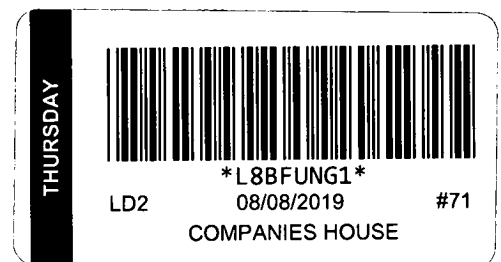


Breedon Cement Limited

**Annual report and financial
statements**

Registered number 08284549

For the year ended 31 December 2018



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Strategic report

Overview

The Company delivered a good performance against the background of challenging conditions, reflecting the slow start to the year due to severe weather, challenging markets, rising input costs and the general uncertainty around Brexit.

For the year ended 31 December 2018, the Company reported a profit before taxation of £23,740,000 (2017: £26,517,000) on turnover of £141,726,000 (2017: £174,623,000). Profit after taxation for the year was £19,347,000 (2017: £22,891,000).

Major investments during the year included the expansion of our transport fleet, new mobile plant at Hope quarry and the next stage of our four-year project to replace our plant control systems at Hope Works. We continued energetically to engage with our local communities, most notably the Peak District National Park with which Hope Works has had a longstanding positive relationship.

During the year we sought to quantify our contribution to the local Park community by publishing a socio-economic report which concluded that we provided £53 million of Gross Value-Added to the Peak District community in 2017.

In 2019 our aim is to recover cost increases where possible. We will also be looking to secure further efficiencies and cost-reductions by expanding our owned haulage fleet. Our largest single investment during the year will be the replacement of the raw mill drive at our Hope plant, which will bring benefits to the plant operation principally via operational risk reduction.

Strategy

The Company's objective is to be the safest and best run business in the cement industry by being flexible and providing a high value local 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:

- *Competition and margins* - increased competition could reduce our sales volumes and prices and impact the profitability of certain contracts. We are heavily reliant on energy and hydrocarbons to produce and transport our products and increases in these input costs could impact our margins, as could increases in commodity prices. Heavy reliance on key suppliers may cause difficulties if they suffer supply issues and there is also a risk to our profitability if haulage supply is disrupted or not aligned with demand.
- *Health, safety & environment* - failure to manage health, safety or environmental risks could expose the company to significant potential disruption, liabilities and reputational damage.
- *IT and cyber security* - disruption to the IT environment could affect our ability to conduct our ongoing operations and have an adverse effect on our performance, whilst a major breach of system security could lead to reputational damage, regulatory penalties and significant financial loss.
- *Legal and regulatory* - a legal or regulatory breach could result in disruption to our business and potential reputational damage. Product quality issues could result in customer claims while planning, licensing and emission restrictions could prevent us from operating facilities or extracting mineral reserves economically.
- *Market conditions* - changes in the macro-economic environment, shifts in Government policy and adverse weather could all have an impact on demand for our products and on utilisation of our assets. Difficult economic conditions could also increase our exposure to credit risk from our customers.
- *People* - failure to recruit, develop and retain the right people could have an adverse impact on our ability to meet our strategic objectives.

Strategic report *(continued)*

Risk management *(continued)*

The Company is managing the potential impacts Brexit could have on it. Our trade is local, our products do not generally cross national borders, and our supply chain is generally local. The Company may be indirectly impacted by reduced confidence, delays in our suppliers' supply chains and labour shortages. The Company will continue to monitor its Brexit risk position and respond as clarity emerges.

Health & safety

Health & safety remains core to the Company's business. The Company utilises the Breedon Group's dedicated health & safety database and has a dedicated, fully qualified Health & Safety manager who reports directly to the Board.

The Company operates 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.

The Company adopts Group Health & Safety Standards which setting clear expectations for the safe behaviour of all Breedon colleagues. They include a root-cause analysis system which prioritises learning and accountability over blame and judgement.

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.

