

**NORTHSTONE (NI) LIMITED**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

**YEAR ENDED 31<sup>st</sup> DECEMBER 2013**

Registered in Northern Ireland  
No. NI 4078

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**NORTHSTONE (NI) LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2013**

<b>INDEX</b>	<b>PAGE</b>
<b>DIRECTORS AND OFFICERS</b>	<b>1</b>
<b>STRATEGIC REPORT</b>	<b>2 - 4</b>
<b>REPORT OF THE DIRECTORS</b>	<b>5 - 6</b>
<b>STATEMENT OF DIRECTORS' RESPONSIBILITIES</b>	<b>7</b>
<b>REPORT OF THE AUDITORS</b>	<b>8</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>	<b>9</b>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES, NOTE OF HISTORICAL COST PROFITS &amp; LOSSES</b>	<b>10</b>
<b>BALANCE SHEET</b>	<b>11-12</b>
<b>NOTES TO THE ACCOUNTS</b>	<b>13-32</b>

NORTHSTONE (NI) LIMITED

**DIRECTORS AND OFFICERS**

**The Board of Directors**

**Mr. G. McQuillan**  
**Mr. E. Sweeney**  
**Mr. M. Wightman**  
**Mr. A. Donnan**  
**Mr. K. McKnight**  
**Mr. J. Wilson** (appointed 31.01.13)  
**Mr. S. Lynch** (appointed 07.08.14)  
**Mr. T. Healy** (appointed 07.08.14)  
**Mr. O. Rowley** (appointed 07.08.14)  
**Mr. M. Lowry** (resigned 07.08.14)  
**Mr. H. Morris** (resigned 07.08.14)  
**Mr. J. Mintern** (resigned 07.08.14)

**Registered Office**

**99 Kingsway**  
**Dunmurry**  
**Belfast**  
**BT17 9NU**

**Company Number**

**NI 4078**

**Auditors**

**Ernst & Young LLP**  
**Bedford House**  
**Bedford Street**  
**Belfast**  
**BT2 7DT**

**Bankers**

**Danske Bank**  
**Donegall Square West**  
**Belfast**  
**BT1 6JS**

**STRATEGIC REPORT**

Registered No. NI 4078

The Directors present their Strategic Report for the year ended 31st December 2013.

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The company is engaged in building and civil engineering activities, trading as Farrans (Construction), and in the production, manufacture and supply of building materials, trading as Northstone Materials, and of the manufacture of access systems to the utility industry, trading as Cubis Industries.

The company's key financial and other performance indicators during the year were as follows:-

	2013	2012	Change
	£'000	£'000	%
Group turnover	239,445	298,755	-19.9%
Total operating profit	4,788	7,013	-31.7%
Profit after tax	2,991	5,067	-41.0%
Shareholders' Funds	91,622	84,420	8.5%
Current assets as % of current liabilities	143.2%	166.9%	-23.7%
Average number of employees	968	992	-2.4%

Market conditions continued to be challenging in 2013 and the Company, as forecast, saw a fall in turnover and associated profitability. This was largely as a result in contraction in construction contracts. The directors anticipate a return to growth in 2014 albeit at competitive margins.

On the 13th May 2013 Northstone (NI) Limited acquired 100% of the ordinary shares of Northstone Products Limited (formerly Cemex (NI) Limited) for a cash consideration.

**PRINCIPAL RISKS AND RISK MANAGEMENT**

The Company's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The key risks which management face are detailed as follows:

*Business performance risk*

Business performance risk is the risk that the Company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which they operate. In addition, this risk is managed through a number of measures: ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.

*Financial risk management*

The Company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency risk, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to mitigate the adverse effects on the Company's financial performance of such risks.

Credit risk arises on third party derived revenues. Company policy is aimed at minimising such risk, including the receipt of payments on account on construction contracts and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant.

## **PRINCIPAL RISKS AND RISK MANAGEMENT (continued)**

The company's liquidity, interest rate and foreign currency risks are managed through the CRH group central treasury function. In particular the company participates in the CRH group's centralised treasury arrangements and the directors believe that these facilities are more than adequate for the future needs of the company and that the company is well placed to manage its business risks successfully despite the continued uncertain economic outlook. The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

Therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### *Business control*

Strong financial and business controls are in place to ensure the integrity and reliability of financial and other information on which the Company relies for day-to-day operations, external reporting and for longer term planning.

The Company operates a number of divisions (within the UK and Ireland) which are managed through the recruitment of a local management team in each area which are further supported and controlled by the directors of Northstone (NI) Limited.

The Company exercises financial and business control through a combination of qualified and experienced financial teams, performance analysis, budgeting and cash flow forecasting and clearly defined approval limits. The external auditors provide advice on specific accounting and tax issues as they arise.

### *Management development*

Long-term growth of the business depends on the Company's ability to retain and attract personnel of high quality. This risk is managed through development plans that are regularly reviewed and updated. These are accompanied by specific policies in areas such as training, management development and performance management.

### *Health and safety risk*

The Company is committed to ensuring a safe working environment. These risks are managed by the Company through the strong promotion of a health and safety culture and well defined health and safety policies which require:-

- Compliance, as a minimum, with all applicable legislation and continuous improvement in our health and safety stewardship towards industry best practice;
- Ensuring that all employees and contractors respect the Company's health and safety imperatives;
- Ensuring that the Company provides a healthy and safe workplace for all employees, contractors, customers and visitors at our locations;
- Ensuring that our employees and contractors understand their obligations to work in a safe manner as mandated by law and industry best practice.

Implementing our Health & Safety policy is the responsibility of designated divisional Health & Safety directors who report to the Board on a continuous basis. Our overriding objective is the achievement of industry best practice and subsequent reduction in accident frequency and severity rates within the business.

**PRINCIPAL RISKS AND RISK MANAGEMENT (continued)**

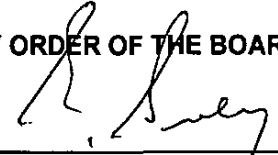
*Environmental risks*

Our environmental policy, applied across all of the Northstone divisions, is to: -

- Comply, as a minimum, with all applicable environmental legislation and to continually improve our environmental stewardship towards industry best practice;
- Ensure that our employees and contractors respect their environmental responsibilities;
- Optimise our use of energy and resources through efficiency gains and recycling;
- Proactively address the challenges and opportunities of Climate Change;
- Promote environmentally-driven product innovation and new business opportunities;
- Be good neighbours in the many communities in which we operate.

Achieving our environmental policy objectives at all our locations is a management imperative. Day to day responsibility for ensuring the Company's environmental policy is effectively implemented lies with a team of designated Environmental Liaison Officers (ELOs). Each division has its own ELO whose responsibility is to implement the company's environmental policy and procedures and report to the Board on a continuous basis.

