

# SOUTHERN CEMENT LIMITED

## CORPORATE INFORMATION

### DIRECTORS

J Dalton  
G Malone  
A Donnan  
J Wilson  
E Sweeney

### SECRETARY

D. Geddis

### COMPANY REGISTERED NUMBER

04316113

### AUDITORS

Ernst & Young  
Chartered Accountants  
Ernst & Young Building  
Harcourt Centre  
Harcourt Street  
Dublin 2

### BANKERS

Danske Bank  
Donegall Square West  
Belfast  
BT1 6JS

### REGISTERED OFFICE

No1 Shed  
Cliff Quay  
Port of Ipswich  
Suffolk  
IP3 0BS



## SOUTHERN CEMENT LIMITED STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2018.

### Principal activities

The principal activities of the company are the purchase, sale and distribution of bagged and bulk cement to the construction industry.

### Business Review

Southern Cement Limited is a company incorporated and domiciled in United Kingdom. The principal activity of the company is the importation and sale of cement in United Kingdom.

It is estimated that the UK economy grew by approximately 1.4% in 2018, however construction and manufacturing industries continued to struggle, and as a result gross margins decreased by 3.6%. On June 23rd, 2016, the United Kingdom voted to leave the European Union and the GBP/EUR exchange rate has remained volatile since that date. On March 29th, 2017, the UK notified the European Council of its intention to leave the European Union. While it is unclear how negotiations between the UK and EU will impact UK importation businesses, it is the intention of the directors to continue to manage the foreign exchange risk, monitor closely any potential impacts on the business and ensure the company holds itself on good financial position to take advantage of opportunities as and when they occur.

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

	2018	2017	% change
Turnover (£)	30,740,045	30,639,954	0%
Gross profit margin	22.5%	26.1%	-3.6%
Profit before tax (£)	3,296,028	3,488,679	-6%

### Principal risks and uncertainties

The company is required to give a description of the principal risks and uncertainties that could materially and adversely affect its future operating profits and financial position; these principal risks and uncertainties are as follows:

#### Financial Risk

The company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate risk, cash flow risk and foreign exchange rate risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the Board of Directors are implemented by the Company's finance department.

#### Price risk

The company is exposed to commodity price risk as a result of its operations. The costs of managing exposure to commodity price risk exceed any potential benefits. The company has no exposure to equity security price risk as it holds no listed or other equity investments.

#### Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

#### Liquidity risk

The company retains sufficient cash and utilises short term debt finance facilities to ensure that it has sufficient available funds for operations/expansions.

#### Interest rate cash flow risk

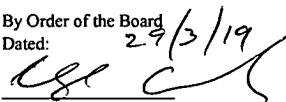
The company has interest bearing assets and liabilities. Interest bearing assets consist only of cash balances which earn interest at a floating interest rate. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

#### Foreign exchange rate risk

The company operates solely in the United Kingdom but is exposed to foreign exchange rate risk through its procurement of goods from Ireland and Spain, the invoices for which are then paid in accordance with the pre-agreed terms and conditions. The company uses derivative financial instruments to manage foreign currency rate risks.

The directors shall revisit the appropriateness of the above policies should the company's operations change in size or nature.

By Order of the Board  
Dated: 29/3/19

  
Gabriel Malone  
Director

**SOUTHERN CEMENT LIMITED  
DIRECTORS' REPORT**

**Company Registered No. 04316113**

The directors present their report for the year ended 31 December 2018.

**Financial Statements**

The Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and related notes are set out on pages 8 to 21. The profit for the year, after taxation, amounted to £2,634,650 (2017: £2,873,488).

At the end of the year, the net assets totaled £6.6m (2017: £13.9m).

Given the straightforward nature of the business, the directors are of the opinion that the analysis of further key performance indicators is not necessary for an understanding of development, performance or position of the business.

**Directors of the company**

The current directors are shown on page 1 and have served throughout the year ended 31 Dec 2018.

