Lagan Cement Products Limited

Annual report and financial statements

Registered number NI020686

For the year ended 31 December 2018

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Strategic report

Overview

The Company traded profitably during the year. For the year ended 31 December 2018, the Company reported profit before taxation of £1,804,000 *(2017: £1,562,000)* on turnover of £25,254,000 *(2017: £24,427,000)*. Profit after taxation for the year was £1,699,000 *(2017: £1,213,000)*.

Change of ownership

On 20 April 2018, the Company was acquired by Breedon Group Plc as part of its acquisition of Lagan Group Holdings Limited.

Post balance sheet events

Subsequent to the year end, the trade and assets of the Company were transferred to fellow subsidiaries of Breedon Group plc. Thereafter the Company became a holding company.

Strategy

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

Risk management

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

- *Competition and margins* - increased competition could reduce our sales volumes and prices and impact the profitability of certain contracts. We are heavily reliant on energy and hydrocarbons to produce and transport our products and increases in these input costs could impact our margins, as could increases in commodity prices. Heavy reliance on key suppliers may cause difficulties if they suffer supply issues and there is also a risk to our profitability if haulage supply is disrupted or not aligned with demand.

- *Health, safety & environment* - failure to manage health, safety or environmental risks could expose the company to significant potential disruption, liabilities and reputational damage.

- *IT and cyber security* - disruption to the IT environment could affect our ability to conduct our ongoing operations and have an adverse effect on our performance, whilst a major breach of system security could lead to reputational damage, regulatory penalties and significant financial loss.

- *Legal and regulatory* - a legal or regulatory breach could result in disruption to our business and potential reputational damage. Product quality issues could result in customer claims while planning, licensing and emission restrictions could prevent us from operating facilities or extracting mineral reserves economically.

- *Market conditions* - changes in the macro-economic environment, shifts in Government policy and adverse weather could all have an impact on demand for our products and on utilisation of our assets. Difficult economic conditions could also increase our exposure to credit risk from our customers.

- *People* - failure to recruit, develop and retain the right people could have an adverse impact on our ability to meet our strategic objectives.

Corporate social responsibility (CSR)

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

Strategic report (continued)

Health & safety

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

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

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

Transition to FRS101

The Company transitioned to FRS101 from FRS102 during the year, following the acquisition by Breedon. The transition to FRS 101 has not affected the reported financial position and performance of the Company.

Further information on business model, risk and performance

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

By order of the Board

RE McDonald
Secretary

7 June 2019

Directors' report

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

Principal activities

The principal activities of the business were the importation, manufacture and distribution of building products. Subsequent to the year end, 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 2018, the Company reported profit before taxation of £1,804,000 *(2017: £1,562,000)* on turnover of £25,254,000 *(2017: £24,427,000)*. Profit after taxation for the year was £1,699,000 *(2017: £1,213,000)*.

Dividends

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

Directors

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

E Finnegan	
DV Canavan	*(resigned 31 October 2018)*
J Lagan	(resigned 22 February 2019)
SG McCann	(resigned 20 April 2018)
R Wood	(appointed 20 April 2018)
RE McDonald	(appointed 20 April 2018)

Employees

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

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

Political contributions

The Company 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

KPMG LLP were appointed as auditor during the year. 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

7 June 2019

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

The directors are responsible for preparing the Strategic report, 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.

KPMG

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 31st December 2018 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

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

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

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

Strategic report and Directors' report

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

KPMG

Independent auditor's report to the members of Lagan Cement Products Limited *(continued)*

Strategic report and Directors' report (continued)

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

- we have not identified material misstatements in the strategic and the directors' reports;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

12 June 2019

Statement of profit and loss and other comprehensive income
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	*1*	**25,254**	24,427
Cost of sales		**(22,489)**	(20,501)
Gross profit		**2,765**	3,926
Administrative expenses		**(2,177)**	(2,280)
Other operating income		**199**	124
Operating profit	*2*	**787**	1,770
Other non-operating income	*2*	**667**	-
Interest receivable and similar income	*5*	**415**	-
Interest payable and similar expenses	*5*	**(65)**	(208)
Profit before taxation		**1,804**	1,562
Tax on profit	*6*	**(105)**	(349)
Profit and total comprehensive income for the financial year		**1,699**	1,213

The trade and assets of the Company were transferred to fellow group undertakings of Breedon Group plc subsequent to the year end. 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 2018

	Note	2018 £000	£000	2017 £000	£000
Fixed assets					
Tangible assets	7		-		1,810
Investments	8		-		100
			-		1,910
Current assets					
Assets held for sale	9	24,343		-	
Stocks	10	-		1,412	
Debtors	11	-		28,295	
Cash at bank and in hand		-		1,922	
		24,343		31,629	
Liabilities held for sale	9	(11,749)		-	
Creditors: amounts falling due within one year	12	-		(17,749)	
Net current assets			12,594		13,880
Total assets less current liabilities			12,594		15,790
Creditors: amounts falling due after more than one year	13		-		(4,895)
Net assets			12,594		10,895
Capital and reserves					
Share capital	15		-		-
Revaluation reserve	15		60		60
Profit and loss account			12,534		10,835
Equity shareholder's funds			12,594		10,895

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

R Wood
Director

Company number: NI020686

Statement of changes in equity
for the year ended 31 December 2018

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
Balance at 31 December 2016	-	60	9,622	9,682
Profit and total comprehensive income for the financial year	-	-	1,213	1,213
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**

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.

