and accordingly the necessary conditions are in place for the deemed reappointment of the auditors to take place in absence of an Annual General Meeting.

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

Approved by the board and signed on its behalf by:

F Penhallurick
For and on behalf of Tarmac Directors (UK) Limited
Director
36 September 2015

SAPPHIRE ENERGY RECOVERY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPPHIRE ENERGY RECOVERY LIMITED

We have audited the financial statements of Sapphire Energy Recovery Limited for the year ended 31 December 2014 which comprise of the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPPHIRE ENERGY RECOVERY LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Halls FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham

30 September 2015

SAPPHIRE ENERGY RECOVERY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	5	7,257	8,752
Cost of sales (includes exceptional item of £nil – 2013: £790,042)		(5,932)	(7,189)
Gross profit		1,325	1,563
Administration expenses		(1,210)	(1,468)
Operating profit		115	95
Finance charges		-	-
Profit on ordinary activities before taxation	6	115	95
Tax credit on profit on ordinary activities	8	-	87
Profit for the financial year		115	182

SAPPHIRE ENERGY RECOVERY LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the year	115	182
Other comprehensive income for the period net of tax	-	-
Total comprehensive income for the period	**115**	**182**

SAPPHIRE ENERGY RECOVERY LIMITED

BALANCE SHEET
At 31 December 2014

	Note	2014 £000	2013 £000	2012 £000
Fixed assets				
Intangible assets	9	-	-	120
Tangible assets	10	906	1,064	1,412
		906	1,064	1,532
Current assets				
Stocks	11	176	197	256
Debtors due within one year	12	2,431	2,794	2,830
Cash at bank and in hand		2,744	635	311
		5,351	3,626	3,397
Total assets		6,257	4,690	4,929
Creditors: Amounts falling due within one year	13	(4,622)	(3,170)	(3,591)
Net current assets		729	456	(194)
Total assets less current liabilities		1,635	1,520	1,338
Net assets		1,635	1,520	1,338
Capital and reserves				
Called-up share capital	14	3,500	3,500	3,500
Profit and loss account		(1,865)	(1,980)	(2,162)
Total Shareholder's funds		1,635	1,520	1,338

The financial statements of Sapphire Energy Recovery Limited (registered number 04027738) were approved by the board of Directors and authorised for issue on 30 September 2015. They were signed on its behalf by:

F Penhallurick
For and on behalf of Tarmac Directors (UK) Limited
Director

SAPPHIRE ENERGY RECOVERY LIMITED

STATMENT OF CHANGES IN EQUITY
At 31 December 2014

	Share capital £000	Profit and loss account £000	Total £000
Balance at 31 December 2012	3,500	(2,162)	1,338
Profit for the period	-	182	182
Total comprehensive income for the period	-	182	182
Balance at 31 December 2013	3,500	(1,980)	1,520
Profit for the period	-	115	115
Total comprehensive income for the period	-	115	115
Balance at 31 December 2014	3,500	(1,865)	1,635

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. General information

Sapphire Energy Recovery Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is Portland House, Bickenhill Lane, Solihull, Birmingham, B37 7BQ. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2014 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 23.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the good and services. The principal accounting policies adopted are set out below. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset, the Company has taken into account the characteristics of the asset if market participants would take those characteristics into account when pricing the asset at the measurement date.

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Tarmac Holdings Limited (formerly Lafarge Tarmac Holdings Limited). The group financial statements of Tarmac Holdings Limited are available to the public and can be obtained as set out in note 22.

2. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Amendments to IAS 27 Separate Financial Statements
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IFRS 12 Disclosure of interests in other entities

None of the Amendments have had a material impact on the Company's financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 3.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

3. Significant accounting policies

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit/loss, all of which arises in the United Kingdom, is attributable to the Company's principal activity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

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

<u>Current tax</u>

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

<u>Deferred tax</u>

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

3. Significant accounting policies (continued)

Deferred tax (continued)

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

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

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

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

Current tax and deferred tax for the year

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

Tangible Assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment in the value.

Depreciation is provided on cost in equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings, tools and equipment	33% per annum
Plant and machinery	5% - 33.3%

Stocks

Stocks are engineering spares and tyres and are stated at the lower of cost and net realisable value.

Intangible assets – goodwill

The fair value of the purchase consideration of an acquired unincorporated business less the fair value of the identifiable net assets is capitalised. The carrying value of recognised goodwill is assessed for impairment at each reporting date.

