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 2019.

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 Limtied 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 1.3% in 2019, however construction and manufacturing industries continued to struggle, and as a result gross margins decreased by 2.1%. 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 in the transition period 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 companys key financial and other performance indicators during the year were as follows:

	2019	2018	% change
Turnover (£)	30,588,505	30,740,045	0%
Gross profit margin	20.4%	22.5%	-2.1%
Profit before tax (£)	2,485,828	3,296,028	-25%

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:

Economic risk

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, it will be expected that many areas may detect imported cases and local transmission of COVID-19. As of now, COVID-19 has since spread to over 100 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.
The spread of the COVID-19 outbreak has caused severe disruptions in the Irish and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including Great Britain, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.
We are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cashflows and have prepared a detailed risk assessment and revised projections for the business. Our top priority remains the health and safety of our staff and clients.
We expect that the most significant potential impact on our financial results and cashflows resulting from COVID-19 would be in relation to sales.
Based on information provided by the Government, the NHS, the WHO and also available publicly, we are taking a number of measures to reduce any potential impact, including adjusting capacity to current demand environment, hiring freeze and launch of unpaid leave of absence program, and negotiating new payment terms with partners to preserve cash. Measures have also been taken to ensure Operations adhere to current NHS guidelines.

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.

Section 172 Statement
The Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members and key stakeholders. The directors when making key decisions for the Company have had considered the impact of their decisions to the Company's key stakeholders and to wider society by continuing to facilitate the critical processes within our customer' businesses.
The Company recognises its employees are a critical success factor for the Company and seeks to assist employees to succeed through a positive culture and continuous improvement. There are a number of measures in place to keep employees up to date on recent developments of the company and allow employee engagement with senior management, through face to face meetings and electronic media.

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:

Gabriel Malone
Director

23/6/20

SOUTHERN CEMENT LIMITED
DIRECTORS' REPORT

Company Registered No. 04316113

The directors present their report for the year ended 31 December 2019.

Financial Statements

The Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and related notes are set out on pages 9 to 20. The profit for the year, after taxation, amounted to £2,012,508 (2018: £2,634,650).
At the end of the year, the net assets totaled £7.7m (2018: £6.6m).
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 2019.

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 72 forward purchase exchange contracts in place at 31st December 2019 (2018: 71).

Research and Development

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

Events since the balance sheet date

Other than as described in the Principal Risks and Uncertainties section above in relation to COVID-19, there were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Group, which require adjustment to or disclosure in the financial statements

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 2019 (2018: nil) and there were no fatalities (2018: 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, Suffock, 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 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.
Sales and profit for the first three months were ahead of budget. April was significantly behind but both sales and profit have recovered in May with the expectation that the remainder of the year will be line with budget.
The response to the impact of COVID-19 is set out in the Principal Risks and Uncertainties section above.
It is our view, to the best of our current knowledge, that Covid-19 will not have a material adverse impact on the company's ability to continue as a going concern.
Further details regarding the adoption of the going concern basis, in preparing the financial statements, can be found in the Accounting Policies (Note 1).
Having considered the companys 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.

Auditors
Deloitte have been appointment as the external auditor with effect from the financial year commencing 1 January 2020.

By Order of the Board
Dated: 23/6/20

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.

By Order of the Board
Dated: 23/6/20

Gabriel Malone
Director

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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 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and the related notes 1 to 20, 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 2019 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 set out on pages 2 to 5, 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.

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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.

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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.

Ronan Clinton

Ronan Clinton (Senior statutory auditor)
for and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor

Dublin
Date: 1 July 2020

SOUTHERN CEMENT LIMITED

INCOME STATEMENT

YEAR ENDED 31ST DECEMBER 2019

	Notes	Year Ended 31st Dec 2019	Year Ended 31st Dec 2018
		£	£
Turnover - Continuing Operations	3	30,588,505	30,740,045
Cost of Sales		(24,350,861)	(23,810,930)
Gross Profit		6,237,645	6,929,115
Distribution Costs		(1,448,987)	(1,500,514)
Administration Expenses		(2,216,811)	(2,136,931)
OPERATING PROFIT - CONTINUING OPERATIONS	4	2,571,846	3,291,670
Interest payable and similar charges	9	24,246	4,358
Lease Discouting Unwinding		(110,264)	
PROFIT/(LOSS) BEFORE TAXATION		2,485,828	3,296,028
Tax	6	(473,320)	(661,378)
PROFIT FOR THE FINANCIAL YEAR		2,012,508	2,634,650