This is the first period that the Company has presented its results under FRS101. No recognition and measurement adjustments were recognised on transition. The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

The Company is profitable and is in a net asset and net current asset position. The directors have given careful consideration to the forecasts for the 12 months following the date of signing these accounts. In their judgement, the use of the going concern basis is appropriate and the accounts have been prepared on this basis. Subsequent to the year end, the trade and assets of the company have been transferred to fellow subsidiaries of Breedon Group plc. Thereafter the Company has become a holding company for other subsidiaries of Breedon Group plc and will continue as a going concern in fulfilling this purpose.

1.2 Subsidiary undertakings

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

1.3 Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Certain items of tangible fixed assets that had been revalued to fair value on or prior to 1 January 2017, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are 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 less accumulated impairment losses. Lease payments are accounted for as described below.

Freehold land is not depreciated. Mineral reserves are amortised over their estimated economic lives on the basis of tonnage extracted. All other tangible fixed assets, including those assets held under finance leases, are depreciated on a straight line basis so as to write off the cost or valuation of the assets, less their estimated residual values, over their estimated useful lives as follows:

Land & buildings	5 - 20 years
Plant, machinery and equipment	4 - 10 years

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and appropriate overheads.

1.5 Trade receivables and trade payables

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

1.6 Leased assets

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

1.7 Pensions

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

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 Provisions (including restoration costs)

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

Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of the related asset. If the impact of doing so is material, provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes *(continued)*

2 Operating profit

	2018	2017
	£000	£000
Operating profit is stated after charging/(crediting)		
Audit of these financial statements	**18**	18
Depreciation		
Owned	**395**	**242**
Leased	**177**	**326**
Profit on sale of fixed assets	**(19)**	**(41)**
Other non-operating income		
Gain on transfer of fixed assets to group undertaking	**667**	-

The Company's auditor changed to KPMG LLP during the year. Amounts disclosed in respect of 2017 relate to the previous auditor, PricewaterhouseCoopers. Amounts receivable by the Company's auditor in respect of services to the Company other than the audit of the Company's financial statements is disclosed in the consolidated financial statements of the Company's ultimate parent undertaking, Breedon Group plc.

3 Directors' remuneration

	2018	2017
	£000	£000
Aggregate emoluments	**130**	112
Pension contributions	**5**	12
	135	124

Pension benefits are accruing to 1 director (2017: 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 (2017: £nil).

4 Staff numbers and costs

	Number of employees	
	2018	2017
Production, distribution and administration	**70**	77

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**2,317**	2,809
Social security costs	**240**	259
Pension	**90**	169
	2,647	3,237

Notes *(continued)*

5 Interest payable and receivable

	2018 £000	2017 £000
Interest payable and similar expenses		
Interest payable on hire purchase and finance leases	**22**	25
Interest payable on bank and other loans	**43**	183
	65	208

	2018 £000	2017 £000
Interest receivable and similar income		
Group interest receivable	**415**	-

6 Taxation

Recognised in the profit and loss account:

	2018 £000	2017 £000
UK corporation tax		
Current year	**173**	349
Prior year	**(58)**	-
Total current tax charge	**115**	349
Deferred tax		
Current year	**(10)**	-
Total deferred tax	**(10)**	-
Tax on profit	**105**	349

Factors affecting the tax charge for the current year

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

	2018 £000	2017 £000
Tax reconciliation		
Profit before tax	**1,804**	1,562
Current tax at 19% (2017: 19.25%)	**343**	300
Effects of:		
Expenses not deductible for tax purposes	**16**	13
Deferred tax not recognised	**(36)**	36
Transfer price adjustments	**(33)**	-
Non taxable income	**(127)**	-
Adjustment in respect of prior years	**(58)**	-
Total tax charge	**105**	349

Notes *(continued)*

6 Taxation *(continued)*

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19 percent to 17 percent (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