**Future developments**

The company will continue in this activity for the foreseeable future.

**Financial Instruments**

The Company uses financial instruments in its business: cash and cash equivalents are used to finance the Company's investments, intercompany receivables arise directly from operations, and derivatives, principally forward exchange contracts are used to manage currency exposures. The Company does not trade in any other financial instruments nor does it enter into leveraged derivative transactions. The Company is not engaged in interest bearing loans or borrowings external to CRH plc, other than bank overdrafts, which are guaranteed by CRH plc. There were 71 forward purchase exchange contracts in place at 31st December 2018 (2017: 36).

**Research and Development**

All Research and Development activities are carried out by another group company.

**Events since the balance sheet date**

There were no important events since the year end.

**Employee matters**

The well being of the Company's employees is safeguarded through the strict adherence to health and safety management. This is the responsibility of all line managers and is reviewed continuously by senior management and at the Board level. Dedicated safety officers operate the plant to ensure Company health and safety policies are fully adhered to, and to ensure on-going training in health and safety risk assessment and prevention. Safety best practice is shared on a group wide basis to improve performance. Product safety is overseen by a technical marketing group who ensure compliance with, and adherence to standards set by industry associations and other regulatory bodies. There were no reportable accidents in 2018 (2017: nil) and there were no fatalities (2017: nil).

**Books of Account**

The Directors are responsible for ensuring that proper accounting records, as outlined in the Companies Act 2006, are kept by the Company. The Directors have appointed appropriate accounting personnel in order to ensure that these requirements are complied with. These books and accounting records are maintained at the Company's registered office at No1 Shed, Cliff Quay, Port of Ipswich, Suffolk, IP3 0BS and Platin, Drogheda, Co Louth.

**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 and the group's auditor, 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 that information.

**SOUTHERN CEMENT LIMITED**  
**DIRECTORS' REPORT - (continued)**

**Dividends**

The directors do not recommend a final ordinary dividend, making a total of £10,000,000 for the year.

**Going Concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 2.

Another group company, Irish Cement Ltd, has agreed to provide financial support for the foreseeable future to assist the company in meeting its financial obligations. As a consequence of this support and having considered the company's forecasts and current trading, the directors believe that it remains appropriate for the financial statements to be prepared on a going concern basis.

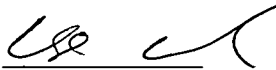
**Directors' statement as to disclosure of information to auditors**

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors each of the directors confirms that:

- To the best of each director's knowledge and belief, (that is no information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board,

Dated: 22/3/19



**Gabriel Malone**  
**Director**

**SOUTHERN CEMENT LIMITED**  
**DIRECTORS' RESPONSIBILITIES STATEMENT**

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). Including Financial Reporting Standard 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

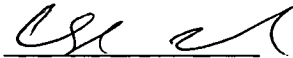
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

**Auditors**

The auditor, Ernst & Young, chartered accountants, is willing to continue in office in accordance with Section 485 of the Companies Act 2006

By Order of the Board

Dated: 29/3/19



**Gabriel Malone**  
**Director**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN CEMENT LIMITED

### Opinion

We have audited the financial statements of Southern Cement Limited for the year ended 31 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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 United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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



Ruth Logan (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Dublin

Date 29th of March 2019



**SOUTHERN CEMENT LIMITED**

**INCOME STATEMENT**

**YEAR ENDED 31ST DECEMBER 2018**

	<i>Notes</i>	<b>Year Ended 31st Dec 2018</b>	<b>Year Ended 31st Dec 2017</b>
		£	£
Turnover - Continuing Operations	3	30,740,045	30,639,954
Cost of Sales		(23,810,930)	(22,632,740)
Gross Profit		6,929,115	8,007,214
Distribution Costs		(1,500,514)	(1,598,667)
Administration Expenses		(2,136,931)	(2,913,557)
<b>OPERATING PROFIT - CONTINUING OPERATIONS</b>	4	<b>3,291,670</b>	<b>3,494,990</b>
Interest payable and similar charges	9	4,358	(6,311)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>3,296,028</b>	<b>3,488,679</b>
Tax	6	(661,378)	(615,191)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,634,650</b>	<b>2,873,488</b>