Further information on business model, risk and performance

The Company is part of Breedon Group Plc. Further details on the business model, risks and performance of the Group can be found in the Consolidated financial statements for Breedon Group plc, which can be obtained from the Company Secretary, Breedon Group plc, 28 Esplanade, St Helier, Jersey JE2 3QA.

By order of the Board



RE McDonald
Secretary

7 June 2019

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the business is the production and sale of cement.

Results

For the year ended 31 December 2018, the Company reported a profit before taxation of £23,740,000 (2017: £26,517,000) on turnover of £141,726,000 (2017: £174,623,000). Profit after taxation for the year was £19,347,000 (2017: £22,891,000).

Dividends

No dividend has been declared or paid during the year (2017: £Nil).

Directors

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

TJ Billingham
R Wood
RE McDonald
PR Ward

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.

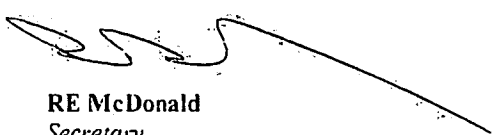
Disclosure of information to auditor

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.

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

Pinnacle House
Breedon Quarry
Breedon on the Hill
Derby, DE73 8AP
7 June 2019

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 they 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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 fraud and other irregularities.

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

Independent auditor's report to the members of Breedon Cement Limited

Opinion

We have audited the financial statements of Breedon Cement Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Directors' report and strategic report

The directors are responsible for the directors' report and the strategic report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the directors' and strategic reports and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' and strategic reports;

Independent auditor's report to the members of Breedon Cement Limited (continued)

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

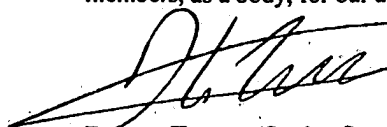
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Darren Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

7 June 2019

Profit and loss account
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	1	141,726	174,623
Cost of sales		(89,349)	(108,460)
Gross profit		52,377	66,163
Distribution costs		(22,851)	(32,307)
Administrative expenses		(2,919)	(9,032)
Other operating income	2	-	8,344
Other operating expenses	2	-	(1,567)
Operating profit	2	26,607	31,601
Interest receivable and similar income	5	-	4
Interest payable and similar charges	6	(2,867)	(5,088)
Profit before taxation		23,740	26,517
Tax on profit	7	(4,393)	(3,626)
Profit for the financial year		19,347	22,891

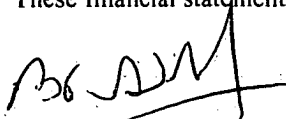
All operating results were derived from continuing activities of the business.

There were no other recognised gains or losses arising in the year.

Balance sheet
at 31 December 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Fixed assets					
Tangible assets	8	183,060			184,975
Investments	9	11,512			-
			<u>194,572</u>		<u>184,975</u>
Current assets					
Stocks	10	9,770		10,233	
Debtors	11	17,389		20,527	
Cash at bank and in hand		5,966		7,474	
		<u>33,125</u>		<u>38,234</u>	
Creditors: amounts falling due within one year	12	<u>(30,994)</u>		<u>(33,669)</u>	
Net current assets			<u>2,131</u>		<u>4,565</u>
Total assets less current liabilities			<u>196,703</u>		<u>189,540</u>
Creditors: amounts falling due after more than one year	13		<u>(43,462)</u>		<u>(56,058)</u>
Provisions for liabilities and charges					
Deferred tax liability	14	(13,494)		(13,220)	
Other provisions	15	(7,639)		(7,501)	
			<u>(21,133)</u>		<u>(20,721)</u>
Net assets			<u>132,108</u>		<u>112,761</u>
Capital and reserves					
Share capital	16	62,600		62,600	
Profit and loss account		69,508		50,161	
Equity shareholder's funds			<u>132,108</u>		<u>112,761</u>

These financial statements were approved by the board of directors on 7 June 2019 and were signed on its behalf by:



R Wood
Director

Company number: 08284549

Statement of changes in equity
for the year ended 31 December 2017

	Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	62,600	27,270	89,870
Profit for the financial year	-	22,891	22,891
Balance at 31 December 2017	62,600	50,161	112,761
Profit for the financial year	-	19,347	19,347
Balance at 31 December 2018	62,600	69,508	132,108

Notes

(forming part of the financial statements)

1 Accounting policies

Breedon Cement Limited (the "Company") is a company incorporated and domiciled in the UK. Its registered address is Pinnacle House, Breedon Quarry, Breedon on the Hill, Derby, England, DE73 8AP and its registered number is 08284549.