7 Tangible assets

	Land & buildings £000	Plant, machinery & equipment £000	Total £000
Cost			
At beginning of year	1,549	10,142	11,691
Additions	-	563	563
Disposals	-	(326)	(326)
Group transfers	(373)	(5,876)	(6,249)
Transfer to assets held for sale (note 9)	(1,176)	(4,503)	(5,679)
At end of year	-	-	-
Depreciation			
At beginning of year	1,233	8,648	9,881
Charge for year	17	555	572
Disposals	-	(257)	(257)
Group transfers	(236)	(5,710)	(5,946)
Transfer to assets held for sale (note 9)	(1,014)	(3,236)	(4,250)
At end of year	-	-	-
Net book value			
31 December 2018	-	-	-
31 December 2017	316	1,494	1,810

Included in the amounts for plant and machinery transferred to assets held for sale are the following amounts relating to assets held under finance leases and hire purchase contracts:

	2018 £000	2017 £000
Net book value	**351**	647

Notes *(continued)*

8 Investments

	£000
Cost and net book value	
At 1 January 2018	100
Group transfers	(100)
At 31 December 2018	-

During the year, all of the investments of the Company with the exception of Lagan Cement Limited were transferred to a fellow Group undertaking, for consideration equal to the carrying value of the investment.

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

At 31 December 2018

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

At 31 December 2017

Name of Company	Country of incorporation	Description of shares	Proportion held	Nature of business
Lagan Cement Limited	Northern Ireland	Ordinary	100%	Non-trading
Roadmix Limited	Northern Ireland	Ordinary	100%	Non-trading
Mulholland Bros. Brick and Sand Limited*	Northern Ireland	Ordinary	100%	Non-trading

* Indirectly held through Roadmix Limited

The registered office for all subsidiary undertakings is 5 Blackwater Road, Newtownabbey, Northern Ireland, BT36 4TZ.

9 Assets and liabilities held for sale

The trade and assets of the Company were transferred to fellow group undertakings of Breedon Group plc subsequent to the year end. As the carrying value of the assets and the associated liabilities was recovered through this sale rather than through continuing use, they have been reclassified as assets and liabilities held for sale at the balance sheet date.

These assets and liabilities are 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

Notes *(continued)*

10 Stocks

	2018 £000	2017 £000
Raw materials and consumables	-	400
Finished goods and goods for resale	-	1,012
	-	1,412

Inventories of £16,345,000 (2017: £15,217,000) were recognised as an expense during the year.

11 Debtors

	2018 £000	2017 £000
Trade debtors	-	5,030
Amounts owed by group undertakings	-	2,842
Amounts owed by related parties	-	20,081
Other debtors & prepayments	-	342
Deferred tax (note 14)	-	-
	-	28,295

Amounts owed by group undertakings are unsecured and repayable on demand. Dependent on the nature of the debtor an interest rate of 5% p.a. is charged.

12 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	-	995
Accruals and other creditors	-	1,679
Amounts owed to group undertakings	-	12,907
Amounts owed to related parties	-	351
Other tax and social security	-	664
Corporation tax	-	349
Bank overdrafts	-	345
Bank loans	-	110
Obligations under finance leases and hire purchase contracts	-	349
	-	17,749

The bank loans were settled on acquisition by Breedon Group plc on 20 April 2018.

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

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Bank loans	-	4,560
Obligations under finance leases and hire purchase contracts	-	335
	-	4,895

The bank loans were settled on acquisition by Breedon Group plc on 20 April 2018.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2018 £000	2017 £000
Within one year	-	349
Between two and five years	-	335
	-	684

14 Deferred taxation

	2018 £000	2017 £000
Deferred tax liabilities/(assets):		
At beginning of year	-	-
Charged to profit and loss account	(10)	-
Reclassified to assets held for sale (9)	10	-
At end of year	-	-

Deferred tax liabilities/(assets) comprise:

	2018 £000	2017 £000
Accelerated capital allowances	-	-
	-	-

15 Capital and reserves

Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid:		
100 (2017: 100) ordinary shares of £1 each	-	-

Notes *(continued)*

16 Share-based payments

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

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

17 Contingent liabilities

The Company has guaranteed the bank overdrafts and loans of Breedon Group plc and certain of its subsidiary undertakings which at 31 December 2018 amounted to approximately £340,000,000. In the opinion of the Directors, there is no indication that this will result in the Company suffering a loss.

18 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 £90,000 *(2017: £169,000)*. Contributions of £4,000 were outstanding at the year end (2017: £nil).

19 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.

20 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.

Prior to the 20 April 2018, the ultimate parent company was Lagan Group Holdings Limited and the immediate parent company Lagan Group Limited.

21 Transition from FRS102 to FRS101

The Company has transitioned to FRS101 during the year, which has resulted no changes to previously reported values. The accounting policies of the Company as set out in note one have been consistently applied to all transitional periods.

22 Post balance sheet events

Subsequent to the year end, the trade and assets of the Company were transferred to fellow subsidiaries of Breedon Group plc. Thereafter the Company became a holding company.