Lagan Cement Products Limited

Annual report and financial statements

Registered number NI020686

For the year ended 31 December 2019

Contents

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Principal activities

On 1 January 2019 the trade and assets of the Company were transferred to fellow subsidiaries of Breedon Group plc. Thereafter the Company became a holding company.

Results

For the year ended 31 December 2019, the Company reported profit before taxation of £1,304,000 *(2018: £1,804,000)*.

Dividends

Dividends of £13,676,000 were declared and paid in the year *(2018: £Nil)*.

Directors

The directors who held office during the year and to the date of this report were as follows:

E Finnegan
J Lagan (resigned 22 February 2019)
R Wood
RE McDonald

Political contributions

The Company made no political donations and did not incur any political expenditure in either 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

5 Blackwater Road
Newtonabbey
BT36 4TZ
Northern Ireland

24 June 2020

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

The directors are responsible for preparing the 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 LAGAN CEMENT PRODUCTS LIMITED

Opinion

We have audited the financial statements of Lagan Cement Products Limited ("the company") for the year ended 31 December 2019, which comprise the Statement of profit and loss and other comprehensive income, 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 2019 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that there is uncertainty over future trading results in light of the Covid-19 pandemic and consequently uncertainty over obtaining appropriate covenant waivers from the group's funding providers. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' report

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

Our responsibility is to read the directors' report 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' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, 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.

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

26 June 2020

Statement of profit and loss and other comprehensive income
for the year ended 31 December 2019

	Note	**2019 £000**	2018 £000
Turnover	*1*	-	25,254
Cost of sales		-	(22,489)
Gross profit		-	2,765
Administrative expenses		-	(2,177)
Other operating income		-	199
Operating profit	*2*	-	787
Other non-operating income	*2*	**1,304**	667
Interest receivable and similar income	*5*	-	415
Interest payable and similar expenses	*5*	-	(65)
Profit before taxation		**1,304**	1,804
Tax on profit	*6*	**(222)**	(105)
Profit and total comprehensive income for the financial year		**1,082**	1,699

The trade and assets of the Company were transferred to fellow group undertakings of Breedon Group plc during the year. Consequently, all operating results were derived from discontinued activities.

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

Balance sheet
at 31 December 2019

	Note	2019 £000	£000	2018 £000	£000
Non-current assets					
Investments	7		-		-
Current assets					
Assets held for sale	8	-		24,343	
		-		24,343	
Liabilities held for sale	8	-		(11,749)	
Net current assets			-		12,594
Total assets less current liabilities			-		12,594
Net assets			-		12,594
Capital and reserves					
Share capital	10		-		-
Revaluation reserve			-		60
Profit and loss account			-		12,534
Equity shareholder's funds			-		12,594

These financial statements were approved by the board of directors on 24 June 2020 and were signed on its behalf by:

R Wood
Director

Company number: NI020686

Statement of changes in equity
for the year ended 31 December 2019

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
Balance at 31 December 2017	-	60	10,835	10,895
Profit and total comprehensive income for the financial year	-	-	1,699	1,699
Balance at 31 December 2018	-	**60**	**12,534**	**12,594**
Profit and total comprehensive income for the financial year	-	-	**1,082**	**1,082**
Transfers from revaluation reserve to profit and loss account	-	**(60)**	**60**	-
Dividends paid	-	-	**(13,676)**	**(13,676)**
Balance at 31 December 2019	-	-	-	-

Notes
(forming part of the financial statements)

1 Accounting policies

Lagan Cement Products Limited (the "Company") is a private company limited by shares incorporated and domiciled in Northern Ireland in the UK. Its registered address is 5 Blackwater Road, Newtownabbey, Northern Ireland, BT36 4TZ and its registered number is NI020686.

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.

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 presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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 and tangible fixed 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; and
- Disclosures in respect of the compensation of Key Management Personnel.

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:

- IFRS 2 *Share-Based Payments* in respect of group settled share-based payments; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on a historic cost basis. Assets and disposal groups held for sale are held at the lower of their previous carrying values and fair value less cost to sell.

There were no judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements, nor estimates with a significant risk of material adjustment in the next year.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Going concern

In light of the COVID-19 pandemic, the directors have prepared updated cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the company will have sufficient funds, through funding from a banking facility at its ultimate parent company, Breedon Group Plc ('the Group'), to meet its liabilities as they fall due for that period.

However, as a result of COVID-19, the Group suffered an immediate and significant drop in demand for its products at the end of March 2020, resulting in the temporary closure of a number of operating locations. At the point of signing these accounts, operations are progressively re-opening with appropriate social distancing measures in place where it is safe and legal to do so, and in line with the relevant government advice in the countries in which the Group operates. The Group's banking facility requires compliance with bank covenants which are measured against the Group's trading performance at June and December. The Group's banking group remains highly supportive and have relaxed covenants for the June 2020 assessment, as well as indicated their intention to agree an additional reset for December 2020. The directors have no reason to believe the covenants will not be relaxed for the December 2020 assessment; however, the directors acknowledge there can be no certainty without a legal agreement in place. Given these circumstances, a material uncertainty exists over whether the Group will be able to comply with banking covenants throughout the going concern forecast period.

