Registration number: 04027738

Sapphire Energy Recovery Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Sapphire Energy Recovery Limited

Contents

Sapphire Energy Recovery Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their annual report and the financial statements of Sapphire Energy Recovery Limited (the "Company") for the year ended 31 December 2020.

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

M K 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.

In the prior year the Company sold part of its business relating to the collection, processing and repurposing of post consumer tyres or tyre chips, which together represented approximately 50% of the Company's activity. Following this transaction the Company's activities are focused on alternative fuels as noted above.

Dividends

The Company did not pay any dividends in the year (2019: £nil).

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: £nil).

Political donations

The Company did not make any political donations in the year (2019: £nil).

Charitable donations

The Company did not make any charitable donations in the year (2019: £nil).

Finance risk management objectives and policies

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

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

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

Price risk - the Company seeks to mitigate its exposure to commodity price risk through using relevant pricing mechanisms in the course of business with its customers. These could include hedging and supplier rebates as appropriate.

Finance risk policies are included in note 2.

Research and development

Information regarding research and development activities can be found within the accounting policies in note 2 to the financial statements.

Going concern

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

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

During the COVID-19 pandemic management continue to review the market and will take all necessary actions to ensure the business' long-term success. Detailed forecasts including the Company are prepared on a Tarmac Group basis for a period of at least 12 months from the date of approval of these financial statements. The Tarmac Group as a whole is profitable and cash-generative. These forecasts show that there is sufficient cash headroom in each individual month across the period, allowing the Tarmac companies to continue to operate with significant cash headroom whilst meeting daily cash flow requirements over this period.

Given that these forecasts are not prepared by statutory entity, and should the need arise, a signed letter of support, confirming ongoing support throughout an equivalent period has been obtained from the Company's ultimate parent company, CRH plc, for which forward looking plans have also been prepared to reflect severe but plausible downside scenarios. Even considering plausible downside scenarios as a result of COVID-19, there are sufficient funds to allow the company to continue in operational existence for the foreseeable future.

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

Post balance sheet events

The Directors have considered the continued COVID-19 pandemic and national lockdowns within the UK during the early part of 2021 and determined that, based on recent trading of the Tarmac sub-group and continuation of activities in the construction sector through the recent lockdowns, the pandemic is not expected to have a significant impact on the Company's business. Specifically, the third national lockdown commencing January 2021 is a non adjusting post balance sheet event for the Company and therefore no adjustments have been made to the 31 December 2020 financial statements.

The Directors continue to monitor the situation constantly and will take any necessary actions to minimise the possible impacts of COVID-19. The Company's ultimate parent, CRH plc, continues to be in a strong financial position to navigate the economic impact of the current situation and will continue to provide ongoing support through a signed letter of support over the liabilities of the Company.

There remains a level of uncertainty around the short-term impact of future outbreaks of COVID-19, 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 restrictions that took place in the prior year.

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

During the year Ernst & Young LLP resigned as the Company's Auditor and Deloitte LLP were appointed in their place.

Deloitte LLP have indicated their willingness to be reappointed as auditor. Deloitte LLP will be proposed for reappointment in accordance with Section 489 of the Companies Act 2006.

Approved by the Board on 05-Nov-2021 and signed on its behalf by:

DocuSigned by:

Jean-Pierre Janse van Rensburg

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JP Janse van Rensburg

Director

Sapphire Energy Recovery Limited

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sapphire Energy Recovery Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 24.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

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

Birmingham, United Kingdom

Date: 05-Nov-2021

Sapphire Energy Recovery Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	Continuing operations 2020 £ 000	Discontinued operations 2020 £ 000	Total 2020 £ 000	Continuing operations 2019 £ 000	Discontinued operations 2019 £ 000	Total 2019 £ 000
Turnover	5	5,714	-	5,714	5,220	1,985	7,205
Cost of sales		(5,502)	-	(5,502)	(4,722)	(1,987)	(6,709)
Gross profit/(loss)		212	-	212	498	(2)	496
Administrative expenses		(470)	-	(470)	(396)	(294)	(690)
Other operating income		405	-	405	329	-	329
Operating profit/(loss)	6	147	-	147	431	(296)	135
Interest receivable and similar income	7	4	-	4	9	-	9
Interest payable and similar expenses	8	(2)	-	(2)	(3)	(13)	(16)
Profit/(loss) before tax		149	-	149	437	(309)	128
Tax on profit	11	(17)	-	(17)	1	(20)	(19)
Profit/(loss) for the year		132	-	132	438	(329)	109

Sapphire Energy Recovery Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
Profit for the year	132	109
Other comprehensive income	-	-
Total comprehensive income for the year	132	109

The notes on pages 12 to 27 form an integral part of these financial statements.

