DocuSign Envelope ID: C5DEA909-E333-4F23-81E6-E9C171BC1BCB

Registration number: 04027738

Sapphire Energy Recovery Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Sapphire Energy Recovery Limited

Contents

Sapphire Energy Recovery Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their annual report and the financial statements of Sapphire Energy Recovery Limited (the "Company") for the year ended 31 December 2019.

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

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006, which also provides exemption from the preparation of a Strategic Report.

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

JP Janse van Rensburg

A Magro

Tarmac Directors (UK) Limited

Principal activity
The principal activity of the Company is to source and process alternative waste materials to be used in the manufacture of cement as either an alternative fuel or raw material.

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

Significant events
On 17 September 2019 the Company sold its business of collecting, processing and repurposing post consumer tyres or tyre chips at three sites, which together represent approximately 50% of the Company's activity for consideration broadly equivalent to net book value of the associated assets. Following this transaction the Company's activities are focused on alternative fuels.

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

The Company operates as part of the Tarmac 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 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.

Detailed forecasts including the Company are prepared on a Tarmac basis for a period of at least 12 months from the date of approval of these financial statements. Given that forecasts are not prepared by statutory entity, confirmation of ongoing support throughout an equivalent period has been obtained from the Company's ultimate parent company, CRH plc, for which forward looking forecasts have also been prepared and sensitised to reflect severe but plausible downside scenarios.

Having received this confirmation and considered it together with the current and forecast financial position of CRH plc and their willingness and ability to provide financial support to the Company as needed, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events
On 11 March 2020, the World Health Organisation declared an international public health emergency as a result of the outbreak of the coronavirus (COVID-19). Following this announcement, the UK government announced a series of temporary support measures for business owing to the economic disruption caused by the pandemic. The Company has utilised such measures where appropriate.

Trading conditions across the Tarmac sub-group were impacted by the onset of coronavirus in the UK, particularly during Q2. Production was temporarily suspended at certain sites to match the revised demand profile and flex the operating capacity as required. Sites have reopened in line with demand as sales volumes have begun to recover. Management are actively monitoring the risks and continue to follow government guidance to ensure sites that are open are compliant with coronavirus legislation.

There remains a level of uncertainty around the short-term impact of future outbreaks of coronavirus, however it is hoped any restrictions implemented will be localised and that construction activity can continue with mitigating measures in place, as such the impact should be less disruptive to the Company when compared with the initial outbreak.

The Company will continue to monitor its assessment of the economic environment and in particular the impact of the COVID-19 pandemic and its consequential management actions, to determine whether it is has an impact on the Company. Accordingly, the Company will conduct impairment reviews as part of its usual reporting process, which may lead to the write down of assets should the impact of the pandemic persist.

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

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

Auditors
Following legislative changes requiring the mandatory rotation of audit firms, Ernst & Young LLP will resign as auditors of CRH plc, the Company's ultimate parent company, after the completion of the parent accounts for the year ended 31 December 2019.

Ernst & Young LLP will also resign as auditors of the Company following the completion of the Company's accounts for the year ended 31 December 2019 and will therefore cease to hold office. The Company intend to appoint Deloitte LLP as the Company's auditors in accordance with section 485 of the Companies Act 2006.

30 September 2020
Approved by the Board on .... and signed on its behalf by:

DocuSigned by:
Jean-Pierre Janse van Rensburg
0D4A09301AB140F...............
JP Janse van Rensburg
Director

Sapphire Energy Recovery Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

Independent Auditor's Report to the Members of Sapphire Energy Recovery Limited

Opinion

We have audited the financial statements of Sapphire Energy Recovery Limited (the 'Company') for the year ended 31 December 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to notes 2 and 24 of the financial statements which describe the economic and social consequences the Company is facing as a result of COVID-19 and its impact on customer demand and the availability of the materials due to temporary site closures. Our opinion is not modified in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Independent Auditor's Report to the Members of Sapphire Energy Recovery Limited (continued)

Matters on which we are required to report by exception

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

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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

DocuSigned by:
Ernst & Young LLP
D5EDCA124A65451...