**SOUTHERN CEMENT LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31ST DECEMBER 2018**

	<i>Notes</i>	<b>Year Ended 31st Dec 2018</b>	<b>Year Ended 31st Dec 2017</b>
Profit for the financial year		£ 2,634,650	£ 2,873,488
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year.</b>		<u><u>2,634,650</u></u>	<u><u>2,873,488</u></u>

**SOUTHERN CEMENT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31ST DECEMBER 2018**

	Share Capital £	Retained earnings £	Derivative Financial £	Total Equity £
At 1 January 2017	2,095,574	9,006,873	-	11,102,447
Profit for the financial Year	-	2,873,488	-	2,873,488
Other comprehensive income				
Financial Instruments			21,866	21,866
<b>Total Comprehensive income for the year</b>	-	2,873,488	21,866	2,895,354
Equity dividends paid (Note 19)	-	-	-	-
<b>At 31 December 2017</b>	<b>2,095,574</b>	<b>11,880,361</b>	<b>21,866</b>	<b>13,997,801</b>
Profit for the financial year	-	2,634,650	-	2,634,650
Other comprehensive income	-	-	-	-
Financial Instruments	-	-	(52,570)	(52,570)
<b>Total comprehensive income for the year</b>	-	2,634,650	(52,570)	2,582,080
Equity dividends paid (Note 19)		(10,000,000)		(10,000,000)
<b>At 31 December 2018</b>	<b>2,095,574</b>	<b>4,515,011</b>	<b>(30,704)</b>	<b>6,579,881</b>

**Share Capital**

Share Capital represents the nominal value of shares that have been issued

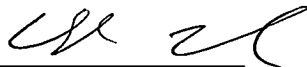
**Retained Earnings**

Retained Earnings include all current and prior period retained profits and losses

**SOUTHERN CEMENT LIMITED**  
**BALANCE SHEET**  
**AS AT 31ST DECEMBER 2018**

	Notes	As At	As At
		31st Dec 2018	31st Dec 2017
		£	£
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	7	<u>753,583</u>	<u>858,186</u>
<b>CURRENT ASSETS</b>			
Stocks	8	258,810	744,306
Trade and Other Debtors	13	4,564,571	4,522,112
Cash at Bank and in hand		<u>5,756,383</u>	<u>12,852,201</u>
		<u>10,579,764</u>	<u>18,118,619</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	14	<u>(4,855,045)</u>	<u>(4,932,822)</u>
<b>NET CURRENT ASSETS</b>		<u>5,724,719</u>	<u>13,185,797</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,478,302</u>	<u>14,043,983</u>
Creditors :-amounts falling due after more than one year		-	-
Provisions for liabilities	16	<u>101,578</u>	<u>(46,182)</u>
<b>NET ASSETS</b>		<u>6,579,880</u>	<u>13,997,801</u>
<b>CAPITAL AND RESERVES</b>			
Called Up Share Capital	10	2,095,574	2,095,574
Derivative Financial instrument reserve		(30,704)	21,866.00
Profit & Loss Account		<u>4,515,010</u>	<u>11,880,361</u>
Shareholders' Funds		<u>6,579,880</u>	<u>13,997,801</u>

On behalf of the Board

  
**Gabriel Malone**  
**Director**

Date

29/12/19

**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2018**

**1. Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of Southern Cement Limited are prepared for the year ended 31st December 2018 were authorised for issue by the board of directors on 29/3/2019 and the balance sheet was signed on the board's behalf by Gabriel Malone. Southern Cement Limited is incorporated and domiciled in United Kingdom. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound, except where otherwise stated.