This material uncertainty may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Group has a strong history of profit and cash generation, and in its most recent published financial statements, for the year ended 31 December 2019, generated statutory profit before taxation of £94.6 million and an operating cash flow of £136.5 million, resulting in a closing net debt of £246.7m excluding the impact of IFRS 16 – Leases. As at 30 April 2020, the Group had £82 million of cash and undrawn banking facilities totalling a further £220 million, which it expects to provide sufficient liquidity even under a 'severe but plausible' downside scenario of forecast cash flows.

Based on the above the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

1.8 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.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 asset 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 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.

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.

1.10 Leases

Accounting policy for leases in 2018

For all periods up to and including 2018 the Company applied IAS 17 – *Leases* in accounting for lease arrangements. Payments made under operating leases were recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received were recognised in the profit and loss account as an integral part of the total lease expense. Leases in which the Company assumed substantially all the risks and rewards of ownership of the leased asset were classified as finance leases. Leased assets acquired by way of finance lease were stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Finance lease payments were apportioned between the finance charge and the reduction of the outstanding liability. The finance charge was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2 Operating profit

	2019	2018
	£000	£000
Operating profit is stated after charging/(crediting)		
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements pursuant to legislation	-	18
Non-audit services	-	-
Depreciation		
Owned	-	395
Leased	-	177
Profit on sale of fixed assets	-	(19)
Other non-operating income		
Gain on transfer of assets to group undertaking (note 8)	**1,304**	667

Notes *(continued)*

3 Directors' remuneration

	2019	2018
	£000	£000
Aggregate emoluments	-	130
Pension contributions	-	5
	-	135

Pension benefits are accruing to no directors (2018: 1 director). Directors remuneration is disclosed for those directors who are employed by the Company. Certain 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. 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 (2018: £nil).

4 Staff numbers and costs

	Number of employees	
	2019	2018
Production, distribution and administration	-	70

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	-	2,317
Social security costs	-	240
Pension	-	90
	-	2,647

5 Interest payable and receivable

	2019	2018
	£000	£000
Interest payable and similar expenses		
Interest payable on leases	-	22
Interest payable on bank and other loans	-	43
	-	65

	2019	2018
	£000	£000
Interest receivable and similar income		
Group interest receivable	-	415

Notes *(continued)*

6 Taxation

Recognised in the profit and loss account:

	2019 £000	2018 £000
UK corporation tax		
Current year	-	173
Prior year	-	(58)
Total current tax charge	-	115
Deferred tax		
Current year	222	(10)
Total deferred tax	222	(10)
Tax on profit	222	105

Factors affecting the tax charge for the current year

The tax charge for the current year is lower *(2018: lower)* than the standard rate of UK corporation tax of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Tax reconciliation		
Profit before tax	1,304	1,804
Current tax at 19% (2018: 19%)	248	343
Effects of:		
Expenses not deductible for tax purposes	-	16
Deferred tax not recognised	-	(36)
Rate differences	(26)	-
Transfer price adjustments	-	(33)
Non taxable income	-	(127)
Adjustment in respect of prior years	-	(58)
Total tax charge	222	105

Notes *(continued)*

7 Investments

	£000
Cost and net book value	
At start and end of year	-

Details of the investments in subsidiary and associated undertakings are as follows:

Name of Company	Country of incorporation	Description of shares	Proportion held	Nature of business
Lagan Cement Limited	Northern Ireland	Ordinary	100%	Non-trading

The registered office of Lagan Cement Limited is 5 Blackwater Road, Newtownabbey, Northern Ireland, BT36 4TZ.

8 Assets and liabilities held for sale

The assets and liabilities of the Company were classified as held for sale under IFRS 5 at 31 December 2018 in anticipation of the transfer to fellow group undertakings of Breedon Group plc in 2019. This transfer concluded in 2019 as expected, resulting in the recognition of a gain of £1,304,000 which has been presented within non-operating income. These assets and liabilities which were held for sale as at 31 December 2018 were analysed as follows:

Assets held for sale	**£000**
Fixed assets	1,429
Stocks	1,202
Debtors	21,400
Cash	312
	24,343

Liabilities held for sale	**£000**
Creditors falling due within one year	11,728
Obligations under finance leases and hire purchase contracts falling due in more than one year	21
	11,749

9 Deferred taxation

	1 January 2019 £000	**Recognised in income £000**	**Group transfers £000**	**31 December 2019 £000**
Property, plant and equipment	-	222	(222)	-
Total liability	-	222	(222)	-

	1 January 2018 £000	Recognised in income £000	Group transfers £000	31 December 2018 £000
Property, plant and equipment	-	-	-	-
Total liability	-	-	-	-

Notes *(continued)*

10 Capital and reserves

Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid:		
100 (2018: 100) ordinary shares of £1 each	-	-

11 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 £nil *(2018: £90,000)*. Contributions of £nil were outstanding at the yearend (2018: £4,000)

12 Related party transactions

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

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

13 Subsequent events

Subsequent to the year end, as a result of the worldwide COVID-19 pandemic, the Company's ultimate parent, Breedon Group plc, announced the temporary suspension of all but its essential operations, which resulted in an immediate and significant drop in trade. At the time of signing these accounts, operations are progressively re-opening with appropriate social distancing measures in place where it is safe and legal to do so, and in line with the relevant government advice. No remeasurement adjustments have been required in respect of the Company's assets and liabilities at 31 December 2019. Further detail the Company's continued use of the going concern basis of preparation is set out in note 1.

14 Parent undertaking

Breedon Southern Limited, a company incorporated in England, 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.