Adam Gittens (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

1 Colmore Square
Birmingham
B4 6HQ

Date: 30-Sep-2020

Sapphire Energy Recovery Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	Continuing operations 2019 £ 000	Discontinued operations 2019 £ 000	Total 2019 £ 000	Continuing operations 2018 £ 000	Discontinued operations 2018 £ 000	Total 2018 £ 000
Turnover	5	5,220	1,985	7,205	3,711	2,994	6,705
Cost of sales		(4,722)	(1,987)	(6,709)	(3,337)	(2,564)	(5,901)
Gross profit/(loss)		498	(2)	496	374	430	804
Administrative expenses		(396)	(294)	(690)	(462)	(462)	(924)
Other operating income		329	-	329	208	-	208
Operating profit/(loss)	6	431	(296)	135	120	(32)	88
Interest receivable and similar income	7	9	-	9	8	-	8
Interest payable and similar expenses	8	(3)	(13)	(16)	-	-	-
Profit/(loss) before tax		437	(309)	128	128	(32)	96
Tax on profit	11	1	(20)	(19)	(83)	(7)	(90)
Profit/(loss) for the year		438	(329)	109	45	(39)	6

The figures reported are not consistent year on year due to the adoption of IFRS 16.

Sapphire Energy Recovery Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit for the year	109	6
Other comprehensive income	-	-
Total comprehensive income for the year	109	6

The notes on pages 10 to 26 form an integral part of these financial statements.

Sapphire Energy Recovery Limited

(Registration number: 04027738)
Balance Sheet as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Non current assets			
Tangible assets	12	1,485	1,568
Right of use assets	13	100	-
		1,585	1,568
Current assets			
Stocks	14	36	39
Debtors	15	1,209	1,209
Cash at bank and in hand		1,312	1,065
		2,557	2,313
Creditors: Amounts falling due within one year	17, 18	(1,515)	(1,425)
Net current assets		1,042	888
Total assets less current liabilities		2,627	2,456
Creditors: Amounts falling due after more than one year	18	(62)	-
Total liabilities		(1,577)	(1,425)
Net assets		2,565	2,456
Capital and reserves			
Share capital	19	3,500	3,500
Profit and loss account		(935)	(1,044)
Shareholders' funds		2,565	2,456

The figures reported are not consistent year on year due to the adoption of IFRS 16.

30 September 2020

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

DocuSigned by:

Jean-Pierre Janse van Rensburg

.....0D4A09301AB140F................

JP Janse van Rensburg
Director

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	3,500	(1,050)	2,450
Profit for the year	-	6	6
Total comprehensive income	-	6	6
At 31 December 2018	3,500	(1,044)	2,456

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	3,500	(1,044)	2,456
Profit for the year	-	109	109
Total comprehensive income	-	109	109
At 31 December 2019	3,500	(935)	2,565

The notes on pages 10 to 26 form an integral part of these financial statements.

Sapphire Energy Recovery Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

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

The address of its registered office is:
Portland House
Bickenhill Lane
Solihull
B37 7BQ

2 Accounting policies

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

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

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

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

The Company operates as part of the Tarmac 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 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.

Detailed forecasts including the Company are prepared on a Tarmac basis for a period of at least 12 months from the date of approval of these financial statements. Given that forecasts are not prepared by statutory entity, confirmation of ongoing support throughout an equivalent period has been obtained from the Company's ultimate parent company, CRH plc, for which forward looking forecasts have also been prepared and sensitised to reflect severe but plausible downside scenarios.

Having received this confirmation and considered it together with the current and forecast financial position of CRH plc and their willingness and ability to provide financial support to the Company as needed, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2 Accounting policies (continued)

Summary of disclosure exemptions

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

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

Where required, equivalent disclosures are given in the group accounts of CRH plc. The group accounts of CRH plc are available to the public and can be obtained as set out in note 23.

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 January 2019 and have had an effect on the financial statements:

• ***IFRS 16 Leases***

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

Changes resulting from adoption of IFRS 16

IFRS 16 replaces IAS 17 Leases. The Company adopted IFRS 16 by applying the modified retrospective approach on the transition date of 1 January 2019 and applied the recognition exemption for both short-term leases and leases of low-value assets. The Company did not avail of the practical expedient not to separate non-lease components from lease components or the practical expedient allowing leases previously classified as operating leases and ending within 12 months of the date of transition, to be accounted for as short-term leases. The right-of-use asset has been calculated as the lease liability at 1 January 2019 adjusted for any prepayments, accruals and onerous lease provisions with no adjustment to opening retained earnings. The Company relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

The adoption of IFRS 16 had a material impact on the Company's Financial Statements and certain key financial metrics, which is quantified and further explained in the table below.