The principal accounting policies adopted by the company are set out in note 2.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of CRH Plc.

**2 Accounting Policies**

**2.1 Basis of Preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

The company has taken advantage of the following disclosure exemptions under FRS101

- a) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and

**2.2 Changes in accounting policies**

**(a) Standards effective 1 January 2018**

New standards impacting the company that have been adopted in the annual financial statements to 31 December 2018 and give rise to changes in the Company's accounting policies are IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. Neither standard had a material effect on the company's financial statements.

**(b) Standards not yet effective**

There are a number of standards issued by IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these is IFRS 16 Leases. Adoption of IFRS 16 will result in the company recognising right-of-use assets and lease liabilities for all contracts that are or contain a lease. The company will apply the modified retrospective approach from 1 January 2019. The company will apply the recognition exemption for both short-term leases and lease of low value assets. The company does not expect to avail of the practical expedient to not separate non-lease assets. The company does not expect to avail of the practical expedient to not separate non-lease components from lease components, nor does it intend to avail of the practical expedient allowing leases previously classified as operating lease and ending within 12 months of the date of transition to be accounted for as short-term leases. The impact is expected to be a decrease in cost of sales and operating costs as the Company currently recognises operating lease expenses in either cost of sales or operating costs. Depreciation and finance costs as currently reported will increase as under the new standard a right-of-use assets will be capitalised and depreciated over the term of the lease with an associated finance costs applied annually to the lease liability. At transition date the company will determine the minimum lease payments outstanding at that date and apply the appropriate discount rate to calculate the present value of the lease liability and the right-of-use asset to be recognised on the Balance Sheet.

**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED 31ST DECEMBER 2018**

**Accounting policies (Continued)**

**2.3 Judgements and key source of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

*Taxation*

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

**2.4 Significant accounting policies**

**(a) Revenue Recognition**

The company recognises revenue in the amount of the price expected to be received for goods supplied at a point in time or over time as contractual performance obligations are fulfilled and control of goods passes to the customer. Revenue excludes trade discounts and value-added tax/sales tax.

The company manufactures and distributes building product. Contracts do not contain multiple performance obligations. Goods are often sold with discounts or rebates based on cumulative sales over a period. This variable consideration is only recognised when it is highly probable that it will not be subsequently reversed and is recognised using the most likely amount or expected value methods depending on the individual contract terms.

**2.3) Significant Accounting policies (Continued)**

**(b) Tangible fixed assets**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows:

Leasehold Improvements (over 20-50 years)	7.14%
Plant and Machinery (over 5-15 years)	3.33%
Fixtures and Fittings (over 5-15 years)	20.00%

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

**(c) Derivative Financial Instruments**

The Company uses forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

**(d) Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED 31ST DECEMBER 2018**

**Accounting policies (Continued)**

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, trade goods at purchased costs.

(f) Foreign Currencies

The company's financial statements are presented in sterling, which is also the company's functional currency.

*Transactions and balances*

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

(g) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand.

(h) Trade and other Debtors

Trade debtors, which generally have 60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

(i) Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions :

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Income tax is recognised in the income statement.

(j) Leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments

Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

(k) Pension

The company operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are administered in a fund fully independent from the company. The pension costs charged in the year represent the contributions payable by the company in the year.

(l) Bank Borrowings

Finance charges on interest-bearing overdrafts are accounted for on an accruals basis in the profit and loss account.

**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED 31ST DECEMBER 2018**

**Accounting policies (Continued)**

(m) Impairment of Financial Assets account policy

The Company's financial assets are measured at amortised cost, the most significant of which are trade receivables and are subject to IFRS 9's new expected credit loss model. The Company's impairment methodology has been revised in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables which requires the use of a lifetime expected loss provision. As part of the IFRS 9 transition project the Company assessed its existing trade and other receivables for impairment, using reasonable and supportable information that is available without undue cost or effort, to determine the credit risk of the receivables at the date on which they were initially recognised and compared that to the credit risk as at 1 January 2019. This assessment has not resulted in a material adjustment to trade and other receivables.