BY ORDER OF THE BOARD



MR. E. SWEENEY  
DIRECTOR

99 Kingsway, Dunmurry  
Belfast  
Registered in Northern Ireland NI 4078

DATE: 15-8-14

## **REPORT OF THE DIRECTORS**

Registered No. NI 4078

The Directors present their Report for the year ended 31st December 2013.

### **RESULTS AND DIVIDENDS**

Results for the year are set out in detail on page 9. Profits for the financial year are £2,990,562 (2012:£5,066,732).

No dividends were paid during 2013 and 2012.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Corporate Social Responsibility is embedded in all of Northstone's operations. Excellence in environmental, health and safety and social performance is a daily priority of line management. The Board of Directors is committed to a set of core CSR principles, namely: -

- Legal conformance – adherence to every aspect of legislation in the various jurisdictions in which the Company operates.
- Corporate Governance – achieving the highest standards of corporate governance and ethical business conduct.
- Economic – making a profit in order to continue to operate, to employ people and to create attractive and healthy environments in which people can live and work.
- Environment – assessing and managing the environmental impacts of the Company's operations. It also involves continually seeking to develop our environmental stewardship towards best industry practice.
- Health & Safety – striving to manage our activities in a safe manner and to protect the health of employees, contractors and others who may be affected by them.

The Board continually reviews its performance against the core CSR principles by setting objectives and targets together with establishing relevant and appropriate monitoring arrangements.

### **SOCIAL AND COMMUNITY**

Our commitment to social and community issues is applied across all of our divisions. This means that we will: -

- Seek to encourage social inclusion in the communities in which the Company undertakes activities and to operate in an ethical manner with all of its stakeholders;
- Comply at a minimum with all applicable legislation and ensure that our social stewardship moves towards industry best practice;
- Manage our business in a fair and equitable manner, meeting our social responsibilities both as a direct and indirect employer;
- Afford equality of opportunity;
- Ensure that we deal responsibly with our suppliers and customers in accordance with our Code of Business Conduct and proper business practice;
- Provide suitable and sufficient training to all employees and relevant sub-contractors, where appropriate, in all aspects of their responsibilities to the Company.

Implementing our social policy is the day to day responsibility of our line managers who are supported by our Human Resources team.

We continue to be proactive in seeking to become involved in local community issues in all areas in which we operate.

## **REPORT OF THE DIRECTORS (continued)**

### **EMPLOYEE INVOLVEMENT**

Information concerning employees and their remuneration is given in the notes to the financial statements.

During the year the Company has maintained the practice of advising employees about current activities and progress by various methods including in-house publications. Special attention is given to training, health and safety and the employment of disabled persons.

The Company is an equal opportunity employer and seeks to encourage applications from both men and women of all ethnic, cultural and religious backgrounds by advertising vacancies as widely as possible both within and outside the organisation. It is also recognised that people with disabilities can be fully effective employees and make a valuable contribution to the Company.

Industry standard compliant training arrangements and facilities are available to all employees to promote and facilitate career enhancement and personal effectiveness. Promotion and personal development are based solely on merit. Commitment to health and safety continues at all levels.

Consultation with employees on matters affecting the interests of staff and the general efficiency of the company take place in various ways including employee representation on its parent's transnational information and consultation forum, CRH Euroforum. This offers an opportunity for sharing ideas and raising issues of common interest with management and other employee groups.

Employees with the relevant qualifying service can participate in an approved share option scheme.

### **FUTURE DEVELOPMENTS**

The directors aim to continuously upgrade the company's production facilities and to continue seeking opportunities to acquire new businesses within its existing area of expertise.

### **FINANCIAL INSTRUMENTS**

Details of financial instruments are provided in the strategic report on pages 2 and 3.

### **DIRECTORS**

The Directors who served during the year are listed on page 1.

### **POLITICAL CONTRIBUTIONS**

No political contributions were paid by the Company during the year.

### **DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of the information.

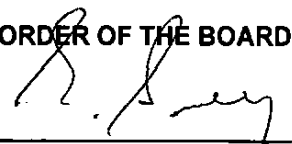
## **REPORT OF THE DIRECTORS (continued)**

### **AUDITORS**

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company.

99 Kingsway, Dunmurry  
Belfast  
Registered in Northern Ireland NI 4078

**BY ORDER OF THE BOARD**

  
\_\_\_\_\_  
MR. E. SWEENEY  
DIRECTOR

**DATE:**

15-8-14



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHSTONE (NI) LIMITED

We have audited the financial statements of Northstone (NI) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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

  
Ian Gibson (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Belfast

15 August 2014

NORTHSTONE (NI) LIMITED

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

	NOTE	2013 £	2012 £
<b>TURNOVER</b>	2 & 3	239,445,196	298,755,134
<b>Cost of sales</b>		(215,161,475)	(270,450,828)
<b>GROSS PROFIT</b>		<u>24,283,721</u>	<u>28,304,306</u>
<b>Distribution costs</b>		(6,156,163)	(7,672,358)
<b>Administration costs</b>		(13,450,733)	(13,893,077)
<b>Other operating income</b>		115,519	216,926
<b>Exceptional items</b>			
Loss/profit on disposal of fixed assets		(4,546)	57,421
<b>OPERATING PROFIT</b>	4	<u>4,787,798</u>	<u>7,013,218</u>
<b>Profit on sale of associate undertaking</b>		0	62,500
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<u>4,787,798</u>	<u>7,075,718</u>
Other interest receivable and similar income	5	1,214,856	1,457,715
Interest payable and similar charges	1 (x) & 6	(113,517)	(7,288)
Other finance income/(charge)	1(vii) & 7	<u>204,000</u>	<u>(566,000)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		6,093,137	7,960,145
Tax charge on profit on ordinary activities	1(viii) & 11	<u>(3,102,575)</u>	<u>(2,893,413)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>2,990,562</u></u>	<u><u>5,066,732</u></u>

All amounts relate to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

		2013 £	2012 £
Profit for the financial year		2,990,562	5,066,732
Actuarial gain	26	6,433,000	13,000
Deferred tax on actuarial gain	11(b)	(1,286,600)	(2,990)
Change in tax rate on retirement benefit liability		(1,019,610)	(699,800)
Foreign currency net investment translation		5,118	(5,584)
Total recognised gains and losses relating to the year		<u>7,122,470</u>	<u>4,371,358</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

As there are no material differences between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis a note of the historical cost profit for the period is not presented.