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").

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.

The Company's ultimate parent undertaking, Breedon Group plc 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 as adopted by the EU and may be obtained from the Company Secretary, Breedon Group plc, 28 Esplanade, St Helier, Jersey JE2 3QA.

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 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.

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 22.

Notes (continued)

1 Accounting policies (continued)

New IFRS Standards and Interpretations

IFRS 15 – Revenue from contracts with customers:

Although the adoption of this standard has not impacted the timing or value of revenue recognition by the Company, the Financial Statements include additional disclosures compared to the previous year in order to comply with the requirements of the new standard. These include the disaggregation of revenue by operating segments between those customer contracts recognised at a point in time compared to those recognised over time. In addition, contract assets and liabilities are now disclosed separately within the trade and other receivables and trade and other payables disclosures. Comparative information has been provided for 2017, resulting in the restatement of the notes to the accounts where relevant.

IFRS 9 – Financial instruments

The Company does not hold complex financial instruments and therefore the majority of changes to the standard did not change the existing accounting for assets or liabilities held. The change to an 'expected loss' model of impairment resulted in an immaterial increase in the overall level of bad debt provision. In line with the transition options permitted by the standard, the Group has opted not to restate comparative balances.

1.1 Going concern

The Company meets its day-to-day working capital and other funding requirements through its banking facility. On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these Financial Statements.

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

Company revenue arises from the sale of goods. IFRS 15 requires revenue from contracts with customers to be recognised in line with a principles-based five-step model. This requires the Company to identify performance obligations within its contracts with customers, determine the transaction price applicable to each of these performance obligations and then to select an appropriate method for the timing of revenue recognition reflecting the substance of the performance obligation, being either recognition at a point in time or over time.

Sale of goods

The Company's revenue is derived from the sale of physical goods to customers. Depending on whether the goods are delivered to or collected by the customer, the contract contains either one performance obligation which is satisfied at the point of collection, or two performance obligations which are satisfied simultaneously at the point of delivery.

The transaction price for this revenue is the amount which can be invoiced to the customer once the performance obligations are fulfilled, reduced to reflect provisions recognised for returns, trade discounts, and rebates. The Company does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Company believes it will receive. This value also excludes items collected on behalf of third parties, such as sales and value added taxes.

For all sales of goods, revenue is recognised at a point in time, being the point that the goods are transferred to the customer.

Notes (continued)

1 Accounting policies (continued)

1.4 Provisions (including restoration costs)

Provisions are recognised in the Statement of Financial Position when the company has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restoration provisions are recognised where a legal or constructive obligation exists, the company 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 the related asset. All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.5 Fixed assets and depreciation

Freehold land and assets under construction are not depreciated. All other 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
Leasehold buildings	Over life of lease
Plant, machinery and equipment	5 to 30 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.

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 Trade receivables and trade payables

Trade receivables and trade payables are initially recognised at fair value and then are stated at amortised cost.

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.

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.

Notes (continued)

2 Operating profit

	2018 £000	2017 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements pursuant to legislation	64	61
Depreciation:		
Owned assets	15,161	15,110
Leased assets	50	40
Amortisation of intangibles	-	25
Loss on disposal of fixed assets	-	380
	<hr/>	<hr/>
Operating lease rentals:		
Plant and machinery	2,472	2,718
Land & buildings	668	646

Amounts receivable by the Company's auditor in respect of services to the Company other than the audit of the Company's financial statements is disclosed in the consolidated financial statements of the Company's ultimate parent undertaking, Breedon Group plc.