Cash flow statement

The cash flows of the Company are included in the consolidated cash flow statement of the ultimate parent company. Consequently, the Company is exempt under the terms of Financial Reporting Standard No. 1 "Cash flow statements" from publishing a cash flow statement.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Impairment of tangible fixed assets

The Directors consider the asset base for impairment on at least an annual basis or where decisions are made to alter the industrial footprint of the Company's operations

5. Turnover

An analysis of the Company's turnover is as follows:

	2014 £000	2013 £000
Continuing operations		
Sales of goods	7,257	8,752
	7,257	8,752

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2014 £000	2013 £000
Depreciation of tangible fixed assets:		
- Owned	158	237
Operating lease rentals:		
- Plant and machinery	158	27
- Other		392
Exceptional items:		
Impairment of goodwill	-	120
Impairment of fixed assets	-	111
Other site closure costs	-	559

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

6. Profit on ordinary activities before taxation (continued)

The analysis of auditor's remuneration is as follows:

	2014 £	2013 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	-	-

Auditor's remuneration of £11,000 (2013: £14,000) is borne by another group company. Non-audit fees were £nil in both years.

7. Information regarding employees and Directors

The emoluments of the Directors are paid by another group company as their services to the Company are incidental to their services provided to other group companies..

The average monthly number of employees (including executive Directors) was:

	2014 Number	2013 Number
Production	18	23
Sales and distribution	11	16
Administration	7	7
	36	46

Their aggregate remuneration comprised:

	£000	£000
Wages and salaries	1,296	1,536
Social security costs	140	151
Other pension costs	57	70
	1,493	1,757

8. Tax

	2014 £000	2013 £000
Current tax:		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	-	(87)
Tax charge for the period	-	(87)

Corporation tax is calculated at 21.50% (2013: 23.25%) of the estimated taxable profit for the year.
The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2014 £000	2013 £000
Profit before tax on continuing operations	115	95
Tax at the UK corporation tax rate of 21.50% (2013: 23.25 %)	25	22
Effects of:		
Adjustments in respect of prior years	-	(87)
Expenses not deductible	2	-
Transfer pricing adjustments	(32)	-
Group relief	19	(58)
Amounts not recognised	(14)	36
Tax credit for the period	-	(87)

For the year ended 31 December 2013 and subsequent years, group relief within the Tarmac Group (formerly Lafarge Tarmac Group) is surrendered free of charge.

On 2 July 2013 the Finance Act 2013 subsequently enacted further reductions in the main rate of corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. The current tax rate reduced from 23% to 21% during the year resulting in a blended current tax rate for the year of 21.50% (2013: 23.25%).

At the balance sheet date, the Company has deductible temporary differences of £208,587 (2013: £278,644, 2012: £284,149) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of these deductible temporary differences as it is not considered probable that there will be future taxable profits available against which they can be offset.

SAPPHIRE ENERGY RECOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

9. Intangible fixed assets

	Goodwill £000
Cost	
At 31 December 2012, 31 December 2013 and 31 December 2014	**400**
Accumulated amortisation	
At 31 December 2012	280
Impairment recognised during the year	120
At 31 December 2013 and 31 December 2014	**400**
Net book value	
At 31 December 2013 and 31 December 2014	-
At 31 December 2012	120

As a result of the loss of Hope Cement Limited as a customer, the Company had to close a site. As part of the closure provision the remaining goodwill balance of £120,000 relating to that site was fully impaired.

10. Tangible fixed assets

	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation			
At 31 December 2012 and 31 December 2013	3,537	144	3,681
Disposals	(764)	-	(764)
At 31 December 2014	2,773	144	2,917
Accumulated depreciation			
At 31 December 2012	2,143	126	2,269
Charge for the year	220	17	237
Impairment recognised during the year	111	-	111
Disposals	-	-	-
At 1 January 2014	2,474	143	2,617
Charge for the year	157	1	158
Disposals	(764)	-	(764)
At 31 December 2014	1,867	144	2,011
Carrying Amount			
At 31 December 2014	**906**	-	**906**
At 31 December 2013	1,063	1	1,064
At 31 December 2012	1,394	18	1,412

As a result of the loss of Hope Cement Limited as a customer, in 2013 the Company had to close a site. As part of the closure provision the assets that were deemed to have no resale value and were subsequently impaired. These assets were scrapped in June 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

11. Stocks

	31 December 2014 £000	31 December 2013 £000	31 December 2012 £000
Tyres	10	32	17
Engineering spares	166	165	239
	176	197	256

There is no material difference between the Balance Sheet value of stocks and their replacement value.