Sapphire Energy Recovery Limited

(Registration number: 04027738)
Balance Sheet as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Fixed assets			
Tangible assets	12	1,300	1,485
Right of use assets	13	43	100
		1,343	1,585
Current assets			
Stocks	14	32	36
Debtors	15	1,833	1,209
Cash at bank and in hand		116	1,312
		1,981	2,557
Creditors: Amounts falling due within one year	16	(599)	(1,515)
Net current assets		1,382	1,042
Total assets less current liabilities		2,725	2,627
Creditors: Amounts falling due after more than one year	17	(13)	(62)
Deferred tax liabilities	11	(15)	-
Total liabilities		(627)	(1,577)
Net assets		2,697	2,565
Capital and reserves			
Share capital	19	3,500	3,500
Profit and loss account		(803)	(935)
Shareholders' funds		2,697	2,565

Approved by the Board and authorised for issue on 05-Nov-2021 They were signed on its behalf by:

DocuSigned by:

Jean-Pierre Janse van Rensburg

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JP Janse van Rensburg
Director

The notes on pages 12 to 27 form an integral part of these financial statements.

Sapphire Energy Recovery Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	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

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	3,500	(935)	2,565
Profit for the year	-	132	132
Total comprehensive income	-	132	132
At 31 December 2020	3,500	(803)	2,697

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

During the COVID-19 pandemic management continue to review the market and will take all necessary actions to ensure the business' long-term success. Detailed forecasts including the Company are prepared on a Tarmac Group basis for a period of at least 12 months from the date of approval of these financial statements. The Tarmac Group as a whole is profitable and cash-generative. These forecasts show that there is sufficient cash headroom in each individual month across the period, allowing the Tarmac companies to continue to operate with significant cash headroom whilst meeting daily cash flow requirements over this period.

Given that these forecasts are not prepared by statutory entity, and should the need arise, a signed letter of support, confirming ongoing support throughout an equivalent period has been obtained from the Company's ultimate parent company, CRH plc, for which forward looking plans have also been prepared to reflect severe but plausible downside scenarios. Even considering plausible downside scenarios as a result of COVID-19, there are sufficient funds to allow the company to continue in operational existence for the foreseeable future.

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

2 Accounting policies (continued)

Summary of disclosure exemptions

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; and
• the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2020 and did not have a material effect on the financial statements:

• IFRS 3 Business Combinations - Definition of a business
• Amendments to IAS 1 Presentation of Financial Statements and IAS 8 - Definition of material
• Amendments to References to the Conceptual Framework in IFRS Standards
• Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform

The following standard amendment was issued in May 2020 effective for annual reporting periods beginning on or after 1 June 2020 with earlier application permitted:

• Amendments to IFRS 16 Leases - COVID-19-Related Rent Concessions. The amendment was adopted effective 1 January 2020 and did not result in a material impact on the Company's results.

2 Accounting policies (continued)

Revenue recognition

Recognition

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

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

Rendering of services
The Company also earns revenue from the provision of services relating to waste disposal. Recognition of revenue from these services is made in line with IFRS 15, when the performance obligation has been completed. This would usually be upon disposal of the waste when the customer is issued with a compliance certificate.

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

Tangible assets

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

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

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

Depreciation

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

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

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.

Stock

Stock relates to various minimal spare parts stated at the lower of cost and net realisable value.

2 Accounting policies (continued)

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. Modifications to a lease agreement beyond the original terms and conditions are either treated as a re-measurement of the lease liability and asset or treated as a separate lease, depending on the nature of the modification. Generally any modifications that increase the scope of the lease or that increase the lease payment by the market price of the increased asset are accounted for as a separate new lease.