This note has been restated to exclude operating lease rentals in relation to the exploration and use of minerals which fall outside the scope of IAS 17

Other operating income and expense comprises:

	2018 £000	2017 £000
<i>Income:</i>		
Profit on hive of assets to fellow group companies	-	(7,757)
Gain on forward contract	-	(542)
Other	-	(45)
	<hr/>	<hr/>
	-	(8,344)
	<hr/>	<hr/>
<i>Expense:</i>		
Redundancy and reorganisation costs	-	1,567
	<hr/>	<hr/>

3 Directors' remuneration

	2018 £000	2017 £000
Salary including benefits	197	960
Pension contributions	15	15
Share awards vesting in year	91	228
	<hr/>	<hr/>
	303	1,203
	<hr/>	<hr/>

Notes (continued)

3 Directors' remuneration (continued)

The aggregate emoluments of the highest paid director were £303,000 (2017: £352,000). Company pension contributions of £15,000 (2017: £nil) were made on his behalf. Pension contributions to defined contribution schemes were made in 2018 on behalf of 1 (2017: 1) director.

Directors remuneration is disclosed for 1 director (2017: 4 directors). The remaining directors of the Company are also directors of other companies within the Group and their remuneration is paid by and disclosed within the publicly available statutory accounts of those other companies. In the current year these directors do not consider that their duties in respect of the Company take up a significant amount of their time and therefore the value disclosed for the proportion of their remuneration received in respect of services to the Company is £nil in 2018.

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	
	2018	2017
Production, distribution and administration	236	384

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	10,197	16,065
Social security costs	1,084	1,532
Pension costs	752	962
Equity settled share-based payments	91	83
	12,124	18,642

5 Interest receivable and similar income

	2018 £000	2017 £000
Interest on bank deposits	-	4

6 Interest payable and similar charges

	2018 £000	2017 £000
Interest on other loans	14	17
Group interest	2,445	4,436
Unwinding of discounting of provisions	408	635
	2,867	5,088

Notes (continued)

7 Tax on profit

Analysis of charge for the year

	2018 £000	2017 £000
<i>UK corporation tax</i>		
Current year	4,698	3,975
Prior year	(579)	(730)
Total current tax	4,119	3,245
<i>Deferred tax</i>		
Current year	169	152
Prior year	105	229
Total deferred tax	274	381
Tax on profit	4,393	3,626

Factors affecting the tax charge for the year

The tax charge for the current year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below.

	2018 £000	2017 £000
<i>Tax reconciliation</i>		
Profit before tax	23,740	26,517
Current tax at 19% (2017: 19.25%)	4,511	5,104
<i>Effects of:</i>		
Expenses not deductible for tax purposes	656	557
Group relief received for nil payment	(280)	(20)
Intercompany gain on disposal not taxable	-	(1,494)
Effect of change in rate	(20)	(20)
Adjustment in respect of prior years	(474)	(501)
Total tax charge	4,393	3,626

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19 percent to 17 percent (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 2018 has been calculated based on these rates.

Notes (continued)

8 Tangible assets

	Land and buildings £000	Plant, machinery and vehicles £000	Assets under construction £000	Total £000
Cost or valuation				
At beginning of year	21,849	203,112	6,385	231,346
Additions	-	-	13,310	13,310
Group transfers	-	(33)	12	(21)
Reclassifications	537	7,754	(8,291)	-
At end of year	22,386	210,833	11,416	244,635
Depreciation				
At beginning of year	4,772	41,599	-	46,371
Charge for year	1,300	13,911	-	15,211
Group transfers	-	(7)	-	(7)
At end of year	6,072	55,503	-	61,575
Net book value				
At 31 December 2018	16,314	155,330	11,416	183,060
At 31 December 2017	17,077	161,513	6,385	184,975

