Hope Cement Limited (formerly Hope Construction Materials Limited)

Annual report and financial statements

Registered number 08284549

For the year ended 31 December 2016

Contents

Strategic report

Overview

The Company had a challenging but successful year, with revenues ahead 2.1% on the prior year at £300.9 million (*2015: £294.7 million*).

During the year the Company opened a new depot in Dagenham and subsequently launched a new packed product range. The new Dagenham operation gives the Company the opportunity not only to establish itself in the builders' merchants market, but also to expand its customer base for bulk cement in south-east England.

On 1 August 2016, the shareholder agreement to sell the entire issued share capital of the Company to Breedon Group plc (formerly Breedon Aggregates Limited) was completed following review of the transaction by the Competition and Markets Authority. On the same date, the Company's name was changed from Hope Construction Materials Limited to Hope Cement Limited to recognise Breedon Group's intention that the Company would retain ownership of all of its cementitious operations and that the ownership of its aggregates and ready-mixed concrete operations would be transferred intra-group to either Breedon Northern Limited (formerly Breedon Aggregates Scotland Limited) or Breedon Southern Limited (formerly Breedon Aggregates England Limited), dependent on the geographic location of the asset in question.

This report sets out the Company's operating and financial performance from 1 January 2016 to 31 December 2016.

Strategy

The Company's objective is to be the safest and best run business in the United Kingdom cement industry by being flexible and providing a high value service. The safety of employees, service to customers and value for the Company's shareholder are imperative to it.

Risk Management

The Board is ultimately responsible for risk management and continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk, but they cannot entirely eliminate it. The Board has identified the following key areas of risk to the business:

- Reduction in customer expenditure – local authority expenditure plays a large part in generating demand for the Company's products and changes in the level or timing of this expenditure could impact on the Company's activity levels. To mitigate this risk, the Company endeavours to maintain a broad exposure to various end-users for its products, including private housing, commercial and industrial development and infrastructure projects and responds quickly to evolving market requirements.
- Increased key material prices – the Company relies on energy and fuel oil to produce its products and get them to market. Increases in cost will have a significant effect on the Company's cost base. To minimise this risk, the Company operates a strategic purchasing plan which attempts to spread the risk by a combination of better buying, fixed term contracts and spot prices, and endeavours to pass inflationary cost increases on to its customers through price increases and forward-pricing.
- Loss of key employees – failure to recruit and retain the right people could have an adverse impact on the Company. The Company has appropriate remuneration and incentive packages to assist in the attraction and retention of key individuals.
- Health & safety risk – failure to manage this risk could expose the Company to significant potential disruption, liabilities and reputational damage. As outlined below, to reduce this risk the Company has adopted the Breedon Group's health and safety procedures and promotes a strong safety culture throughout the business.
- IT and cyber security risk – disruption to the IT environment or a major breach of system security could affect the Company's ability to conduct its ongoing operations and could lead to reputational losses, regulatory penalties and significant financial loss. To reduce this risk, the Company utilises the Group's dedicated internal IT support teams, together with external support service providers, and adopts defined governance and control procedures for IT system developments.

The Company's operational key performance indicators are centred around unit operating profit, sales prices per tonne, long term injury frequency rate and overall Company profit and cash generation.

Strategic report *(continued)*

Health and safety

Health and safety remains core to the Company's business. The Company is part of the dedicated health and safety database of Breedon Group plc (formerly Breedon Aggregates Limited), and benefits from the support of other group companies.

The Company continued to operate a Visible Felt Leadership ("VFL") and Behavioural Safety programme, under which senior managers undertake visits to operations to closely observe what is happening in the workplace and engage employees in dialogue about how their tasks might be undertaken more safely.

A new set of five non-negotiable Safety Commitments were introduced towards the end of the year and formally launched to all colleagues at the beginning of 2017. Everyone in Breedon was issued with a 'credit card' printed with the Commitments, which they were expected to sign and carry with them at all times. The Commitments formed the centrepiece of a major drive to improve Breedon's safety culture throughout 2017.

Corporate social responsibility (CSR)

The Breedon Group recognises the importance of balancing the interest of key stakeholders – customers, employees, shareholders, suppliers and the wider community in which it operates. The Company remains committed to a continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation.

By order of the Board

RE McDonald
Secretary

23 June 2017

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the business is the production of large-scale heavy building materials including cement, ready mixed concrete and aggregates.