NORTHSTONE (NI) LIMITED

**BALANCE SHEET AS AT 31<sup>st</sup> DECEMBER 2013**

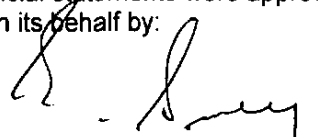
	NOTE	2013 £	2012 £
<b>FIXED ASSETS</b>			
Intangible assets:			
Goodwill	1 (xii) & 12	2,786,160	3,105,085
Intellectual property rights		0	1,885
		<u>2,786,160</u>	<u>3,106,970</u>
Tangible assets:			
	1 (iii) & 13		
Land and buildings - freehold		8,396,628	8,725,122
Land and buildings - leasehold		216,417	232,776
Plant, equipment, fixture & transport		10,789,351	11,117,830
		<u>19,402,396</u>	<u>20,075,728</u>
Investments:			
	1 (ix) & 14		
Investments in associated undertakings		135,580	135,580
Investments in subsidiary undertakings		40,573,106	28,747,343
		<u>40,708,686</u>	<u>28,882,923</u>
<b>CURRENT ASSETS</b>			
Stocks:			
	1 (iv) & 15		
Raw materials		4,522,906	4,194,387
Work in progress and land development		25,739,339	26,128,993
Finished goods and goods for resale		3,620,089	3,489,239
		<u>33,882,334</u>	<u>33,812,619</u>
Debtors:			
Trade debtors		17,368,969	20,980,693
Other debtors	1 (v) & 16	15,055,172	18,642,301
Prepayments and accrued income		3,248,864	1,452,971
Amounts owed by group undertakings		72,871,110	79,260,629
		<u>108,544,115</u>	<u>120,336,594</u>
Cash at bank and in hand		<u>1,949,432</u>	<u>531,083</u>
Total current assets		<u>144,375,881</u>	<u>154,680,296</u>

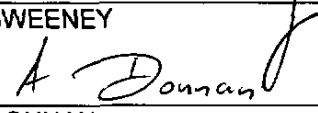
## NORTHSTONE (NI) LIMITED

**BALANCE SHEET AT AS 31<sup>st</sup> DECEMBER 2013 (continued)**

	NOTE	2013 £	2012 £
<b>CREDITORS - Amounts falling due within one year</b>			
Trade creditors	18	53,222,908	50,710,173
Amounts owed to group undertakings	19	28,021,315	19,088,012
Other creditors	20	13,790,734	17,667,780
Accruals and deferred income		5,799,527	5,223,019
		<u>100,834,484</u>	<u>92,688,984</u>
<b>NET CURRENT ASSETS</b>		<u>43,541,397</u>	<u>61,991,312</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>106,438,639</u>	<u>114,056,933</u>
<b>CREDITORS - Amounts falling due after more than one year.</b>			
Other creditors	21	8,272	14,752
Provision for liabilities and charges	22	2,522,246	3,213,456
Preference share capital	1(xiv) & 23	238,541	238,541
		<u>2,769,059</u>	<u>3,466,749</u>
<b>Net assets excluding retirement benefits</b>		<u>103,669,580</u>	<u>110,590,184</u>
Retirement benefit liability	26	12,048,000	26,169,990
<b>NET ASSETS</b>		<u>91,621,580</u>	<u>84,420,194</u>
<b>CAPITAL AND RESERVES</b>			
Ordinary share capital	23	870,675	870,675
CRH contribution reserve		3,547,095	3,468,179
Profit and loss account		87,203,810	80,081,340
<b>TOTAL SHAREHOLDERS FUNDS</b>		<u>91,621,580</u>	<u>84,420,194</u>

The financial statements were approved and authorised for issue by the board on 15-8-14 and were signed on its behalf by:

  
 \_\_\_\_\_  
 MR. E. SWEENEY  
 DIRECTOR

  
 \_\_\_\_\_  
 MR. A. DONNAN  
 DIRECTOR

## 1. ACCOUNTING POLICIES

### (i) Basis of preparation

The accounts are prepared under the historical cost convention modified to incorporate the revaluation of certain assets and in accordance with applicable accounting standards. The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of CRH plc which prepares consolidated accounts which are publically available and in which the results of the company are consolidated.

### (ii) Share based payment

Employees of the company are granted share options in respect of the company's ultimate parent undertaking CRH plc.

For equity-settled share-based payment transactions (i.e. the issuance of share options), the company measures the services received and the corresponding increase in equity at fair value at the measurement date (which is the grant date) using a recognised valuation methodology for the pricing of financial instruments (i.e. the trinomial model). In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company to which the options relate (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity in respect of the deemed capital contribution made by CRH plc, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense/credit in the profit and loss account for a period represents the movement in cumulative expense recognised at the beginning and end of that period. The cumulative charge to the profit and loss account is reversed only where the performance condition is not met or where an employee in receipt of share options leaves service prior to completion of the expected vesting period and those options lapse in consequence.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market condition which is treated as vesting irrespective of whether or not it is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The company has no exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives as defined in FRS 20.

The measurement requirements of FRS 20 have only been applied in respect of share options that were granted after 7th November 2002. The disclosure requirements of FRS 20 have been applied in relation to all outstanding share-based payments regardless of their grant date.

### (iii) Depreciation

The cost or valuation of fixed assets is depreciated by equal instalments over the expected useful life of the assets as follows: -

Freehold Land	Rates ranging from Nil% to 4% per annum straight line
Freehold Buildings	Rates ranging from Nil% to 2.5% per annum straight line
Leasehold Property	Rates ranging from 5% to 6% per annum straight line
Plant Machinery & Equipment	Rates ranging from 5% to 25% per annum straight line
Mineral Reserves	Tonnes extracted in the period compared with estimated tonnage originally available in the deposit.
Transport	Rates ranging from 15% to 25% per annum straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying may not be recoverable.

**1. ACCOUNTING POLICY (continued)**

**(iv) Stocks and work in progress**

Raw materials, work in progress, finished goods and land development are stated at the lower of cost and estimated net realisable value. Cost comprises direct material, direct labour, an appropriate proportion of overheads and in the case of land development the cost of lands.

**(v) Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Long term contracts:

Revenue from long term construction contracts represent the fair value of work done during the year on each contract and, where appropriate, this value includes attributable overheads and profit. Attributable profit taken represents that part of the total profit estimated to arise on each contract, after allowing for any remedial and maintenance costs and recoverable increases in cost, which fairly relates to the proportion of work performed at the year end. On the same basis, where losses have been determined they have been fully provided. Amounts recoverable under long-term contracts comprise, on a contract by contract basis, the excess of recorded turnover over amounts invoiced. Payments on account in excess of related contract costs are shown as liabilities.

Sale of goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest receivable:

Interest receivable is recognised as interest accrues using the effective interest rate method.

**(vi) Foreign Currency**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account, with the exception of differences on long term loans made to subsidiary undertakings which are considered to be of a permanent nature.