9 Investments

	2018 £000	2017 £000
Net book value	11,512	-

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of company	Country of incorporation	Description of shares	Proportion held %	Nature of Business
Subsidiaries				
Hope Construction Products Limited	England	Ordinary	100	Dormant
Hope Ready Mixed Concrete Limited	England	Ordinary	100	Dormant
Hope Dormant 1 Limited	England	Ordinary	100	Dormant
Breedon Cement Ireland Limited (formerly Lagan Cement Unlimited Company)*	Ireland	Ordinary	100	Manufacture of cement
Breedon Employee Services Ireland Limited (formerly Elkvalley Limited) (held indirectly)*	Ireland	Ordinary	100	Employee services

The registered office address of Hope Ready Mixed Concrete Limited and Hope Dormant 1 Limited is Pinnacle House, Breedon Quarry, Breedon On The Hill, Derby, DE73 8AP. The registered office Breedon Cement Ireland Limited is Killaskillen, Kinnegad, Co. Westmeath, Ireland. The registered address of Breedon Employee Services Ireland Limited is Rosemount Business Park, Ballycoolin Road, Dublin, D11 K2TP, Ireland.

* Denotes subsidiaries that have been acquired in the year from fellow group companies. This accounts for the increase in the investments net book value in the year.

Notes (continued)

10 Stocks

	2018 £000	2017 £000
Raw materials and consumables	2,891	3,545
Work in progress	1,643	1,969
Finished goods and goods for resale	5,236	4,719
	<u>9,770</u>	<u>10,233</u>

Stocks (being directly attributable costs of production) of £88,220,000 (2017: £92,975,000) were expensed in the year.

11 Debtors

	2018 £000	2017 £000
Trade debtors	11,099	11,210
Amounts owed by group undertaking	3,535	7,585
Prepayments and other debtors	2,755	1,732
	<u>17,389</u>	<u>20,527</u>

Amounts owed by group undertakings are unsecured, interest free, and payable on demand.

12 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	19,877	15,762
Corporation tax	4,382	2,940
Other creditors	-	8
Amounts owed to group undertakings	1,668	8,728
Accruals	4,815	5,614
Finance leases	252	374
Short term provisions (note 15)	-	243
	<u>30,994</u>	<u>33,669</u>

Amounts owed to group undertakings are unsecured, interest free, and payable on demand.

13 Creditors: amounts falling after more than one year

	2018 £000	2017 £000
Amounts due to group undertakings	43,462	56,058

Interest is payable at 5% per annum on the outstanding balance of the loan due to group undertakings. Amounts owed to group undertakings are unsecured and payable on demand.

Notes (continued)

14 Deferred tax assets and liabilities

	1 January 2018 £000	Recognised in income £000	Group transfers £000	31 December 2018 £000
Property, plant and equipment	14,494	291	-	14,785
Working capital and provisions	(1,274)	(17)	-	(1,291)
Total deferred tax liability	13,220	274	-	13,494
	1 January 2017 £000	Recognised in income £000	Group transfers £000	31 December 2017 £000
Property, plant and equipment	19,203	392	(5,101)	14,494
Intangible assets	18	(18)	-	-
Working capital and provisions	(2,179)	7	898	(1,274)
Total deferred tax liability	17,042	381	(4,203)	13,220

15 Provisions for liabilities and charges

	2018 £000	2017 £000
Decommissioning & restoration	7,463	7,501
Onerous leases	176	243
	7,639	7,744
Current	-	243
Non-current	7,639	7,501
	7,639	7,744

Decommissioning and restoration provisions are held in relation to the decommissioning and restoration of sites subject to extraction where an obligation arises to comply with contractual environmental planning and other legislation. The obligation will be settled through to the end of the production lives of the related quarries and cement plant. This provision has been discounted.