Results

For the year ended 31 December 2016, the Company reported a loss on ordinary activities before taxation of £4,044,000 *(2015: £6,312,000 profit)* on turnover of £300,908,000 *(2015: £294,653,000)*. Loss after taxation for the year was £1,513,000 *(2015: £9,604,000 profit)*.

Dividends

No dividend has been declared or paid during the year *(2015: £Nil)*.

Directors

The directors who held office during the year were as follows:

R McDonald	(appointed 1 August 2016)
R Wood	(appointed 1 August 2016)
T Hall	(appointed 1 August 2016)
A Mackenzie	(appointed 1 August 2016)
T Billingham	(appointed 9 December 2016)
A Bhatia	(resigned 1 August 2016)
S Maheshwari	(resigned 1 August 2016)
M Mikati	(resigned 1 August 2016)
J Issa El-Khoury	(resigned 1 August 2016)
J-F Beaudouin	(resigned 1 August 2016)
P Darmayan	(resigned 1 August 2016)

Employees

The Company recognises the importance of employee involvement in the operation and development of its business units, to enable management to be fully accountable for their own actions and gain maximum benefit from local knowledge. Employees are informed by regular consultation and newsletters of the progress of both their own business units and the wider Breedon Group.

The Company is committed to providing equal opportunities for individuals in all aspects of employment and considers the skills and aptitudes of disabled persons in recruitment, career development, training and promotion. If existing employees become disabled, every effort is made to retain them and retraining is arranged whenever possible.

Political contributions

The Company did not make any contributions to political parties during either the current or the previous year.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

On 26 November 2016, KPMG LLP were appointed auditor.

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

RE McDonald
Secretary

Breedon Quarry
Breedon on the Hill
Derby
DE73 8AP

23 June 2017

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect of fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Hope Cement Limited (formerly Hope Construction Materials Limited)

We have audited the financial statements of Hope Cement Limited (formerly Hope Construction Materials Limited) for the year ended 31 December 2016 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including *FRS 101 Reduced Disclosure Framework.*

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Hope Cement Limited (formerly Hope Construction Materials Limited) *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

Darren Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

23 June 2017

Profit and loss account
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover		**300,908**	294,653
Cost of sales		**(186,045)**	(181,510)
Gross profit		**114,863**	113,143
Other operating income	2	**3,565**	1,796
Distribution costs		**(72,713)**	(64,929)
Administrative expenses		**(29,890)**	(32,427)
Other operating expenses	2	**(7,503)**	(326)
Operating profit		**8,322**	17,257
Interest receivable and similar income	5	**118**	95
Interest payable and similar charges	6	**(12,484)**	(11,040)
(Loss)/profit on ordinary activities before taxation		**(4,044)**	6,312
Tax on (loss)/profit on ordinary activities	7	**2,531**	3,292
(Loss)/profit for the financial year		**(1,513)**	9,604

All operating results were derived from continuing activities of the business.

Statement of comprehensive income
for the year ended 31 December 2016

	2016 £000	2015 £000
(Loss)/profit for the year	**(1,513)**	9,604
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Gains/(Losses) arising during the year	**4,096**	(1,384)
Less: reclassification adjustments for (losses)/gains included in profit	**(3,299)**	1,564
Other comprehensive income for the year	**797**	180
Total comprehensive income for the year	**(716)**	9,784

Balance sheet
at 31 December 2016

	Note	**2016 £000**	**£000**	2015 £000	£000
Fixed assets					
Intangible assets	*8*	**25**		2,628	
Tangible assets	*9*	**236,917**		250,846	
Investments	*10*	**264,605**		264,794	
			501,547		518,268
Current assets					
Stocks	*11*	**14,583**		11,570	
Debtors	*12*	**44,774**		47,263	
Cash at bank and in hand		**6,384**		27,158	
		65,741		85,991	
Creditors: amounts falling due within one year	*13*	**(308,917)**		(82,952)	
Net current (liabilities)/assets			**(243,176)**		3,039
Total assets less current liabilities			**258,371**		521,307
Creditors: amounts falling due after more than one year	*14*		**(140,137)**		(398,423)
Provisions for liabilities and charges					
Deferred tax liability	*15*	**(17,042)**		(20,740)	
Other provisions	*16*	**(11,322)**		(11,558)	
			(28,364)		(32,298)
Net assets			**89,870**		90,586
Capital and reserves					
Share capital	*17*		**62,600**		62,600
Cashflow hedge reserve			**-**		(797)
Profit and loss account			**27,270**		28,783
Equity shareholder's funds			**89,870**		90,586