**(vii) Retirement Benefit**

The Group operates a number of pension schemes in the United Kingdom and the Republic of Ireland. The major schemes are of the defined benefit type and are funded by the payment of contributions to separately administered trust funds.

The cost of providing benefits under the defined benefit plan is determined separately using the projected unit method, which attributes entitlement to benefits in prior periods to determine the present value of defined benefit obligations and is based on actuarial advice.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.



## **1. ACCOUNTING POLICY (continued)**

### **(vii) Retirement Benefit (continued)**

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

For defined contribution schemes the amounts charged to the profit and loss account are the contribution payable in the year.

### **(viii) Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

### **(ix) Investments**

Investments in subsidiaries, joint ventures and associates are initially stated at cost in the balance sheet of the company, and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### **(x) Leasing Assets**

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised and depreciated over their useful lives. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

### **(xi) Government Capital Grants**

Government capital grants are treated as deferred credits and released to the profit and loss account over the useful life of the assets to which they relate. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

**1. ACCOUNTING POLICIES (continued)**

**(xii) Goodwill**

Goodwill is the difference between the cost of an acquired business and the aggregate of the fair value of the identifiable assets and liabilities of that business. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic lives of each asset as disclosed in note 12.

**(xiii) Cash Flow Statement**

The company is exempt from providing a statement of cash flow, as its results are included in the cash flow presented by its ultimate parent undertaking.

**(xiv) Non-Cumulative Preference Shares**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be favourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares, or is a derivative that will be settled only by the company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instrument.

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The Company's non-cumulative preference shares have been accounted for as debt.

**(xv) Joint Arrangement**

The company has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The company includes its share of the assets, liabilities and cash flows in such joint arrangements measured in accordance with the terms of each arrangement, which is pro-rata to the company's interest in the joint arrangement.

## 2. TURNOVER

Turnover represents the amount derived from the provision of goods and service and works constructed during the year which fall within the company's ordinary activities, all of which are continuing, after deduction of trade discounts and value added tax, including sales to group undertakings.

## 3. ANALYSIS OF TURNOVER BETWEEN ACTIVITIES AND MARKETS

The turnover by principal category of:-

	2013	2012
ACTIVITY	£	£
Manufacture of concrete products	16,681,277	14,607,951
Building, private development, contract management and civil engineering	153,495,201	225,573,227
Road construction and quarrying	38,292,479	31,092,579
Construction and Utility accessories	30,976,239	27,481,377
	<u>239,445,196</u>	<u>298,755,134</u>

	2013	2012
GEOGRAPHICAL	£	£
United Kingdom	223,130,733	285,846,644
Republic of Ireland	7,265,828	5,887,543
Europe	8,130,292	6,139,949
Rest of World	918,343	880,998
	<u>239,445,196</u>	<u>298,755,134</u>

No analysis of profit by activity or net assets by segment is shown, as, in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interests of the Group.

## 4. OPERATING PROFIT

	2013	2012
	£	£
Operating profit is arrived at after charging:		
Depreciation:		
- Freehold land and buildings	328,301	379,788
- Leasehold land and buildings	16,359	15,073
- Owned plant, equipment, fixture and transport	1,839,208	1,877,561
Goodwill amortisation	318,925	318,925
Hire of plant and machinery	2,974,490	3,325,567
Fees payable to the company's auditors		
- for the audit of the company's annual accounts	103,500	114,500
- for tax compliance services	30,200	10,765
- for the audit of pension schemes	4,800	4,650
Rental payments under operating leases	648,331	703,509
Loss on disposal of tangible fixed assets	4,546	0
And after crediting:		
Rental income	46,092	63,369
Grant income	69,427	153,557
Profit on disposal of tangible fixed assets	0	57,421

## 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012
	£	£
Bank deposits	17,992	18,782
Other loans	313,029	199,169
Group undertaking loans	883,835	1,239,764
	<u>1,214,856</u>	<u>1,457,715</u>

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Bank loans and overdrafts	102	2
Other loans	0	1,723
Group undertaking loans	113,415	5,563
	<u>113,517</u>	<u>7,288</u>

## 7. OTHER FINANCE CHARGE

	2013	2012
	£	£
Expected return on pension plan assets	5,108,000	4,135,000
Interest on retirement benefits liabilities	(4,904,000)	(4,701,000)
	<u>204,000</u>	<u>(566,000)</u>

## 8. OPERATING LEASES

	2013	2012
	£	£
Operating lease rental charged before arriving at operating profit		
Commercial vehicles	192,174	245,281
Others	456,157	458,228
	<u>648,331</u>	<u>703,509</u>

Total rentals payable during the next year, analysed between those leases which expire:

	2013	2012
	£	£
<u>Commercial vehicles</u>		
- within one year	68,779	7,450
- after one year but within five years	0	167,877
	<u>68,779</u>	<u>175,327</u>

	2013	2012
	£	£
<u>Others</u>		
- within one year	3,558	16,693
- after one year but within five years	344,914	348,717
- after five years	187,550	84,630
	<u>536,022</u>	<u>450,040</u>

## 9. EMOLUMENTS OF DIRECTORS

	2013	2012
	£	£
Emoluments	<u>702,860</u>	<u>747,601</u>

	2013	2012
	No	No
Members - Defined Benefit Pension Scheme	5	5
Directors - exercised share options	<u>1</u>	<u>1</u>

	2013	2012
	£	£
The amount in respect of the highest paid director are as follows:		
Emoluments	173,727	170,274
Accrued pension at the end of the year	<u>11,047</u>	<u>10,966</u>

No share options were exercised by the highest paid director in 2013 or 2012.

## 10. STAFF NUMBERS AND EMOLUMENTS

The average number of persons employed by the Company during the year, including directors, was as follows:

	2013	2012
Administrative staff	220	219
Other staff	<u>748</u>	<u>773</u>
Total	<u>968</u>	<u>992</u>

	2013	2012
The costs incurred in respect of these employees were:-	£	£
Wages and salaries	29,140,464	30,257,653
Social security costs	2,779,220	2,778,696
Other pension costs	2,669,247	4,518,743
Redundancy	358,216	86,354
Total	<u>34,947,147</u>	<u>37,641,446</u>

Included in wages and salaries is a total expense of share-based payments of £78,916, (2012: £356,020).