SOUTHERN CEMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST DECEMBER 2019

	Notes	**Year Ended 31st Dec 2019**	**Year Ended 31st Dec 2018**
		£	£
Profit for the financial year		2,012,508	2,634,650
Other Comprehensive Income			
Movement in derivatives		(869,423)	(52,570)
Other comprehensive income for the year, net of tax		(869,423)	(52,570)
Total comprehensive income for the year.		1,143,084	2,582,080

SOUTHERN CEMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2019

	Share Capital £	Retained earnings £	Derivative Financial £	Total Equity £
At 1 January 2018	2,095,574	11,880,361	21,866	13,997,801
Profit for the financial Year	-	2,634,650	-	2,634,650
Other comprehensive income	-	-	(52,570)	(52,570)
Financial Instruments	-	-	-	-
Total Comprehensive income for the year	-	2,634,650	(52,570)	2,582,080
Equity dividends paid (Note 19)	-	(10,000,000)	-	(10,000,000)
At 31 December 2018	**2,095,574**	**4,515,011**	- **30,704**	**6,579,881**
Profit for the financial year	-	2,012,508	-	2,012,508
Other comprehensive income	-	-	(869,423)	(869,423)
Financial Instruments	-	-	-	-
Total comprehensive income for the year	-	2,012,508	(869,423)	1,143,084
Equity dividends paid (Note 19)	-	-	-	-
At 31 December 2019	2,095,574	6,527,518	(900,127)	7,722,965

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 2019

	Notes	As At 31st Dec 2019	As At 31st Dec 2018
		£	£
FIXED ASSETS			
Tangible Fixed Assets	7	1,151,640	753,583
Right of Use Assets	16	2,792,550	
		3,944,191	753,583
CURRENT ASSETS			
Stocks	8	566,550	258,810
Trade and Other Debtors	13	3,769,337	4,564,571
Cash at Bank and in hand		7,874,845	5,756,383
		12,210,733	10,579,764
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	(5,863,794)	(4,855,045)
NET CURRENT ASSETS		6,346,939	5,724,719
TOTAL ASSETS LESS CURRENT LIABILITIES		10,291,129	6,478,302
Creditors :-amounts falling due after more than one year	16	(2,659,179)	-
Provisions for liabilities	15	91,014	101,578
NET ASSETS		7,722,965	6,579,880
CAPITAL AND RESERVES			
Called Up Share Capital Presented as Equity	10	2,095,574	2,095,574
Derivative Financial instrument reserve		(900,127)	(30,704)
Profit & Loss Account		6,527,518	4,515,010
Shareholders' Funds		7,722,965	6,579,880

On behalf of the Board

Gabriel Malone
Director

Date 20/6/20

SOUTHERN CEMENT LIMITED
NOTES ON THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2019

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 2019 were authorised for issue by the board of directors on 23/ 6 / 2020 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.

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 financial statements are prepared on a going concern basis in accordance with applicable accounting standards in the UK and UK company law comprising the Companies Act 2006.
In assessing the ability of the Company to continue as a going concern the Directors acknowledge the impact that covid 19 has had on the company's performance however, they recognise the strong balance sheet position. In addition, they have reviewed detailed cash flow forecasts extending to 30 June 2021. These forecasts indicate that the company has sufficient resources for the foreseeable future, a period of at least 12 months from the approval date of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

The company has taken advantage of the following disclosure exemptions under FRS101
a) the requirements of IFRS 7 Financial Instruments: Disclosures;
b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
c) 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;
d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
f) 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 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.
Areas of judgementy include:
i) Provision for doubtful debts.
ii) Taxation
iii) Impairment of non-financial asset

Provision for Doubtful Debt
Management continuously review all debtor balances and make a best estimate based on number of factors including payment history and credit rating.

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.

Impairment of Non-Financial Assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, □
for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Gcomoany is not yet committed to or significant future

SOUTHERN CEMENT LIMITED

NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 2019

2.3 **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 probably 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.

(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 2019

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 companys 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) 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.

(k) 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 2019

Accounting policies (Continued)

(l) 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 2020. This assessment has not resulted in a material adjustment to trade and other receivables.

(m) 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.

(n) 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.

(o) Lease Accounting Policies

The Company enters into leases for a range of assets, principally relating to property. These property leases have varying terms, renewal rights and escalation clauses, including periodic rentreviews linked with a consumer price index and/or other indices. The Company also leases plant and machinery and vehicles. The terms and conditions of these leases do not impose significantfinancial restrictions on the Company.