These financial statements were approved by the board of directors on 23 June 2017 and were signed on its behalf by:

T Billingham
Director

Company number: 08284549

Statement of changes in equity
for the year ended 31 December 2016

	Share capital £000	Cashflow hedge reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	62,600	(977)	19,179	80,802
Profit for the financial year	-	-	9,604	9,604
Other comprehensive income for the year	-	180	-	180
Total comprehensive income for the year	-	180	9,604	9,784
Balance at 31 December 2015	62,600	(797)	28,783	90,586
Balance at 1 January 2016	62,600	(797)	28,783	90,586
Loss for the financial year	-	-	(1,513)	(1,513)
Other comprehensive income for the year	-	797	-	797
Total comprehensive income for the year	-	797	(1,513)	(716)
Balance at 31 December 2016	**62,600**	**-**	**27,270**	**89,870**

Notes
(forming part of the financial statements)

1 Accounting policies

Hope Cement Limited (formerly Hope Construction Materials Limited) (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

In the transition to FRS 101 from adopted IFRS, the Company has made no recognition adjustments and as such the transition has not impacted on equity or profit and loss.

The Company's ultimate parent undertaking, Breedon Group plc (formerly Breedon Aggregates Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of Breedon Group plc are prepared in accordance with International Financial Reporting Standards and may be obtained from the Company Secretary, Breedon Group plc, Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides Key Management Personnel services to the Company.

As the consolidated financial statements of Breedon Group plc (formerly Breedon Aggregates Limited) include the equivalent disclosures, the Company has also taken the exemptions available under FRS 101 in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2015 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. The Company meets its day to day working capital requirements through a Group overdraft facility which is repayable on demand. The nature of the Company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information and after making appropriate enquiries, taking into account the banking facilities available to the Group and the support from the Group's principal bankers, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

1.2 Subsidiary undertakings ("subsidiaries")

Investments in subsidiaries are stated at cost less amounts written off. Only dividends received are credited to the Company's profit and loss account.

1.3 Turnover

Turnover from the sale of goods and services represents the amount (excluding value added and sales taxes) invoiced to third party customers, net of returns and trade discounts. Turnover is recognised by the Company with the significant risks and rewards associated with the transaction have been transferred to the customer and the amount can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. Usually transfer occurs when products have been delivered to, or picked up by, the customer or by reference to the degree of completion for the supply of contracting services.

Turnover consists of the net invoiceable value of goods and services provided, excluding VAT. All goods and services were provided to UK customers and were in respect of the principal activity of the Company.

1.4 Restoration costs

Where a legal or constructive obligation exists, the Group provides for the costs of restoring a site and of decommissioning associated property, plant and equipment. The initial cost of creating a provision on commencement of the exploitation of the raw materials is included in property plant and equipment and depreciated over the life of the site. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of related asset. All provisions are discounted to their present value at a rate that reflect current market assessment of the time value of money and the risk specific to the liability.

1.5 Fixed assets and depreciation

Freehold land is not depreciated.

Tangible fixed assets, including those assets held under finance leases, are depreciated on a straight line basis so as to write off the cost or valuation of the assets, less their estimated residual values, over their estimated useful lives as follows:

- Freehold buildings — 50 years
- Plant, machinery and vehicles — 2 to 25 years

1.6 Mineral reserves

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

Costs incurred to gain access to mineral reserves and resources are capitalised and depreciated over the life of the quarry.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full using the Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset 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.

1.8 Hedge accounting

The Company designates cross currency swaps as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effectives portion of changes in the fair value of derivatives that are designed and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for the hedge accounting Any gain or loss accumulated in equity is recognised immediately in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10 Pensions

The Company participates in a group defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profit represents the contributions payable to the scheme during the year.

1.11 Leased assets

Payments under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Assets acquired under finance leases and similar hire purchase contracts are included in fixed assets and the outstanding future instalments, net of finance charges, are shown in creditors. Finance charges are allocated to the profit and loss account using the sum of digits method over the primary lease term.