12. Debtors

	31 December 2014 £000	31 December 2013 £000	31 December 2012 £000
Amounts falling due within one year:			
Trade debtors	873	550	660
Amounts owed by parent undertakings	1,453	2,125	1,891
Other debtors and prepayments	105	119	279
	2,431	2,794	2,830

13. Creditors: Amounts falling due within one year

	31 December 2014 £000	31 December 2013 £000	31 December 2012 £000
Bank loans and overdrafts	-	-	292
Trade creditors	1,102	1,076	1,568
Amounts owed to parent undertakings	2,811	1,035	799
Accruals and deferred income	709	1,059	846
Amounts owed to group undertakings – group relief	-	-	86
	4,622	3,170	3,591

14. Called-up share capital

	31 December 2014 £	31 December 2013 £	31 December 2012 £
Allotted, called-up and fully-paid			
3,500,000 ordinary shares of £1 each (2013: 3,500,000, 2012: 3,500,000)	3,500,000	3,500,000	3,500,000

15. Reserves

Details of all movements in reserves are shown in the Statement of Changes in Equity on page 11.

16. Contingent liabilities

Following the formation of the joint venture on 7 January 2013, the cash pooling arrangements were changed. The Company in concert with those other group companies has entered into arrangements whereby each has offered a limited guarantee in respect of the others' overdraft borrowings from time to time. The Company's maximum liability is limited to the extent of its current account cash balances from time to time which at 31 December 2014 amounted to £2,743,601 (2013: £634,431).

17. Pension Costs

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £48,451 (2013: £69,950).

18. Operating lease arrangements

The company as lessee

	2014 £000	2013 £000
Lease payments under operating leases recognised as an expense in the year	158	419-

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £000	2013 £000	2012 £000
Within one year	129	129-	129
In the second to fifth years inclusive	272	333	394
After five years	68	136-	204
	469	598	727

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

19. Related party transactions

Under Financial Reporting Standard 101, the Company is exempt from the requirement to disclose transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Tarmac Holdings Limited (formerly Lafarge Tarmac Holdings Limited) and its results are included in the consolidated financial statements of Tarmac Holdings Limited.

20. Controlling party

At the balance sheet date, the immediate parent company was Tarmac Cement and Lime Limited (formerly Lafarge Tarmac Cement and Lime Limited), a company incorporated and registered in England and Wales. The ultimate parent company and ultimate controlling entity was Tarmac Holdings Limited (formerly Lafarge Tarmac Holdings Limited), a company incorporated and registered in England and Wales. The smallest and largest group that publishes consolidated financial statements incorporating the results of this Company is Tarmac Holdings Limited. Copies of the financial statements of the immediate and ultimate parent companies are available from the Company Secretary, Portland House, Bickenhill Lane, Solihull, Birmingham B37 7BQ.

Subsequent to the year end, on 31 July 2015, the Company's ultimate parent company is CRH plc, a company incorporated in Ireland.

21. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2013 and the date of transition to FRS 101 was therefore 31 December 2012.

Reconciliation of equity

	At 31 December 2013 £000	At 1 January 2013 £000
Equity reported under previous UK GAAP	1,520	1,338
Adjustments to equity on transition to FRS 101	-	-
Reversal of amortisation not permitted under FRS 101	80	
Additional impairment of goodwill	(80)	-
	1,520	1,338

Explanation of transition to FRS 101 (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2013

	2013 £000
Total comprehensive income reported under previous UK GAAP	182
Reversal of amortisation not permitted under FRS 101	80
Impairment of goodwill	(80)
Total comprehensive income for the financial year under FRS 101	182

22. Post balance sheet events

As at the balance sheet date, Tarmac Holdings Limited (formerly Lafarge Tarmac Holdings Limited) ("Tarmac") was the Company's ultimate parent undertaking. On 10 July 2015 Lafarge and Holcim announced completion of a global merger, which required the disposal of assets by both groups over several jurisdictions to meet competition authorities' requirements. At the time of the LafargeHolcim merger, Lafarge UK Holdings Limited owned 50% of Tarmac. On 31 January 2015, Lafarge and Holcim entered into exclusive negotiations further to a binding commitment with CRH plc, regarding the divestment of several assets, including Tarmac, but excluding the Cauldon and Cookstown cement plants and certain other non-operational properties of Tarmac. On 17 July 2015 Anglo American Finance (UK) Limited sold their 50% shareholding in Tarmac to Lafarge UK Holdings Limited. The sale of Tarmac from Lafarge UK Holdings Limited to CRH plc completed on 31 July 2015.