SOUTHERN CEMENT LIMITED

NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 2019

3. Turnover- Continuing operations

Turnover recognised in the income statement is analysed as follows

	Year Ended 2019 £	Year Ended 2018 £
Cement Sales	30,588,505	30,740,045

The company operates in one principal area of activity, the distribution of cement with revenue generated solely from the United Kingdom.

4. Operating Profit

This is stated after charging:

	Year Ended 31st Dec 2019 £	Year Ended 31st Dec 2018 £
Depreciation of Tangible Fixed Assets	103,946	104,625
Depreciation of Right of Use Assets	220,383	-
Doubtful Debts Expense	586,834	491,000
Foreign Currency (Gain)/Losses	(48,886)	(14,623)
Operating lease minimum payments - Land and buildings	-	264,258

Auditor's remuneration

The audit fee for 2019 £8,544 (2018: £8,544).

There were no non audit fees (2018:Nil).

5. Staff costs	Year Ended 2019 £	Year Ended 2018 £
Wages and salaries	356,513	359,829
Social security	40,308	39,958
Other pension costs	26,394	35,044
	423,214	434,831

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

	Number	Number
Selling, distribution and administration	7.5	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: 21.5%). The differences are reconciled below:

	Year Ended 2019 £	Year Ended 2018 £
Tax charged in the income statement		
United Kingdom corporation tax on profit for the year	462,756	634,337
Adjustments in respect of previous years	-	174,801
Total current tax charge	462,756	809,138
Deferred tax		
Current year	10,564	181
Origination and reversal of timing differences	-	(147,941)
Total deferred tax	10,564	(147,760)
Tax on profit on ordinary activities	473,320	661,378

SOUTHERN CEMENT LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

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 2019	Year Ended 31st Dec 2018
	£	£
Profit before taxation	2,485,828	3,296,028
Standard rate of corporation tax	19.00%	19.00%
Profit on ordinary activities multiplied by the standard rate	472,307	626,245
Effects of:		
Differences in depreciation and capital allowances		
Expenses not deductible	2,256	8,272
Tax rate changes	(1,243)	(19)
Adjustments in respect of previous periods	-	26,880
Current tax charge for the year	473,320	661,378

Circumstances affecting current and future tax charges

The UK Corporation Tax rate for 2019 was 19%. This rate will remain unchanged for the financial year 2020.

7. Tangible Fixed Assets

	Leasehold improvements	Plant and Machinery	Fixtures and Fittings	Work in Progress	Total
Cost or fair value	£	£	£	£	£
At 31st December 2018	16,339	2,541,381	79,105	-	2,636,825
Additions	-	-	-	-	
At 31st December 2019	16,339	2,541,381	79,105	-	2,636,825
Additions	-	-		502,000	502,000
Disposals	-	-	-	-	-
At 31st December 2019	**16,339**	**2,541,381**	**79,105**	**502,000**	**3,138,825**
Depreciation and impairment					
At 31st December 2018	(16,339)	(1,827,495)	(39,429)	-	(1,883,263)
Charge	-	(78,019)	(25,927)	-	(103,946)
Adjustment to Opening Balance		24			24
At 31st December 2019	(16,339)	(1,905,490)	(65,356)	-	(1,987,185)
Provided for during the year	-	-	-	-	-
Disposals	-	-	-	-	-
At 31st December 2019	**(16,339)**	**(1,905,490)**	**(65,356)**	**-**	(1,987,185)
Carrying amount:					
at 31st December 2018	-	713,886	39,676	-	753,562
at 31st December 2019	-	**635,891**	**13,749**	**502,000**	**1,151,640**

SOUTHERN CEMENT LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

8. Stocks	**Year Ended 31st Dec 2019**	**Year Ended 31st Dec 2018**
	£	£
Finished Goods and goods for resale	566,550	258,810

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 2019**	**Year Ended 31st Dec 2018**
	£	£
Bank interest payable	(24,246)	(4,358)
Total Interest payable	(24,246)	(4,358)

10. Called Up Share Capital Presented as Equity	**Year Ended 31st Dec 2019**	**Year Ended 31st Dec 2018**
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	2,095,574	2,095,574

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 2019 (2018: £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 2019

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

	Year Ended 31st Dec 2019	Year Ended 31st Dec 2018
Amounts falling within one year		
Financial Assets		
Trade Debtors	3,052,599	4,051,870
Amounts owed by group companies	716,739	512,701
	3,769,337	4,564,571