2 Accounting policies (continued)

	As at 1 January 2019 £ 000
Balance Sheet	
Right of use assets	1,088
Lease liabilities; net debt	(1,088)

	For the year ended 31 December 2019 £ 000
Profit and Loss Account	
Finance costs	16
Depreciation costs	242

The impact of the adoption of IFRS 16 has resulted in an increase in operating profit for the year ended 31 December 2019 of £11,000 and has been calculated based only on the portfolio of leases which existed at 1 January 2019.

Profit and Loss Account

Cost of sales and operating costs (excluding depreciation) have decreased, as the Company previously recognised operating lease expenses in either cost of sales or operating costs (depending on the nature of the relevant operations and of the lease). The Company's operating lease expense for the year ended 31 December 2018 was £350,000.

Payments for leases which meet the recognition exemption criteria and certain other lease payments which do not meet the criteria for capitalisation (excluding depreciation) have been recorded as an expense within cost of sales and operating costs. Due to business seasonality, certain assets are leased on a short-term basis (i.e. 12 months or less) to deal with peak demand. Accordingly, a portion of costs previously classified as operating lease expenses have not been capitalised on the Company's Balance Sheet and continue to be expensed (see note 18). Depreciation and finance costs have increased due to the capitalisation of a right-of-use asset under IFRS 16 which is depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

Balance sheet

The Company has identified the minimum lease payments outstanding (including payments for renewal options which are reasonably certain to be exercised) and has applied the appropriate discount rate to calculate the present value of the lease liability and right-of-use asset recognised on the Balance Sheet. The discount rates applied were arrived at using a methodology to calculate the incremental borrowing rates for each statutory entity within Tarmac. The incremental borrowing rate applied to lease liabilities on the balance sheet was 2.5% for leases with less than 10 years remaining, and 3% for leases with more than 10 years remaining, at 1 January 2019.

A reconciliation of the operating lease commitment previously reported under IAS 17 to the discounted lease liability as at 1 January 2019 under IFRS 16 is as follows:

2 Accounting policies (continued)

	As at 1 January 2019 £ 000
Operating lease commitment under IAS 17	962
Lease extensions beyond break date	108
Other	40
Undiscounted lease liability under IFRS 16	1,110
Less impact of discounting	(22)
Discounted lease liability under IFRS 16	1,088

Revenue recognition

Recognition

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

Goods are sometimes sold with discounts or rebates based on cumulative sales over a period. This variable consideration is only recognised when it is highly probable that it will not be subsequently reversed and is recognised using the most likely amount or expected value methods, depending on the individual contract terms. In the application of appropriate revenue recognition, judgement is exercised by management in the determination of the likelihood and quantum of such items based on experience and historical trading patterns.

This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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.

2 Accounting policies (continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the 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 and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tangible assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and any impairment in value. Other tangible fixed assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as below.

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

Depreciation

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

Asset class	Depreciation method and rate
Fixtures and fittings	33% per annum
Plant and machinery	5% - 33.3%

Cash and cash equivalents

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

2 Accounting policies (continued)

Stock

Stocks are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Leases

The Company leases plant and machinery, vehicles and equipment. The terms and conditions of these leases do not impose significant financial restrictions on the Company.

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

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

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

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future minimum lease payments or when the Company changes its assessment of whether it is reasonably certain to exercise an option within the contract. A corresponding adjustment is made to the carrying amount of the right-of-use asset.

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

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

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

2 Accounting policies (continued)

Defined contribution pension obligation

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

Financial instruments

Classification and measurement

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

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

Financial assets

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

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

Financial liabilities

The Company has financial liabilities that are classified as 'other financial liabilities', and these relate to borrowings from fellow subsidiary companies and trade and other payables.

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

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

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

Derecognition

Financial assets

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

Financial liabilities

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

2 Accounting policies (continued)

Impairment of financial assets

Financial assets

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

The following are areas of estimation uncertainty:

Leases
As part of the IFRS 16 transition process and ongoing lease accounting, management have applied judgement in determining whether it is reasonably certain that any renewal, termination or purchase options within the lease will be exercised. This is taken into consideration when measuring the value of the lease liability.

Intercompany receivables
The risk of default has been considered on the intercompany receivables including loans and given the financial position of the counterparty and support from CRH, it is considered minimal and therefore no adjustment has been processed.