(n) Financial Assets

The principal financial assets used by the company are trade receivables, cash and cash equivalents, intercompany borrowings [and investments in unquoted equity securities] Financial assets are carried at fair value on initial recognition followed by amortised cost net of impairments at subsequent reporting dates. The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The difference between the asset's carrying amount and sum of the consideration received and receivable is recognised in profit or loss.

(o) Financial Liabilities

The principal financial liabilities used by the company are trade creditors and intercompany borrowings. All financial liabilities are measured at reporting date at amortised cost using the effective interest rate method. The company derecognises financial liabilities when and only when the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED 31ST DECEMBER 2018**

**3. Turnover- Continuing operations**

Turnover recognised in the income statement is analysed as follows

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	£	£
Cement Sales	30,740,045	30,639,954
	30,740,045	30,639,954

The company operates in one principal area of activity, the distribution of cement.

**4. Operating Profit**

This is stated after charging:

	<b>Year Ended 31st Dec 2018</b>	<b>Year Ended 31st Dec 2017</b>
	£	£
Depreciation of property, plant and equipment	104,625	109,105
Operating lease minimum payments - Land and buildings	264,258	253,414
	368,883	362,519

**Auditor's remuneration**

The audit fee for 2018 £11,000 (2017: £8,942).

There were no non audit fees (2017:Nil).

**5. Staff costs**

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	£	£
Wages and salaries	359,829	360,034
Social security	39,958	39,167
Other pension costs	35,044	34,656
	434,831	433,857

The average monthly number of employees during the year was made up as follows:

	<b>Number</b>	<b>Number</b>
Selling, distribution and administration	8	8
	8	8

**6. Tax on profit on ordinary activities**

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 20.25% (2014: 21.9%).

The differences are reconciled below:

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	£	£
Tax charged in the income statement		
United Kingdom corporation tax on profit for the year	634,337	656,709
Adjustments in respect of previous years	174,801	5,039
Total current tax charge	809,138	661,748
<b>Deferred tax</b>		
Current year	181	19,817
Origination and reversal of timing differences	(147,941)	(66,374)
Total deferred tax	(147,760)	(46,557)
<b>Tax on profit on ordinary activities</b>	661,378	615,191

**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31ST DECEMBER 2018**

**6. Tax on profit on ordinary activities (Continued)**

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the United Kingdom. The differences are reconciled below:

	Year Ended 31st Dec 2018 £	Year Ended 31st Dec 2017 £
Profit on ordinary activities before taxation	3,296,028	3,488,679
Standard rate of corporation tax	19.00%	19.25%
Profit on ordinary activities multiplied by the standard rate	626,245	671,571
Effects of:		
Differences in depreciation and capital allowances		
Expenses not deductible	8,272	4,953
Tax rate changes	(19)	(7,377)
Adjustments in respect of previous periods	26,880	(53,956)
Current tax charge for the year	<u>661,378</u>	<u>615,191</u>

**Circumstances affecting current and future tax charges**

The UK Corporation Tax rate was reduced to 20% with effect from 1 April 2015, and further reductions to 19% and 17% have also now been enacted which take effect in April 2017 and April 2020 respectively. The composite rate for 2018 was 19%