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

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

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

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.

2 Accounting policies (continued)

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.

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 judgement:

Leases
Incremental borrowing rate used to measure lease liabilities
Where the interest rate implicit in the lease is not readily determinable, lease liabilities are discounted at the incremental borrowing rate. This is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities note and the corresponding right-of-use assets.

Renewal, termination and purchase options
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. In making this judgement, management considers all facts and circumstances that create an economic incentive to exercise, or not exercise, a renewal, termination or purchase option. Options are only included in the lease term if they are reasonably certain to be exercised. The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

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

Impairment of tangible assets and right of use assets
At each reporting date, or where decisions are made to alter the industrial footprint of the Company's operations (such that sites are either closed, mothballed or identified for sale), the Company reviews the carrying amounts of its tangible assets and right of use assets to determine whether there is any indication that those assets require impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment required (if any).

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

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Other key estimates include growth rates and assumptions around cost management. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. The assumptions and conditions for determining impairments reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above, many of which are not under management's control. These inherent uncertainties include assumptions around future developments arising due to the COVID-19 pandemic and the expected pace and extent of recovery in certain markets. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

The following are areas of estimation uncertainty:

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

4 Discontinued operations

Disposal of tyre business
On 17 September 2019, the company disposed of its tyre business, which included 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 was recorded in other operating income in 2019. Full details of continued and discontinued operations have been included for 2020 and 2019 on the face of the profit and loss account (all operations in 2020 are classified as continuing).

5 Turnover

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

	2020 £ 000	2019 £ 000
Sale of goods	2,631	5,621
Rendering of services	3,083	1,584
	5,714	7,205

6 Operating profit

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Depreciation expense	201	244
Depreciation on right of use assets	37	242
Profit on disposal of tyre business	-	(22)
Management fee received	(325)	(114)
HM Revenue & Customs Research & Development Expenditure Credit	(39)	(92)

Auditor's remuneration of £11,300 (2019: £13,100) for the auditing of the financial statements is borne by a fellow group company. There were no non audit services provided in either year.

7 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest receivable from Group companies	2	-
Interest income on bank deposits	2	9
	4	9

8 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest expense on leases	2	16

9 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	516	970
Social security costs	56	101
Pension costs, defined contribution scheme	42	54
	614	1,125

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

	2020 No.	2019 No.
Production	12	17
Administration and support	6	11
Sales	2	2
	20	30

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Salaries, fees and bonuses	-	90
Money purchase pension contributions	-	6
	-	96

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

	2020 £ 000	2019 £ 000
Current taxation		
	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	17	19
Tax expense in the profit and loss account	17	19

The differences between the total tax for the year and the amount calculated by applying the standard rate of UK corporation tax of 19% (2019: 19%) to the profit before tax are as follows:

	2020 £ 000	2019 £ 000
Profit before tax	149	128
Corporation tax at standard rate	28	24
Decrease in current tax from adjustment for prior periods	-	(10)
Expenses not deductible	1	-
Effects of group relief	(12)	(11)
Deferred tax credit relating to changes in tax rates or laws	-	(3)
Impact of discontinued operation	-	19
Total tax charge	17	19

11 Tax on profit (continued)

Group relief within Tarmac is surrendered free of charge.

Group relief claimed from other Group companies registered within the UK is paid for at the prevailing rate of corporation tax for the year at 19% (2019: 19%).

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

On 15 September 2016, Finance Bill 2016 enacted a further rate reduction to 17% 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% to 17% from 1 April 2020. Therefore, the rate enacted at the balance sheet date was 19%.

On 3 March 2021, the Chancellor of the Exchequer announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of Corporation Tax for all non-ring fence profits to 25% for the financial year 2023.

This change was substantively enacted on 24 May 2021 i.e. after the balance sheet date and as such this change has not been reflected in the deferred tax balance at 31 December 2020. Using the Company's deferred tax balance at 31 December 2020 the impact of the rate change on the deferred tax balance would be a charge to the P&L of £4,679.

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 2020 deferred tax has been calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled. Therefore all deferred tax assets and liabilities have been measured at 19% being the rate enacted at the balance sheet date.