4 Discontinued operations

Disposal of tyre business
On 17 September 2019, the company disposed of its business of collecting, processing and repurposing post consumer tyres or tyre chips at three sites for consideration broadly equivalent to net book value of the associated assets. A profit of £22,000 in relation to this disposal has been recorded in other operating income. Full details of continued and discontinued operations have been included for 2019 and 2018 on the face of the profit and loss account.

5 Turnover

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

	2019 £ 000	2018 £ 000
Sale of goods	7,205	6,705

6 Operating profit/(loss)

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Depreciation expense	244	231
Depreciation on right of use assets	242	-
Operating lease expense	-	350
Profit on disposal of tyre business	(22)	-
Management fee received	(114)	(128)
HM Revenue & Customs Research & Development Expenditure Credit	(92)	(80)

Auditor's remuneration of £13,100 (2018: £13,100) is borne by a fellow group company. There were no non audit services provided in either year.

7 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	9	8

8 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest expense on leases	16	-

9 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	970	1,192
Social security costs	101	121
Pension costs, defined contribution scheme	54	64
	1,125	1,377

9 Staff costs (continued)

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

	2019 No.	2018 No.
Production	17	17
Administration and support	11	12
Sales	2	3
	30	32

As part of the sale of the business of collecting, processing and repurposing post consumer tyres or tyre chips, staff number reduced by 12 empoyees.

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Salaries, fees and bonuses	90	145
Money purchase pension contributions	6	10
	96	155

Directors' remuneration above relates to the Director who was remunerated by the Company until 31 July 2019, after this date this Director was remunerated by another group company. The other Director of the Company is remunerated by another group company and their services to the Company are considered incidental to their services provided to other group companies.

11 Tax on profit

Tax charged in the profit and loss account

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	61
Deferred taxation		
Arising from origination and reversal of temporary differences	19	29
Tax expense in the profit and loss account	19	90

The differences between the total tax for the year and the amount calculated by applying the standard rate of UK corporation tax of 19% (2018: 19%) to the profit before tax are as follows:

	2019 £ 000	2018 £ 000
Profit before tax	128	96
Corporation tax at standard rate	24	18
(Decrease)/increase in current tax from adjustment for prior periods	(10)	61
Increase from effect of revenues exempt from taxation	-	(15)
Expenses not deductible	-	2
Effects of group relief	(11)	27
Deferred tax credit relating to changes in tax rates or laws	(3)	(3)
Impact of discontinued operation	19	-
Total tax charge	19	90

Group relief within Tarmac is surrendered free of charge. Group relief claimed from other CRH UK Group companies outside of Tarmac is paid for at the prevailing rate of corporation tax for the year of 19.00% (2018: 19.00%).

Finance No.2 Bill 2015 enacted the rate of corporation tax to 19.00% with effect from 1 April 2017 resulting in a current tax rate for the year of 19.00%. On 15 September 2016, Finance Bill 2016 enacted a further rate reduction to 17.00% with effect from 1 April 2020. A further change was enacted in Finance Act 2020 to cancel the proposed reduction in the main rate of corporation tax from 19.00% to 17.00% from 1 April 2020. Therefore going forward the main rate of corporation tax shall remain at 19.00%. This change was substantively enacted on 17 Mar 2020 i.e. after the balance sheet date and as such this change has not been reflected in the deferred tax balance at 31 December 2019. Using the company's deferred tax balance at 31 December 2019 the impact of the rate change on the deferred tax balance would be a credit to the P&L of £2,570.

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. The timing of the reversal of the Company's deferred tax items has been considered, and accordingly at 31 December 2019 deferred tax has been calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled.

11 Tax on profit (continued)

Deferred tax
Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income (continuing operations) £ 000	Recognised in income (discontinued operations) £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	15	(2)	(19)	(6)
Provisions	6	2	-	8
Net tax assets/(liabilities)	21	-	(19)	2

12 Tangible assets

	Fixtures and fittings £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	89	3,844	3,933
Additions	-	766	766
Disposals	(4)	(2,584)	(2,588)
At 31 December 2019	85	2,026	2,111
Depreciation			
At 1 January 2019	89	2,276	2,365
Charge for the year	-	244	244
Eliminated on disposal	(4)	(1,979)	(1,983)
At 31 December 2019	85	541	626
Carrying amount			
At 31 December 2019	-	1,485	1,485
At 31 December 2018	-	1,568	1,568