**7. Tangible Fixed Assets**

	Leasehold improvements	Plant and Machinery	Fixtures and Fittings	Work in Progress	Total
	£	£	£	£	£
Cost or fair value					
At 31st December 2017	16,339	2,302,888	83,901	238,493	2,641,621
Additions	-	-	-	-	-
At 31st December 2018	<u>16,339</u>	<u>2,302,888</u>	<u>83,901</u>	<u>238,493.14</u>	<u>2,641,621</u>
Additions	-	238,493	-	- 238,493.14	-
Disposals	-	-	(4,796)	-	(4,796)
At 31st December 2018	<u>16,339</u>	<u>2,541,381</u>	<u>79,105</u>	<u>-</u>	<u>2,636,825</u>
<b>Depreciation and impairment</b>					
At 31st December 2017	(16,339)	(1,748,797)	(18,298)	-	(1,783,434)
Charge	-	(78,698)	(25,927)	-	(104,625)
At 31st December 2018	<u>(16,339)</u>	<u>(1,827,495)</u>	<u>(44,225)</u>	<u>-</u>	<u>(1,888,059)</u>
Provided for during the year	-	-	-	-	-
Disposals	-	-	4,796	-	4,796
At 31st December 2018	<u>(16,339)</u>	<u>(1,827,495)</u>	<u>(39,429)</u>	<u>-</u>	<u>(1,883,263)</u>
<b>Carrying amount:</b>					
at 31st December 2017	-	554,091	65,603	238,493	858,187
at 31st December 2018	<u>-</u>	<u>713,886</u>	<u>39,676</u>	<u>-</u>	<u>753,562</u>

**Assets under construction**

Included in tangible assets for the Company at 31 December 2018 was an amount of £NIL (2017: £238,493) relating to expenditure for assets in the course of construction.

**Assets held under finance leases**

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2018 was £424,210 (2017: £479,286). Additions during the year are nil (2017: Nil) of plant and equipment held under finance leases and hire purchase. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

## SOUTHERN CEMENT LIMITED

### NOTES ON THE FINANCIAL STATEMENTS (continued)

#### YEAR ENDED 31ST DECEMBER 2018

8. Stocks	Year Ended 31st Dec 2018	Year Ended 31st Dec 2017
	£	£
Finished Goods and goods for resale	<u>258,810</u>	<u>744,306</u>

In the opinion of the directors there is not a material difference between the book value and the current replacement value of stock.

9. Interest payable and similar charges	Year Ended 31st Dec 2018	Year Ended 31st Dec 2017
	£	£
Bank interest payable	(4,358)	6,311
<b>Total Interest payable</b>	<u>(4,358)</u>	<u>6,311</u>

10. Share Capital	Year Ended 31st Dec 2018	Year Ended 31st Dec 2017
	£	£
Authorised:		
Ordinary Shares of £1 each		
3,000,000 shares	3,000,000	3,000,000
Allotted, Called Up and Fully Paid:		
2,095,574 shares	<u>2,095,574</u>	<u>2,095,574</u>

#### 11. Directors' Remuneration

None of the directors received any remuneration for their services in their capacity as a director to the Company during the year ended 31st December 2018 (2017: £Nil).

#### 12. Parent undertakings, controlling parties, related party transactions and cash flow statements

The Company's immediate parent undertaking and controlling party is Premier Cement Limited, a limited company incorporated in Northern Ireland, United Kingdom. The Company's ultimate parent undertaking and controlling party is CRH plc, a public Limited company incorporated in the Republic of Ireland.

The parent undertaking of the smallest and largest group of undertakings for which consolidated group financial statements are prepared, and of which the Company is a member, is CRH plc, a public limited Company incorporated in the Republic of Ireland.

**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31ST DECEMBER 2018**

**12. Parent undertakings, controlling parties, related party transactions and cash flow statements. (Continued)**

The Company has taken advantage of the exemption granted in IFRS 1, " Related Party Disclosures " from disclosing intra-group transactions as it is a wholly-owned subsidiary of CRH plc, a public limited Company incorporated in the Republic of Ireland. A Cash Flow Statement has not been prepared for the Company for the year ended 31st December 2018 since the Company's ultimate parent undertaking and controlling party is CRH plc for whom a consolidated group Cash Flow Statement has been prepared within which the Company's results are included. Copies of the consolidated group financial statements of CRH plc may be obtained from The Secretary, CRH plc, 42 Fitzwilliam Square, Dublin 2.