1.12 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

1.13 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement when the asset is derecognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

2 Operating profit

	2016	2015
	£000	£000
Operating profit is stated after charging/(crediting)		
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements pursuant to legislation	**80**	210
Non-audit services	**-**	50
Depreciation: Owned	**17,388**	19,095
Amortisation of intangibles	**476**	1,006
Impairment of tangible and intangible fixed assets	**15,884**	1,026
Operating lease rentals:		
Plant and machinery	**6,051**	5,107
Royalties	**796**	1,186
Other	**3,608**	3,926
Other operating income:		
Profit on sale of fixed assets	**(3,387)**	(355)
Other	**(178)**	(1,441)
Other operating expenses:		
Redundancy and reorganisation costs	**7,303**	326
Other	**200**	-
Bad debt expense	**172**	676

Notes *(continued)*

3 Directors' remuneration

	2016 £000	2015 £000
Salary including benefits	**12**	-
Company contributions to defined contribution pension scheme	**2**	-
	14	-

The aggregate emoluments of the highest paid director were £14,000 *(2015: £Nil)*. Company pension contributions of £2,000 *(2015: £Nil)* were made on his behalf.

	2016 Number	2015 Number
Number of directors who were:		
Members of defined contribution pension scheme	**1**	-

4 Staff numbers and costs

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

	Number of employees 2016	2015
Production, distribution and administration	**908**	925

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**32,490**	30,186
Social security costs	**3,096**	2,950
Other pension costs	**1,728**	1,688
	37,314	34,824

5 Interest receivable and similar income

	2016 £000	2015 £000
Interest on bank deposits	**118**	95

6 Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on bank loans	**6,100**	5,362
Interest on other loans	**2,122**	3,578
Group interest	**3,116**	-
Unwinding of discounting of provisions	**1,146**	2,100
	12,484	11,040

Notes *(continued)*

7 Tax on profit on ordinary activities

Analysis of credit for the year

	2016 £000	2015 £000
UK corporation tax		
Current year	**1,167**	-
Total current tax	**1,167**	-
Deferred tax		
Current year	**(3,672)**	1,496
Adjustment in respect of prior years	**(26)**	(4,788)
Total deferred tax	**(3,698)**	(3,292)
Tax on (loss)/profit on ordinary activities	**(2,531)**	(3,292)

Factors affecting the tax credit for the year

The tax charge for the current year is lower *(2015: lower)* than the standard rate of corporation tax in the UK of 20% *(2015: 20.25%)*. The differences are explained below.

	2016 £000	2015 £000
Tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(4,044)**	6,312
Current tax at 20% *(2015: 20.25%)*	**(809)**	1,278
Effects of:		
Expenses not deductible for tax purposes	**381**	332
Contingent consideration not taxable	-	(256)
Other differences	-	142
Utilisation of unrecognised deferred tax asset	**(1,346)**	-
Effect of change in rate	**(706)**	-
Adjustment in respect of prior years	**(26)**	(4,788)
Chargeable gain	**(25)**	-
Total tax credit (see above)	**(2,531)**	(3,292)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Notes *(continued)*

8 Intangible assets

	Development costs £000	Licences £000	Total £000
Cost			
At the beginning and end of year	3,510	765	4,275
Amortisation			
At beginning of year	1,352	295	1,647
Charge for year	387	89	476
Impairment	1,771	356	2,127
At end of year	3,510	740	4,250
Net book value			
At 31 December 2016	**-**	**25**	**25**
At 31 December 2015	2,158	470	2,628

Following a review in the year of the carrying amounts of intangible assets, indicators of impairment were identified and, as a result, a full impairment review was performed. The review resulted in an impairment loss of £2,127,000 being recognised in relation to the development cost and licence assets, reducing the carrying values of the assets to their recoverable amounts.

9 Tangible assets

	Land and buildings £000	Minerals £000	Plant, machinery and vehicles £000	Assets under construction £000	Total £000
Cost or valuation					
At beginning of year	26,390	26,444	206,946	22,968	282,748
Additions	-	33	494	18,825	19,352
Transfers	125	1,962	27,121	(29,208)	-
Disposals	(593)	-	(2,588)	-	(3,181)
At end of year	25,922	28,439	231,973	12,585	298,919
Depreciation					
At beginning of year	2,707	3,677	25,518	-	31,902
Charge for year	1,460	1,265	14,663	-	17,388
Impairments	281	4,415	9,061	-	13,757
Elimination on disposals	(70)	-	(975)	-	(1,045)
At end of year	4,378	9,357	48,267	-	62,002
Net book value					
At 31 December 2016	**21,544**	**19,082**	**183,706**	**12,585**	**236,917**
At 31 December 2015	23,683	22,767	181,428	22,968	250,846

Notes *(continued)*

9 Tangible assets *(continued)*

Following a review in the year of the carrying amounts of tangible assets, indicators of impairment were identified and, as a result, a full impairment review was performed. The review resulted in an impairment loss of £13,757,000 being recognised in the period, reducing the carrying values of the assets to their recoverable amounts.