## 11. TAXATION

	2013	2012
	£	£
(a) Analysis of tax charge in the year		
<b>UK Current Tax:</b>		
UK corporation tax charge on profits of the year	(568,200)	(2,542,783)
Adjustments in respect of previous periods	<u>32,720</u>	<u>(68,646)</u>
Total current tax charge	<u>(535,480)</u>	<u>(2,611,429)</u>
<b>UK Deferred Tax:</b>		
Origination and reversal of timing difference	(101,207)	(76,226)
Effect of decreased in tax rate	32,912	21,942
Retirement benefits	<u>(2,498,800)</u>	<u>(227,700)</u>
Total deferred tax liability	<u>(2,567,095)</u>	<u>(281,984)</u>
Tax charge on profit on ordinary activities	<u>(3,102,575)</u>	<u>(2,893,413)</u>
(b) Statement of total recognised gains & losses		
Deferred tax on actuarial (loss)/gain on retirement benefits	(1,286,600)	(2,990)
Effect of change in tax rate on actuarial (loss)/gain on retirement benefits	<u>(1,019,610)</u>	<u>(699,800)</u>
Deferred tax on actuarial (loss)/gain on retirement benefits	<u>2,306,210</u>	<u>(702,790)</u>

## 11. TAXATION (continued)

### (c) Factors affecting tax charge for the period:

The tax assessed for the period is lower than the standard rate of UK corporation tax of 23.25%.  
The differences are explained below.

	2013 £	2012 £
Profit on ordinary activities before tax	<u>6,093,137</u>	<u>7,960,145</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25%, (2012:24.5%)	<u>(1,416,654)</u>	<u>(1,950,236)</u>
Effects of:		
Disallowed expenses and non-taxable income	(82,200)	(31,008)
Non-qualifying depreciation / amortisation	(58,484)	(58,653)
Accelerated capital allowances	(108,515)	(115,242)
Short term timing differences	204,510	153,128
Timing differences on retirement benefits	1,589,835	242,550
Capital contribution in relation to share based payments	(18,348)	(87,225)
Group relief charged at higher rate	(678,344)	(696,097)
Adjustment in respect of previous periods	32,720	(68,646)
Current tax charge for the period	<u>(535,480)</u>	<u>(2,611,429)</u>

### (d) Analysis of deferred tax liability (see note 22)

Short term timing differences	679,557	976,107
Accelerated capital allowances	<u>(1,000,176)</u>	<u>(1,228,431)</u>
Deferred tax liability	<u>(320,619)</u>	<u>(252,324)</u>

The company is not a close company for taxation purposes

## 12. INTANGIBLE FIXED ASSETS

	Goodwill	Intellectual Property Rights
<u>Cost:</u>	£	£
Arising on acquisition – Ballymena Construction Company	150,000	0
Arising on acquisition – T O'Connell & Sons Limited 2007	4,528,877	0
Arising on transfer of C4 Industries Ltd	<u>96,250</u>	<u>33,889</u>
	<u>4,775,127</u>	<u>33,889</u>
<u>Amortisation</u>		
1 January 2013	1,670,042	32,004
Provided during the year	<u>318,925</u>	<u>1,885</u>
At 31 December 2013	<u>1,988,967</u>	<u>33,889</u>
<u>Net Book Value:</u>		
At 31 December 2013	<u>2,786,160</u>	<u>0</u>
At 31 December 2012	<u>3,105,085</u>	<u>1,885</u>

Goodwill is being written off in equal annual instalments over its estimated economic life of 15 years  
Goodwill arising on transfer of C4 Industries Limited is written off over its estimated economic life of 20 years.  
Intellectual Property Rights are written off over 10 years.

### 13. FIXED ASSETS

	Freehold Land & Buildings	Long Leasehold Land & Buildings	Plant, Equipment Fixtures & Transport	Total
	£	£	£	£
Cost or valuation at 1.1.13	13,417,620	515,834	47,027,689	60,961,143
Additions during the period	-	-	1,554,914	1,554,914
Sales during the period - External	(86,837)	-	(451,777)	(538,614)
Cost or valuation at 31.12.13	<u>13,330,783</u>	<u>515,834</u>	<u>48,130,826</u>	<u>61,977,443</u>
Depreciation at 1.1.13	4,692,498	283,058	35,909,859	40,885,415
Profit & Loss charge	328,301	16,359	1,839,208	2,183,868
Deleted on sale - External	(86,644)	-	(407,592)	(494,236)
Depreciation at 31.12.13	<u>4,934,155</u>	<u>299,417</u>	<u>37,341,475</u>	<u>42,575,047</u>
Net book amounts at 31.12.13	<u>8,396,628</u>	<u>216,417</u>	<u>10,789,351</u>	<u>19,402,396</u>
Net book amounts at 31.12.12	<u>8,725,122</u>	<u>232,776</u>	<u>11,117,830</u>	<u>20,075,728</u>
Assets at cost				59,525,370
Asset at valuation				<u>2,452,073</u>
Total				<u>61,977,443</u>

Included in the cost or valuation of land and buildings at 31 December 2013 is £6,024,340 attributed to land in respect of which the accumulated depreciation amounted to £1,580,333.

Messrs Morton Northern & Co., Estate Agents, revalued the freehold land and buildings on the basis of open market value for their existing use as at 30 November 1981. The Directors of the company revalued plant, equipment, fixtures and transport on the basis of their estimated remaining life as at 30 November 1981.

The original historical cost of revalued assets cannot be obtained without unreasonable expense. On adoption of FRS 15, the company has followed the transitional provisions to retain book values of land and buildings, which were revalued in 1981, but not to adopt a policy of revaluation in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

## 14. INVESTMENTS

### Associates

During the year, the company had investments in the following companies.

- Northstone (NI) Limited holds 33.3% of the issued share capital of North Lisburn Developments Consortium Limited. North Lisburn Developments Consortium Limited was established to provide infrastructure related to and carry out development of private housing in Lisburn.
- Northstone (NI) Limited holds 10% of the share capital of Amey FMP Belfast Strategic Partnership Hold Co Limited which was established to design, upgrade, construct, and finance the build of schools.

Investments with holdings of less than 20% are classified as associates as the company considers that due to the nature of these entities and arrangements with them and other investors, the company exercises significant influence over the financial and operating policies of these entities.

	Shares of Associated Undertakings	Loans to Associated Undertakings	Cost of Investment in Associated Undertakings
	£	£	£
Cost at 1 January 2013	121,294	14,286	135,580
Additions	<u>0</u>	<u>0</u>	<u>0</u>
As at 31 December 2013	<u>121,294</u>	<u>14,286</u>	<u>135,580</u>

### Investment in Subsidiary Undertakings

	£
Cost at 1 January 2013	28,747,343
Additions	11,820,645
Translation adjustment	<u>5,118</u>
As at 31 December 2013	<u>40,573,106</u>

On the 13<sup>th</sup> May 2013 Northstone (NI) Limited acquired 100% of the ordinary share capital of Northstone Products Limited (formerly Cemex (NI) Limited) for a cash consideration.