**13. Debtors**

<i>Amounts falling within one year</i>	<b>Year Ended 31st Dec 2018</b>	<b>Year Ended 31st Dec 2017</b>
<i>Financial Assets</i>		
Trade Debtors	4,051,870	3,946,184
Derivative financial instruments	-	21,866
Amounts owed by group companies	<u>512,701</u>	<u>554,062</u>
	<u>4,564,571</u>	<u>4,522,112</u>

Amounts owed by group companies are unsecured, interest free and have no fixed repayment terms.

**14. Creditors**

<i>Amounts falling within one year</i>	<b>Year Ended 31st Dec 2018</b>	<b>Year Ended 31st Dec 2017</b>
Trade Creditors, other creditors and accruals	1,937,195	1,400,074
Amounts due to group companies	863,997	1,202,052
Corporation Tax	1,465,847	1,808,590
Value Added Tax	557,301	522,106
Derivative financial instruments	<u>30,704</u>	<u>-</u>
	<u>4,855,045</u>	<u>4,932,822</u>

Amounts owed by group companies are unsecured, interest free and have no fixed repayment terms.

**15. Financial Instruments**

*Fair Values of Financial assets and financial liabilities*

*Set out below is a comparison by category of carrying amounts and fair values of all of the Companys financial instruments.*

<i>Financial Assets</i>	<b>Year Ended 31st Dec 2018</b>	<b>Year Ended 31st Dec 2017</b>
Trade Debtors	4,051,870	3,946,184
Derivative financial instruments	-	21,866
Amounts owed by group companies	<u>512,701</u>	<u>554,062</u>
	<u>4,564,571</u>	<u>4,522,112</u>

Amounts owed by group companies are unsecured, interest free and have no fixed repayment terms.

*Financial Liabilities*

Trade Creditors, other creditors and accruals	1,937,195	1,400,074
Amounts due to group companies	863,997	1,202,052
Corporation Tax	1,465,847	1,808,590
Value Added Tax	557,301	522,106
Derivative financial instruments	<u>30,704</u>	<u>-</u>
	<u>4,855,045</u>	<u>4,932,822</u>

Amounts owed to immediate parent undertaking and group companies are unsecured, interest free and have no fixed repayment terms

**SOUTHERN CEMENT LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31ST DECEMBER 2018**

**16. Provisions for liabilities**

	<b>Deferred Taxation</b>	
	£	
As at 1st January 2017	92,739	
Utilised	<u>(46,557)</u>	
As at 31st December 2017	<u>46,182</u>	
Utilised	(147,760)	
As at 31st December 2018	<u><u>(101,578)</u></u>	
<b>Deferred taxation</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31st Dec 2018</b>	<b>31st Dec 2017</b>
Deferred Taxation represents the following:		
Temporary timing differences:		
Accelerated capital allowances	<u>(101,578)</u>	<u>46,182</u>

**17. Obligations under leases and hire purchase contracts**

At 31 December, the company had annual commitments payable under operating leases and finance leases. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	<b>Land and buildings</b>	<b>Land and buildings</b>	<b>Other</b>	<b>Other</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	£	£	£	£
Not later than one year	255,376	253,414	14,537	80,393
After one year but not more than five years	<u>1,303,388</u>	<u>1,303,388</u>	<u>9,630</u>	<u>40,288</u>
	<u><u>1,558,764</u></u>	<u><u>1,556,802</u></u>	<u><u>24,167</u></u>	<u><u>120,681</u></u>

**18 Ultimate Group Undertaking**

The company's ultimate parent is CRH PLC. Their accounts are publicly available.

**19 Dividends paid and proposed**

Declared and paid during the year:

	<b>2018</b>	<b>2017</b>
Dividends on ordinary shares	4.77	Nil