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in income (continuing operations) £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	(6)	(12)	(18)
Provisions	8	(5)	3
Net tax assets/(liabilities)	2	(17)	(15)

12 Tangible assets

	Fixtures and fittings £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	85	2,026	2,111
Additions	-	16	16
At 31 December 2020	85	2,042	2,127
Depreciation			
At 1 January 2020	85	541	626
Charge for the year	-	201	201
At 31 December 2020	85	742	827
Carrying amount			
At 31 December 2020	-	1,300	1,300
At 31 December 2019	-	1,485	1,485

13 Right of use assets

	Plant and machinery £ 000	Vehicles £ 000	Total £ 000
Cost			
At 1 January 2020	109	32	141
Disposals	-	(32)	(32)
At 31 December 2020	109	-	109
Depreciation			
At 1 January 2020	33	8	41
Charge for the year	33	4	37
Eliminated on disposal	-	(12)	(12)
At 31 December 2020	66	-	66
Carrying amount			
At 31 December 2020	43	-	43
At 31 December 2019	76	24	100

14 Stock

	31 December 2020 £ 000	31 December 2019 £ 000
Other spares	32	36

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

15 Debtors

	31 December 2020 £ 000	31 December 2019 £ 000
Trade debtors	705	1,048
Amounts owed by group companies	927	-
Other debtors	197	139
Prepayments	4	6
Deferred tax	-	2
Corporation tax	-	14
	1,833	1,209

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

At 31 December 2020 allowances for doubtful debts were only held against Trade Debtors, amounts included were £17,000 (2019: £44,000).

16 Creditors: Amounts due in less than one year

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Trade creditors		115	736
Accrued expenses		121	307
Amounts due to group companies		194	415
Social security and other taxes		136	16
Current portion of long term lease liabilities	18	33	41
		599	1,515

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

17 Creditors: Amounts falling due after more than one year

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Long term lease liabilities	18	13	62

18 Leases

Leases included in creditors

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Current portion of long term lease liabilities	16	33	41
Long term lease liabilities	17	13	62
		46	103

Lease liabilities maturity analysis

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

	31 December 2020 £ 000	31 December 2019 £ 000
Less than one year	33	42
1 - 2 years	13	42
2 - 3 years	-	22
3 - 4 years	-	1
Total lease liabilities (undiscounted)	46	107

Total cash outflows related to leases

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

Lease liabilities	31 December 2020 £ 000	31 December 2019 £ 000
At 1 January	103	-
Effect of adopting IFRS 16	-	1,088
Addition of right of use assets	-	32
Disposals	(20)	(702)
Payments	(38)	(331)
Discount unwinding	2	16
At 31 December	47	103

19 Called up share capital

Allotted, called up and fully paid shares

	31 December 2020 No. 000	31 December 2020 £ 000	31 December 2019 No. 000	31 December 2019 £ 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 11.

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 £42,000 (2019: £54,000).

22 Contingent liabilities

The Company was formerly part of a composite accounting agreement with certain of Tarmac's subsidiaries, whereby each has offered a limited guarantee in respect of the others' overdraft borrowings from time to time. This arrangement is no longer in place as at 31 December 2020. The Company's maximum liability at 31 December 2019 was £1,312,000.

23 Parent and ultimate parent undertaking

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

The ultimate parent and controlling party is CRH plc.

Relationship between entity and parents

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

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

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

24 Post balance sheet events

The Directors have considered the continued COVID-19 pandemic and national lockdowns within the UK during the early part of 2021 and determined that, based on recent trading of the Tarmac sub-group and continuation of activities in the construction sector through the recent lockdowns, the pandemic is not expected to have a significant impact on the Company's business. Specifically, the third national lockdown commencing January 2021 is a non adjusting post balance sheet event for the Company and therefore no adjustments have been made to the 31 December 2020 financial statements.

The Directors continue to monitor the situation constantly and will take any necessary actions to minimise the possible impacts of COVID-19. The Company's ultimate parent, CRH plc, continues to be in a strong financial position to navigate the economic impact of the current situation and will continue to provide ongoing support through a signed letter of support over the liabilities of the Company.

There remains a level of uncertainty around the short-term impact of future outbreaks of COVID-19, 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 restrictions that took place in the prior year.