### Joint Ventures

- Northstone (NI) Limited has a 50% interest in FMP Construction Joint Venture Limited, a jointly controlled entity which was established to develop and construct building.
- Northstone (NI) Limited has a 50% interest in FMP Joint Venture Limited, which was established to design and construct commercial buildings.

The company investment is on a long-term basis and is jointly controlled under a contractual arrangement.



#### 14. INVESTMENTS (continued)

The company owns the whole of the issued ordinary share capital of the following undertakings which are incorporated in Northern Ireland unless otherwise indicated:-

##### As at 31 December 2013

	Nature of Business
Ardis Estates Limited	Dormant
Ards Building Products (Manufacturing) Limited	Non trading
Ballymena Construction Company Limited	Dormant
Beckett Construction Solutions Limited	Dormant
C4 Industries Limited	Dormant
Carmean Chemicals Limited	Dormant
Carmean Limeworks Limited	Dormant
Farrans (Construction) Limited	Dormant
Farrans (Engineering) Limited	Dormant
Farrans Limited	Dormant
Farrans Plant Limited	Dormant
Hadden Quarries Limited	Dormant
Insulating and Packaging Limited	Dormant
J.T. Glover Limited	Dormant
John McLean & Sons (Quarries) Limited	Dormant
Kings (Northern Ireland) Limited	Dormant
Lone Limited	Dormant
Madigan Properties Limited	Dormant
Materials Testing Limited	Dormant
North Down Engineering Company (Belfast) Limited	Dormant
North Down Quarries Limited	Dormant
R. J. Maxwell & Son Limited	Dormant
R.J. Maxwell (Ballymena) Limited	Dormant
Ready Use Concrete Company Limited	Dormant
Scott (Holdings) Limited	Dormant
Scott (Toomebridge) Limited	Dormant
Strangford Limited	Dormant
T O'Connell & Sons Limited	Mineral extraction rights administration
W.M. Bolton & Sons Limited	Dormant
T.B.F. Thompson (Properties) Limited	Property rental and management

##### Incorporated in England

	Nature of Business
E.P.H. Contractors (Swindon) Limited	Dormant
Northstone Products Limited	Quarrying, manufacture and supply of construction materials

##### Incorporated in Glasgow

	Nature of Business
BP Concrete Flooring Glasgow Limited	Dormant

##### Incorporated in the Isle of Man

	Nature of Business
Island Aggregates Limited	Manufacture and supply of construction materials

##### Incorporated in the Republic Ireland

	Nature of Business
Strangford (Plant) Limited	Dormant
W.H. Beckett (Ireland) Limited	Dormant

The following related undertakings are incorporated in the Republic of Ireland: -

Name	% Held	Nature of Business
Farrans Materials Limited	20	Dormant
Milverton Quarries Limited	23	Dormant

## 15. STOCKS AND WORK IN PROGRESS

	2013 £	2012 £
Stock and work in progress comprise:		
Raw materials	4,522,906	4,194,387
Work in progress	263,457	173,858
Land development	25,475,882	25,955,135
Finished goods	<u>3,620,089</u>	<u>3,489,239</u>
	<u>33,882,334</u>	<u>33,812,619</u>

## 16. OTHER DEBTORS

	2013 £	2012 £
(i) Amounts recoverable on long term contracts included in other Debtors	<u>14,170,676</u>	<u>18,064,876</u>
(ii) EU – Value Added Tax	<u>240,542</u>	<u>44,304</u>
(iii) Amounts owed by associates	<u>9,674</u>	<u>41,560</u>

## 17. CONTINGENT LIABILITIES

Certain contingencies exist in respect of guarantees and undertakings of a trading nature including obligations of the company's share accepted in entering Private Finance Initiatives.

## 18. TRADE CREDITORS

Trade creditors include amounts due for the purchase of goods supplied on terms, which purport to reserve title to those goods until paid for.

## 19. CREDITORS - GROUP UNDERTAKING BALANCES

	2013 £	2012 £
Amounts falling due within 1 year		
Amounts due to group undertakings	<u>28,021,315</u>	<u>19,088,012</u>
	<u>28,021,315</u>	<u>19,088,012</u>

## 20. OTHER CREDITORS – within one year

	2013 £	2012 £
(i) Payments on accounts included in other creditors are	<u>4,838,457</u>	<u>10,180,035</u>
(ii) Included within creditors falling due within 1 year are:-		
Taxation and social security	1,050,150	1,096,876
Corporation tax	<u>1,295,604</u>	<u>3,466,064</u>

## 21. OTHER CREDITORS - after one year

	2013 £	2012 £
Included within creditors falling due after 1 year are:-		
(i) Government grants		
Received and receivable:		
At 1 January	39,052	39,052
Transferred in	0	0
At 31 December	<u>39,052</u>	<u>39,052</u>
Amortisation		
At 1 January	24,300	17,820
Charge for the year	6,480	6,480
At 31 December	<u>30,780</u>	<u>24,300</u>
Net balance	<u>8,272</u>	<u>14,752</u>

## 22. PROVISION FOR LIABILITIES AND CHARGES

	Deferred tax (note 11(d))	Defective Products £	Insurance £	Total £
Balance at 1 <sup>st</sup> January 2013	252,324	244,794	2,716,338	3,213,456
Provided during year	68,295	0	149,308	217,603
Utilised	0	0	(83,921)	(83,921)
Reversed unused	0	(12,350)	(812,542)	(824,892)
Balance at 31 <sup>st</sup> December 2013	<u>320,619</u>	<u>232,444</u>	<u>1,969,183</u>	<u>2,522,246</u>

Notwithstanding the intention of the directors to defend vigorously claims made against the company, provisions in respect of insurance and defective products relate to the directors' best estimate of costs expected to arise from ongoing claims and litigation matters. These costs are expected to be paid within the next 5 years.

## 23. SHARE CAPITAL

	2013 £	2012 £
Authorised		
200,000,000 'A' Ordinary shares of 1/2p each	1,000,000	1,000,000
50,000,000 'B' Ordinary shares of 1/2p each	250,000	250,000
2,385,410 Non-cumulative preference shares of 10p each	<u>238,541</u>	<u>238,541</u>
	<u>1,488,541</u>	<u>1,488,541</u>
Allotted and fully paid		
173,180,808 'A' Ordinary shares of 1/2p each	865,904	865,904
954,200 'B' Ordinary shares of 1/2p each	4,771	4,771
2,385,410 Non-cumulative preference shares of 10p each	<u>238,541</u>	<u>238,541</u>
	<u>1,109,216</u>	<u>1,109,216</u>

## 24. CONTROLLING PARTY

The immediate parent undertaking is CRH Building Products Limited, which control 100% of the issued share capital of Northstone (NI) Limited.

The ultimate parent undertaking and controlling party is CRH plc, an undertaking incorporated in the Republic of Ireland.