13 Right of use assets

	Land and buildings £ 000	Plant and machinery £ 000	Vehicles £ 000	Total £ 000
Cost				
Accounting policy change	184	391	513	1,088
Additions	-	-	32	32
Disposals	(184)	(282)	(513)	(979)
At 31 December 2019	-	109	32	141
Depreciation				
Charge for the year	65	74	103	242
Eliminated on disposal	(65)	(41)	(95)	(201)
At 31 December 2019	-	33	8	41
Carrying amount				
At 31 December 2019	-	76	24	100

14 Stock

	31 December 2019 £ 000	31 December 2018 £ 000
Other inventories	36	39

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

15 Debtors

	31 December 2019 £ 000	31 December 2018 £ 000
Trade debtors	1,048	994
Other debtors	139	176
Prepayments	6	18
Deferred tax	2	21
Corporation tax	14	-
	1,209	1,209

16 Operating lease commitments

Operating leases

The total future value of minimum lease payments for operating leases under IAS 17 was:

	31 December 2018 £ 000
Within one year	388
In two to five years	574
	962

On 1 January 2019, IFRS 16 replaced IAS 17 and these commitments are now reflected on the balance sheet (see note 18).

17 Creditors: Amounts due in less than one year

	31 December 2019 £ 000	31 December 2018 £ 000
Trade creditors	736	673
Accrued expenses	307	544
Amounts owed to group companies	415	123
Social security and other taxes	16	71
Other creditors	-	14
Current portion of long term lease liabilities	41	-
	1,515	1,425

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

18 Leases

Leases included in creditors

	Note	31 December 2019 £ 000
Current portion of long term lease liabilities	17	41
Long term lease liabilities		62
		103

18 Leases (continued)

Lease liabilities maturity analysis

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

	31 December 2019 £ 000
Less than one year	42
1 - 2 years	42
2 - 3 years	22
3 - 4 years	1
Total lease liabilities (undiscounted)	107

Total cash outflows related to leases

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

Lease liabilities	31 December 2019 £ 000
At 1 January 2019	-
Effect of adopting IFRS 16	1,088
Addition of right of use assets	32
Disposals	(702)
Payments	(331)
Discount unwinding	16
At 31 December 2019	103

19 Share capital

Allotted, called up and fully paid shares

	31 December 2019 No. 000	£ 000	31 December 2018 No. 000	£ 000
Ordinary shares of £1 each	3,500	3,500	3,500	3,500

20 Reserves

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

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

Details of all movements in reserves are shown in the Statement of Changes in Equity on page 9.

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £54,000 (2018: £64,000).

22 Contingent liabilities

The Company has cash which forms part of a composite accounting agreement with certain of Tarmac's subsidiaries. Accordingly, the Company in concert with those other Tarmac 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 2019 amounted to £1,312,000 (2018: £1,065,000).

23 Parent and ultimate parent undertaking

The Company's immediate parent is Tarmac Cement and Lime Limited.

The ultimate parent is CRH plc.

Relationship between entity and parents

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

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

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

24 Post balance sheet events

On 11 March 2020, the World Health Organisation declared an international public health emergency as a result of the outbreak of the coronavirus (COVID-19). Following this announcement, the UK government announced a series of temporary support measures for business owing to the economic disruption caused by the pandemic. The Company has utilised such measures where appropriate.

Trading conditions across the Tarmac sub-group were impacted by the onset of coronavirus in the UK, particularly during Q2. Production was temporarily suspended at certain sites to match the revised demand profile and flex the operating capacity as required. Sites have reopened in line with demand as sales volumes have begun to recover. Management are actively monitoring the risks and continue to follow government guidance to ensure sites that are open are compliant with coronavirus legislation.

There remains a level of uncertainty around the short-term impact of future outbreaks of coronavirus, however it is hoped any restrictions implemented will be localised and that construction activity can continue with mitigating measures in place, as such the impact should be less disruptive to the Company when compared with the initial outbreak.

The Company will continue to monitor its assessment of the economic environment and in particular the impact of the COVID-19 pandemic and its consequential management actions, to determine whether it is has an impact on the Company. Accordingly, the Company will conduct impairment reviews as part of its usual reporting process, which may lead to the write down of assets should the impact of the pandemic persist.