10 Investments

	2016	2015
	£000	£000
Loans to subsidiaries	264,366	264,366
Loans to other parties	239	428
	264,605	264,794

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name of company	Country of incorporation	Description of shares	Proportion held %	Nature of Business
Subsidiaries				
Hope Ready Mixed Concrete Limited	England	Ordinary	100	Dormant
Hope Dormant 1 Limited (formerly Hope Cement Limited)	England	Ordinary	100	Dormant

The registered office address of both subsidiaries is Breedon Quarry, Main Street, Breedon on the Hill, Derby, England, DE73 8AP.

11 Stocks

	2016	2015
	£000	£000
Raw materials and consumables	7,149	6,686
Work in progress	2,612	1,722
Finished goods and goods for resale	4,822	3,162
	14,583	11,570

Stocks (being directly attributable costs of production) of £173,489,000 (*2015: £168,296,000*) were expensed in the year.

12 Debtors

	2016	2015
	£000	£000
Trade debtors	40,745	42,672
Amounts owed by group undertaking	477	-
Other debtors	92	56
Prepayments and accrued income	3,460	4,535
	44,774	47,263

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	**27,978**	34,764
Taxation and social security	**3,412**	3,643
Corporation tax	**16**	-
Other creditors	**650**	486
Amounts owed to group undertakings	**264,173**	-
Accruals and deferred income	**9,249**	11,698
Borrowings	**-**	22,654
Short term provisions (note 16)	**3,439**	9,707
	308,917	82,952

Amounts owed to group undertakings are repayable on demand.

14 Creditors: amounts falling after more than one year

	2016	2015
	£000	£000
Amounts due to group undertakings	**140,137**	-
Amounts due to subsidiaries	**-**	264,158
Bank loans	**-**	68,037
Other loans	**-**	63,402
Derivative financial instrument	**-**	2,826
	140,137	398,423

Amounts owed to group undertakings are due between one and two years and interest is payable at 5% per annum on the outstanding balance. There is no interest payable on amounts owed to subsidiaries.

Notes *(continued)*

15 Deferred tax assets and liabilities

	1 January 2016 £000	Recognised in income £000	**31 December 2016 £000**
Property, plant and equipment	22,591	(3,388)	**19,203**
Intangible assets	254	(236)	**18**
Working capital and provisions	(2,105)	(74)	**(2,179)**
	20,740	(3,698)	**17,042**

	1 January 2015 £000	Recognised in income £000	31 December 2015 £000
Property, plant and equipment	26,395	(3,804)	22,591
Intangible assets	-	254	254
Working capital and provisions	(2,363)	258	(2,105)
	24,032	(3,292)	20,740

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £000	2015 £000
Deferred tax liabilities	**19,221**	22,749
Deferred tax assets	**(2,179)**	(2,009)
	17,042	20,740

Notes *(continued)*

16 Provisions for liabilities and charges

	2016 £000	2015 £000
Contingent consideration provision	-	7,735
Decommissioning provision	5,243	4,636
Restoration provision	5,944	5,507
Onerous lease provision	2,508	2,241
Dilapidation provision	1,066	1,146
	14,761	21,265
Current	3,439	9,707
Non-current	11,322	11,558
	14,761	21,265

	Contingent consideration £000	Decommiss-ioning £000	Restoration £000	Onerous leases £000	Dilapidation £000	Total £000
At beginning of year	7,735	4,636	5,507	2,241	1,146	21,265
Charge for the year	-	-	59	738	-	797
Unused amounts	-	(82)	-	(326)	(117)	(525)
Utilised during the year	(7,735)	-	(235)	(358)	(60)	(8,388)
Unwinding of discount	-	402	478	185	85	1,150
Adjustment for change in discount rate	-	287	135	28	12	462
At end of year	-	**5,243**	**5,944**	**2,508**	**1,066**	**14,761**

The decommissioning provision represents management's best estimate of the Company's liability to decommission the plant and equipment installed at the Company's various operating locations.