The parent company of both largest and smallest group in which Northstone (NI) Limited is included is CRH plc. Copies of the Financial Statements of CRH plc are available from Dublin Castle, Lower Castle Yard, Dame Street, Dublin 2.

## 25. FINANCIAL COMMITMENTS

	2013 £	2012 £
Authorised future capital expenditure, before deduction of available Government grants, amounts to:		
Contracted but not provided for.	<u>3,388,443</u>	<u>3,207,832</u>

## 26. COMMITMENTS TO PENSION FUNDS

The Group operates a number of pension schemes in the United Kingdom and the Republic of Ireland. The major schemes are of the defined benefit type and are funded by the payment of contributions to separately administered trust funds.

The total pension cost for the Company was £12,491,000 (2012: £4,502,000) of which £0 (2012: £0) relates to the Republic of Ireland Scheme.

The pension cost relating to the two United Kingdom defined benefit schemes, (Farrans Limited Retirement Benefits Scheme and TBF Thompson (Garvagh) Limited Superannuation and Life Assurance Scheme) is assessed in accordance with the advice of a qualified actuary on the basis of triennial valuations using the 'Projected Unit' method.

For the purposes of FRS 17 'Retirements Benefits', the following financial assumptions were used by the actuary in updating the valuation.

	2013	2012
Rate of increase in salaries	4.30%	4.00%
Rate of increase in pensions in payments	1.88%	3.00%
Discount Rate	4.60%	4.50%
Inflation assumption - RPI	3.30%	3.00%
Inflation assumption - CPI	2.10%	2.30%
Investment returns:		
- Equities	7.85%	7.85%
- Bonds	4.35%	3.80%
- Property	7.10%	7.10%
- Diversified Growth Funds	7.35%	0.00%
- Other	3.40%	2.75%

Life expectancy at age 65:

Current Pensioners	- Men	24.0	24.0
	- Women	26.4	26.4
Future Pensioner now aged 40	- Men	26.5	26.5
	- Women	28.8	28.8

Post retirement, mortality is assumed to follow the standard table PCXA00 YOB using a long cohort, with a 1% underpin. Pre retirement, the standard table AXC00 is assumed to apply. 90% of male and 80% of female members are assumed to be married on retirement, with males three years older than their spouses. It is assumed that members do not exchange any of their pension for a cash lump sum at retirement.

From 1 April 2013, past service benefits in the two defined benefit pension schemes accrued up to this date will be revalued on a CARE basis in line with RPI inflation with a maximum of 5% per annum. From 1 April 2013 future services benefits will accrue on a CARE basis with revaluation based on CPI inflation with a maximum of 5% per annum. In addition, service accrued from 1 April 2013 will receive increases in payment of CPI inflation capped at 2.5% per annum.

The Defined Benefit pension schemes were closed to new entrants during 2013.

## 26. COMMITMENTS TO PENSION FUNDS (continued)

The market value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return were:

	2013 £,000	2012 £,000
Equities	60,013	44,262
Bonds	17,066	16,888
Property	6,779	6,217
Diversified Growth Funds	7,639	0
Other	5,443	8,859
Total fair value of assets	96,940	76,226
Present value of the schemes liabilities	112,000	110,213
Deficit in the schemes	(15,060)	(33,987)
Related deferred tax asset	3,012	7,817
Net pension liability	(12,048)	(26,170)

	2013 £'000	2012 £'000
<b>Analysis of the amount charged to operating profit</b>		
Current service costs	2,654	2,946
Past service cost	(2,453)	0
Total operating charge	201	2,946
<b>Analysis of the amount credited to other finance income</b>		
Expected return on pension scheme assets	5,108	4,135
Interest on pension scheme liabilities	(4,904)	(4,701)
Net finance income/(cost)	204	(566)

	2013 £'000	2012 £'000
<b>Analysis of the amount recognised in the statement of total recognised gains and losses.</b>		
Actual return less expected return on pension scheme assets	6,697	4,152
Experience gains and losses arising on the scheme liabilities	58	2
Changes in assumptions underlying the present value of the scheme liabilities	(322)	(4,141)
Actuarial gain	6,433	13

	2013 £,000	2012 £,000	2011 £,000	2010 £'000	2009 £'000
Fair value of assets	96,940	76,226	66,112	63,833	54,678
Present value of the schemes liabilities	(112,000)	(110,213)	(101,102)	(93,814)	(81,071)
Deficit in the schemes	(15,060)	(33,987)	(34,990)	(29,981)	(26,393)
Experience adjustments arising on the scheme liabilities	58	2	3,529	(56)	3
Experience adjustments arising on plan assets	6,697	4,152	(4,163)	2,341	(5,688)

## 26. COMMITMENTS TO PENSION FUNDS (continued)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since 1 January 2002 is a net loss of £28,036,000 (2012 – net loss of £34,469,000).

In the year ended 31 December 2014 the company expects to contribute to the schemes £2,686,000.

	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<b>Movement in deficits year.</b>				
Net assets at beginning of year	76,226		66,112	
Scheme obligation at beginning of year	<u>(110,213)</u>		<u>(101,102)</u>	
Deficit in scheme at beginning of the year		(33,987)		(34,990)
Movement in year:				
Current service cost		(2,654)		(2,946)
Employers' contributions		12,491		4,502
Past service costs		2,453		0
Other finance costs		204		(566)
Actuarial gain		6,433		13
Closing Scheme assets at year end	96,940		76,226	
Closing scheme obligation at year end	<u>(112,000)</u>		<u>(110,213)</u>	
Deficit in scheme at year-end.		<u>(15,060)</u>		<u>(33,987)</u>

## 27. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital	CRH Contribution Reserve	Profit & Loss	Total
Balance at 31 December 2011	870,675	3,112,159	75,709,982	79,692,816
Share Based Payments	0	356,020	0	356,020
Profit attributable to members of the Company	0	0	5,066,732	5,066,732
Dividends Paid	0	0	0	0
Foreign currency net investment translation difference	0	0	(5,584)	(5,584)
Actuarial loss net of deferred tax thereon	0	0	(689,790)	(689,790)
Balance at 31 December 2012	870,675	3,468,179	80,081,340	84,420,194
Share Based Payments	0	78,916	0	78,916
Profit attributable to members of the Company	0	0	2,990,562	2,990,562
Dividends Paid	0	0	0	0
Foreign currency net investment translation difference	0	0	5,118	5,118
Actuarial loss net of deferred tax thereon	0	0	4,126,790	4,126,790
Balance at 31 December 2013	870,675	3,547,095	87,203,810	91,621,580

## 28. SHARE-BASED PAYMENT

For equity-settled share-based payment transactions (i.e. the issuance of share options), the Company measures the services received and the corresponding increase in equity at fair value at the grant date using the trinomial model. Fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date. The share options granted by the Parent Company (CRH plc) are not subject to market-based vesting conditions as defined in FRS 20 Share-based Payment.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense/credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. The cumulative charge to the Profit and Loss Account is reversed only where the performance condition is not met or where an employee in receipt of share options leaves service prior to completion of the expected vesting period and those options lapse in consequence.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a non-vesting condition which is treated as vesting irrespective of whether or not it is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. All cancellations of equity-settled transaction awards are treated equally.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The measurement requirements of FRS 20 have been implemented in respect of share options that were granted after 7 November 2002. The disclosure requirements of FRS 20 have been applied in relation to all outstanding share-based payments regardless of their grant date.