Notes (continued)

15 Provisions for liabilities and charges (continued)

	Decommissioning & restoration £000	Onerous leases £000	Total £000
At beginning of year	7,501	243	7,744
Unused amounts released	(446)	-	(446)
Utilised during the year	-	(67)	(67)
Unwinding of discount	408	-	408
	<hr/>	<hr/>	<hr/>
At end of year	7,463	176	7,639
	<hr/>	<hr/>	<hr/>

16 Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid:</i>		
62,600,000 Ordinary shares of £1 each (2016: 62,600,000)	62,600	62,600
	<hr/>	<hr/>

17 Contingent liabilities

The Company has guaranteed the bank overdrafts and loans of Breedon Group plc and certain of its subsidiary undertakings which, at 31 December 2018, amounted to £340,000,000 (2016: £125,000,000).

18 Commitments

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

	2018 Land and buildings £000	Other £000	2017 (restated) Land and buildings £000	Other £000
Less than one year	1,212	2,065	646	2,472
Two to five years	4,848	7,338	2,583	7,895
More than five years	18,930	4,939	12,070	6,705
	<hr/>	<hr/>	<hr/>	<hr/>
	24,990	14,342	15,299	17,072
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 December 2018, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3,691,000 (2017: £486,000).

This note has been restated to exclude future payments in relation to the exploration and use of minerals which fall outside the scope of IAS 17.

Notes (continued)

19 Employee benefits

Pensions

The Company contributes to various defined contribution schemes in respect of its employees. Pension costs charged during the year in respect of the schemes were £752,000 (2017: £962,000). There were no outstanding contributions at the end of the current year (2017: £nil).

Share-based payments

Share awards and options over the shares of Breedon Group Plc, the ultimate parent entity, are granted to certain employees of the company. The fair value of options and awards granted is measured at grant date using the Black-Scholes model and is recognised as an expense over the period the employees become entitled to the awards and options, with a corresponding credit recognised within equity. The amount recognised as an expense is adjusted to reflect the actual number of awards and options expected to vest. Recharges by the ultimate parent entity are offset against equity and recognised as an intercompany liability.

As the consolidated financial statements of the ultimate parent company, Breedon Group Plc include the equivalent disclosures, the company has taken the exemptions under FRS101 available in respect of the disclosure requirements of IFRS 2 *Share Based Payments* in respect of group settled share based payments.

20 Related parties

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

The Company's key management personnel are the Directors. Details of the Directors' remuneration are given in note 3.

21 Ultimate parent undertaking

Breedon Holdings (Jersey) Limited, a company incorporated in Jersey, is the Company's immediate parent undertaking.

Breedon Group plc, a company incorporated in Jersey, is the Company's ultimate parent undertaking and its consolidated results include the results of the Company. Copies of the consolidated financial statements for Breedon Group plc can be obtained from the Company Secretary, Breedon Group plc, 28 Esplanade, St Helier, Jersey JE2 3QA.

Notes (continued)

22 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:

Accounting judgements

Mineral reserves and resources

Mineral reserves and resources are a key asset available to the Company. Mineral reserves and resources are acquired either in the normal course of business or through business combinations. Those which are acquired in the normal course of business are held at historic cost on initial recognition. When mineral assets arise through business combinations, these are initially recognised at fair value as part of the acquisition accounting under IFRS 3.

Subsequent to initial recognition, mineral assets are held at amortised cost and are expensed to reflect their use over time through an annual depletion charge. Mineral assets are subject to impairment testing if impairment triggers are identified, which include elements outside of the Company's control. This includes a range of factors outside of the Company's control such as changes in the planning and regulatory environment, geological and archaeological factors. The identification of impairment triggers therefore requires the Company to exercise judgement.

Accounting estimates

Restoration provisions

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. This is an inherently subjective calculation requiring the use of experts where appropriate.

Estimated future cash flows have been determined on a site by site basis through expert evaluation of the present day cost of restoration, which is then inflated to the point that the cash flow is expected to occur and discounted at an appropriate rate to reflect the net present value of the obligation as at the year end. Estimated restoration dates have been determined as the earlier of the date at which reserves are expected to be exhausted or planning permission on reserves is expected to expire, which fall over the next 25 years.