The restoration provision represents management's best estimate of the Company's liability to restore sites used by the business for mineral extraction.

The onerous leases provision represents management's best estimate of the Company's liability to service the lease and associated costs for premises and equipment where no economically viable operating activities are able to be undertaken.

The dilapidation provision represents management's best estimate of the Company's liability to return leased premises to a reasonable condition at the end of the lease term.

Notes *(continued)*

17 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid:		
62,600,000 Ordinary shares of £1 each	**62,600**	62,600

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

18 Contingent liabilities

The Company has guaranteed the bank overdrafts and loans of Breedon Group plc (formerly Breedon Aggregates Limited) and certain of its subsidiary undertakings which, at 31 December 2016, amounted to £151,756,000 *(2015: £Nil)*.

The Company has guaranteed the hire purchase liabilities in respect of vehicles operating under the Company's owner driver scheme. The maximum contingent liability in respect of these guarantees amounts to £200,000 *(2015: £Nil)*.

19 Commitments

Total non-cancellable operating lease rentals are payable as follows:

	2016 Land and buildings £000	2016 Other £000	2015 Land and buildings £000	2015 Other £000
Less than one year	**3,705**	**6,618**	3,974	4,840
Between one and five years	**11,606**	**14,167**	13,241	12,511
More than five years	**30,103**	**5,590**	34,614	-
	45,414	**26,375**	51,829	17,351

At 31 December 2016, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3,720,000 (*2015: £6,000,000*).

20 Pensions

The Company contributes to the Hope Construction Materials Group Personal Pension Plan (the "Hope Scheme") which is a contract based defined contribution scheme.

The pension costs charged during the year in respect of the Hope Scheme, which include the portion of salary sacrificed, were £1,727,000 *(2015: £1,688,000)*. Contributions outstanding at 31 December 2016 amounting to £2,000 (*2015: £6,000*) are included in payables.

21 Related parties

The Company is a wholly owned subsidiary of Breedon Group plc (formerly Breedon Aggregates Limited) and is exempt from the requirement to disclose transactions with its parent and fellow wholly owned subsidiary undertakings.

	Amounts owed to related parties 2016 £000	Amounts owed to related parties 2015 £000	Purchase of goods 2016 £000	Purchase of goods 2015 £000
ArcelorMittal Sheffield Limited	-	-	**43**	187
Swordfish Investments LLP	-	-	**19**	32

Notes *(continued)*

22 Ultimate parent undertaking

Marwyn Materials Investments Limited, a company incorporated in Jersey, is the Company's immediate parent undertaking.

Breedon Group plc (formerly Breedon Aggregates Limited), a company incorporated in Jersey, is the Company's ultimate parent undertaking and its consolidated results include the post acquisition results of the Company. Copies of the consolidated financial statements for Breedon Group plc (formerly Breedon Aggregates Limited) can be obtained from the Company Secretary, Breedon Group plc, Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT.

23 Accounting estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described below:

Mineral reserves and resources

A number of key assumptions have been made in determining the annual depletion charge. These assumptions include the amount of consented and unconsented reserves available for extraction; the estimated residual value; extraction rates; and the gaining of additional planning consents. The Company used independent experts, where appropriate, to assist with the determination of reserves available for extraction.

Restoration, decommissioning and dilapidation provisions

Estimated costs have been derived on the basis of the most recent assessments of the likely cost. Certain factors concerning these costs are outside the Company's control. In making this assessment, the Company has sought the aid of independent experts where appropriate.

Deferred taxation

Deferred taxation has been estimated using the best information available, through the use of internal tax specialists.

Impairment of fixed assets

On reviewing fixed assets for impairment, if any indicators of impairment are identified then the asset's recoverable amount is estimated. In making this assessment, management make judgements and assumptions to estimate future cash flows and fair values of assets. Where necessary, management will also consult with internal specialists.

24 Events after the balance sheet date

In line with the Breedon Group's re-assessment of its business segments, on 1 January 2017 the Company sold at fair value its northern aggregates and concrete operations to Breedon Northern Limited (formerly Breedon Aggregates Scotland Limited) and on 1 April 2017 sold at fair value its southern aggregates and concrete operations to Breedon Southern Limited (formerly Breedon Aggregates England Limited). Furthermore, on 1 March 2017 the Company acquired at fair value the cement and cementitious operations of the Sherburn Group.