The Group has no exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives.

### Share Option Schemes

In May 2010, shareholders of CRH plc, the parent company of Northstone (NI) Limited, approved the adoption of new share option scheme, which replace schemes approved by shareholders in May 2000. Shareholders also approved the adoption of new savings-related share option schemes in May 2010, which replace the existing savings-related share option schemes approved by shareholders in May 2000. The general terms and conditions applicable to the new share option and saving-related share option schemes were set out in a circular issued to shareholders on 31 March 2010, a copy of which is available on [www.crh.com](http://www.crh.com).

Following a Rights Issue by the Parent Company (CRH plc) in March 2009 (new Ordinary/Income Shares were issued on the basis of two new Ordinary/Income Shares for every seven existing Ordinary/Income Shares), all unexercised options and share awards have been adjusted for the bonus element of the Rights Issue.

The share option expense of £78,916 (2012: £356,020) reported in the Profit and Loss account has been arrived at through applying the trinomial model, which is a lattice option-pricing model.

## 28. SHARE-BASED PAYMENT (continued)

*Details of options granted to employees of Northstone (NI) Limited under the CRH plc share-option schemes*

A summary of activity in respect of share options granted to employees of Northstone (NI) Limited in the two years ended 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012 is as follows:

Share options	Number of options 2013	Number of options 2012
Outstanding at beginning of year	285,427	281,036
Transfers	(54,397)	0
Granted (a)	32,000	40,000
Exercised	(13,308)	(4,436)
Lapsed	(47,974)	(31,153)
Outstanding at end of year	<u>201,748</u>	<u>285,427</u>
Exercisable at end of year	<u>14,416</u>	<u>33,268</u>

(a) Pursuant to the 2010 Share Option Schemes employees were granted options over 32,000 (2012: 40,000) of CRH plc Ordinary Shares on the 10 April 2013.

The level of vesting of these options will be determined by reference to certain performance targets. If the performance criteria have been met, these options, or portion thereof as appropriate, may be exercised after the expiration of three years from their date of grant. All options granted have a life of ten years.

The weighted average fair values assigned to options granted in 2013 and 2012 under the CRH plc 2010 share option, which were computed in accordance with the trinomial valuation methodology, were as follows:

	€ 3-year
Granted during 2013	3.61
Granted during 2012	3.43

The fair values of these options were determined using the following assumptions:

	2013 3-year	2012 3-year
Weighted average exercise price	€16.19	€15.19
Risk-free interest rate (%)	0.36	0.80
Expected dividend payment over the expected life (€ cent)	325.25	325.25
Expected volatility (%)	33.7	33.8
Expected life in years	5	5

The expected volatility was determined using an historical sample of 61 month-end CRH plc share prices in respect of the three-year share options. Share options are granted at market value at the date of grant. The expected lives of the options are based on historical data and are therefore not necessarily indicative of exercise patterns that may materialise.

Other than the assumptions listed above, no other features of options grants were factored into the determination of fair value.

The terms of the options issued under the savings-related share option schemes do not contain any market conditions within the meaning of FRS 20.

No relevant modifications were affected to either the 2010 savings-related share option scheme or the previously approved 2000 savings-related share option scheme during the of 2013 or 2012 as appropriate.



## 28. SHARE-BASED PAYMENT (continued)

*Details of options granted to employees of Northstone (NI) Limited under CRH plc saving-related share option schemes*

<b>Saving-related share options</b>	<b>Weighted average exercise price</b>	<b>Number of options 2013</b>	<b>Weighted average exercise price</b>	<b>Number of options 2012</b>
Outstanding at beginning of year	£11.75	178,173	£11.91	196,561
Transfers	n/a	0	£11.36	322
Granted (a)	£12.22	36,833	£11.55	53,692
Exercised	£12.91	(11,304)	£11.36	(10,240)
Lapsed	£12.88	(28,311)	£12.14	(62,162)
Outstanding at end of year	£11.59	175,391	£11.75	178,173

(a) Pursuant to the 2000 saving-related share option schemes operated by CRH plc in the Republic of Ireland, employees were granted options over 36,833 of CRH plc's Ordinary Shares on 28 March 2013 (2012: 53,692 share options on 29 March 2012). This figure comprises options over 25,063 (2012: 37,970) shares and 11,770 (2012: 15,722) which are normally exercisable within a period of six months after the third or fifth anniversary of the contract, whichever is applicable, and are not subject to specified EPS growth targets being achieved. The exercise prices at which the options are granted under the schemes represent a discount of 15% to the market price on the date of grant.

The weighted average fair values assigned to options issued under the savings-related share option schemes, which were computed in accordance with the trinomial valuation methodology, were as follows:

	<b>Denominated in</b>	
	<b>€</b>	<b>€</b>
	<b>3-year</b>	<b>5-year</b>
Granted during 2013	4.44	5.13
Granted during 2012	3.63	3.98

The fair values of these options were determined using the following assumptions:

	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>3 - year</b>	<b>5 - year</b>	<b>3 - year</b>	<b>5 - year</b>
Weighted average exercise price	£12.22	£12.22	£11.55	£11.55
Risk-free interest rate (%)	0.02	0.31	0.32	0.80
Expected dividend payment over the expected life (€ cent)	191.28	325.25	191.28	325.25
Expected volatility (%)	31.3	33.7	35.4	33.8
Expected life in years	3	5	3	5

The expected volatility was determined using an historical sample of 37 month-end CRH plc share prices in respect of the three-year saving-related share options and 61 month-end share prices in respect of the five-year savings-related share options. The expected lives of the options are based on historical data and are therefore not necessarily indicative of exercise patterns that may materialise.

Other than the assumptions listed above, no other features of options grants were factored into the determination of fair value.

The terms of the options issued under the savings-related share option schemes do not contain any market conditions within the meaning of FRS 20.

No relevant modifications were affected to either the 2010 savings-related share option scheme or the previously approved 2000 savings-related share option scheme during the of 2013 or 2012 as appropriate.

## 29. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with those related parties that are wholly owned companies within the CRH Group.