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

14. Creditors

Amounts falling within one year	Year Ended 31st Dec 2019	Year Ended 31st Dec 2018
Trade Creditors, other creditors and accruals	740,950	438,821
Other creditors and accruals	1,457,426	1,498,374
Leased Liabilities	286,044	-
Amounts due to group companies	852,300	863,997
Corporation Tax	1,097,093	1,465,847
Value Added Tax	529,854	557,301
Derivative financial instruments	900,127	30,704
	5,863,794	4,855,045

Amounts owed by 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 2019

15. Provisions for liabilities

	Deferred Taxation
	£
As at 1st January 2018	46,182
Utilised	(147,760)
As at 31st December 2018	(101,578)
Utilised	10,564
As at 31st December 2019	(91,014)

Deferred taxation	**Year Ended 31st Dec 2019**	**Year Ended 31st Dec 2018**
Deferred Taxation represents the following:		
Temporary timing differences:		
allowances	(91,014)	(101,578)

16. RIGHT OF USE ASSETS

The company has lease contracts for various properties and motor vehicles. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the balance sheet

	31 December 2019	**1 January 2019**
Right of use assets		
Land and Buildings	2,702,089	2,810,667
Equipment & Motor Vehicles	90,461	23,019
	2,792,550	2,833,686
Lease Liabilities		
Current	286,044	286,044
Non-Current	2,659,179	2,547,642
	2,945,223	2,833,686

SOUTHERN CEMENT LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2019

RIGHT OF USE ASSETS continued

In the previous year, the company held no finance leases so recognised no lease assets and liabilities in relation to these.
For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 20.
Additions to the right-of-use assets during 2019 financial year were £81,522.

(ii) Amounts recognised in the income statement
The income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use	**2019**	**2018**
Land and Buildings	204,278	-
Equipment & Motor Vehicles	16,105	-
	220,383	-
Interest expense	110,264	-
Future minimum lease payments as at 31 December 2019 are as follows:		
Not later than one year	292,366	-
Later than one year and not later than five years	1,140,427	-
Later than five years	2,199,051	-
Total gross payments	3,631,843	-
Impact of finance expenses	(686,620)	
Carrying amount of liability	2,945,223	-

The company initially applied IFRS16 at 1 January 2019, using the modified retrospective approach. Under this approach comparative information is not restated and thecumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.
The total cash outflow for leases in 2019 was £143,893.

17 Ultimate Group Undertaking

The Company's immediate parent undertaking and controlling party is CRH UK Ltd., a limited company incorporated in the 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.
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 holding Company is CRH plc for whom a group consolidated 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 Secetary, CRH plc, 42 Fitzwilliam Square, Dublin 2.

18 Dividends paid and proposed

Declared and paid during the year:

	2019	2018
Dividends on ordinary shares	Nil	4.77

19. Post balance sheet events

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, it will be expected that many areas may detect imported cases and local transmission of COVID-19. As of now, COVID-19 has since spread to over 100 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the Irish and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including Great Britain, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

We are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cashflows and have prepared a detailed risk assessment and revised projections for the business. Our top priority remains the health and safety of our staff and clients.

We expect that the most significant potential impact on our financial results and cashflows resulting from COVID-19 would be in relation to sales.

Based on information provided by the Government, the NHS, the WHO and also available publicly, we are taking a number of measures to reduce any potential impact, including adjusting capacity to current demand environment, hiring freeze and launch of unpaid leave of absence program, and negotiating new payment terms with partners to preserve cash. Measures have also been taken to ensure Operations adhere to current NHS guidelines.

20. EFFECT OF ADOPTION OF IFRS 16 – LEASES

As indicated in notes 2 and 18, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%. The company had no previous finance leases.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review, ' there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as ' short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities	£
Operating lease commitments disclosed as at 31 December 2018	3,589,910
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(748,107)
(Less): short-term leases not recognised as a liability	(8,117)
Lease liability recognised as at 1 January 2019	2,833,686
Of which are:	
Current lease liabilities	270,302
Non-current lease liabilities	2,563,384

(iii) Measurement of right-of-use assets

The Company has identified the minimum lease payments outstanding and has applied the appropriate discount rate to calculate the present value of the lease liability and right-of-use asset recognised in the Balance Sheet.

(iv) Adjustments recognised in the statement of financial position on 1January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £2,833,686
- Lease liabilities – increase by £2,833,686

The net impact on retained earnings on 1 January 2019 was a decrease of £NIL.

Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23/6/2020