

**NORTHSTONE (NI) LIMITED**

**ANNUAL REPORT**

**AND**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31<sup>st</sup> DECEMBER 2019**



Registered in Northern Ireland  
No. NI 4078

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**NORTHSTONE (NI) LIMITED**

**CORPORATE INFORMATION**

**Directors**

**Mr. E. Sweeney (resigned 30 September 2020)**  
**Mr. M. Wightman**  
**Mr. A. Donnan**  
**Mr. J. Wilson**  
**Mr. D. Lavery (appointed 1 October 2020)**  
**Mr. D. McMillan (appointed 1 October 2020)**  
**Mr. T. Healy**  
**Mr. O. Mahon**

**Secretary**

**Mrs D. Geddis**

**Registered Office**

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

**Company Number**

**NI 4078**

**Auditor**

**Ernst & Young LLP**  
**1 Cambridge Business Park**  
**Cowley Road**  
**Cambridge**  
**CB4 0WZ**

**Bankers**

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

**Solicitors**

**Carson McDowell LLP**  
**Murray House**  
**4 Murray Street**  
**Belfast**  
**BT1 6DN**

**STRATEGIC REPORT**

Registered No. NI 4078

The Directors present their Strategic Report for the year ended 31 December 2019.

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

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

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

	2019	2018	Change
	£'000	£'000	%
Turnover	383,506	374,546	2.4%
Operating profit	11,699	8,511	37.5%
Profit after tax	8,863	5,159	71.8%
Shareholders' Funds	86,646	86,707	-0.1%
Current assets as % of current liabilities	116.9%	110.4%	6.5%
Average number of employees	1,462	1,388	5.3%

Market conditions continued to be challenging in 2019 and the Company saw a slight increase in turnover. The outlook for 2020 is challenging due to the uncertainty around the economic impact of the Coronavirus pandemic, the outcome of the Brexit negotiations on our future trading relationship with the EU and other changes to Government policy could impact the Company's performance. The Company continues to monitor the market and government policy to mitigate risks where possible.

**PRINCIPAL RISKS AND RISK MANAGEMENT**

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

**COVID-19**

The current health emergency caused by the global spread of COVID-19 has significant implications for the economies and markets in which we operate, and the Company has taken measures in response to the pandemic. The Company has considered the impact of these measures with respect to all significant estimates, assumptions and judgements it makes in the application of the Company's accounting policies. The possible impact on the Company is set out in note 36 to the financial statements.

*Business performance risk*

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

*Financial risk management*

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

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

**STRATEGIC REPORT (continued)**

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

*Financial risk management (continued)*

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

*Business control*

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

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

The company exercises financial and business control through a combination of qualified and experienced financial teams, performance analysis, budgeting and cash flow forecasting and clearly defined approval limits.

*Management development*

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

*Health and safety risk*

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

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

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

*Environmental risks*

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

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

**STRATEGIC REPORT (continued)**

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

*Environmental risks(continued)*

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

**Section 172(1) statement**

The Companies (Miscellaneous Reporting) Regulation 2018 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. Amongst other things, the Regulations require Northstone (NI) Limited (the "Company") to report how the Directors of the Company have considered their duties under section 172 (of the companies Act 2006 (the "Act")) ("Section 172"), to promote the success of the Company, during the reporting period. The principal activity of the Company's business is that of the provision of building materials, access systems and construction solutions in the United Kingdom and Republic of Ireland for both the public and private sectors and its activities and purpose frame the board's approach to governance.

The Company is ultimately owned by CRH plc ("CRH"). CRH and its subsidiaries are referred to as the Group. In the management of its subsidiaries, the Group defines the measurement of success as long term value creation for the benefit of both the immediate entity and the wider Group with consideration to the Company's immediate stakeholders and those of the Group also.

The Group recognises the need to have appropriate levels of governance across its subsidiaries as part of its approach to risk mitigation and wider stakeholder engagement strategy. The Group maintains strong levels of governance at both an enterprise wide and legal entity level, and as a result of increased regulation, CRH and its UK subsidiary boards recognise the need to move to a more structured approach and formalise key governance standards across its UK subsidiaries. As such the Company intends to, during the course of 2020, adopt a UK subsidiary governance policy (the "Policy"), which provides detailed guidance for directors and management on the application and execution of Section 172 duties formalising a number of established governance process and controls already in operation across the Group.

*Purpose*

Northstone (NI) Limited is a leading sustainable building materials and construction solution business. Our innovative services and solutions help to deliver the infrastructure needed to grow the economy today and create a more sustainable built environment to support our future prosperity. Our values are at the heart of our business and integral to everything we do. Our values are set out on our website which can be found at <https://www.northstone-ni.com/about-us/>.

CRH has a number of group wide policies in place to support the execution of its purpose, which drives overall engagement with employees, shareholders and wider stakeholders across the Group as well as determining the culture. CRH's Code of Business Conduct, which applies across the Group including Northstone and its Directors and employees, provides guidance to assist employees in putting the Group's core ethical values of integrity, honesty and respect for the law into practice in their daily duties and ultimately in decision making.

Our culture is the combination of values, attitudes and behaviours demonstrated by Northstone and its employees in its activities and relations with stakeholders. Demonstrating the desired culture helps us to maintain our reputation for high standards of business conduct. When making decisions, including strategic decisions that impact our stakeholders, a key principle applied by our Directors is to always consider whether the decision they are about to take leads to a positive long-term increase in shareholder value.

**STRATEGIC REPORT (continued)**

Section 172(1) statement (continued)

*Decision making and corporate governance process*

Decision making within Northstone is undertaken by the main board of Directors who are also statutory directors of the Company. The Directors meet regularly, and decisions made are always driven by the need to promote the success of Northstone. The Directors have clear processes to follow when considering decisions, including principal decisions, which are those considered to be strategically and commercially material decisions which impact the Company's key stakeholders. The Company's board of directors meet monthly to confirm and ratify any decisions.

As part of the governance process, the board paper preparers must ensure sufficient information is provided to the Board providing high levels of quality and integrity. The governance process provides a framework to ensure everyone involved in and contributing to the decision-making process understands the duties which the Directors are obliged to consider in the decision-making process and applicable regulations, in order to be able to provide relevant information and therefore lead to effective decision making. These governance processes will be formalised in the Policy.

*Directors' training*

The Group's Legal and Compliance programmes support the Group in operating sustainably and consistently with its values which include leading with integrity and building enduring relationships. The Group's Legal and Compliance team provide advice, guidance and support to management and works closely with them to provide training to our employees. Legal and Compliance provide support on a range of matters, including establishing policies and procedures, providing compliance training, communications and legal advice on compliance and business issues.

Employees and Directors of the Group, which include the Directors of the Company, are provided with regular Code of Business Conduct training. Certain employees, determined according to the risk profile of their role, undertake annual advanced compliance training covering Modern Slavery, Anti-Bribery, Anti-Trust, Anti-Fraud and Anti-Theft. The training provided enables the Directors to be committed to operating the business to the highest ethical, moral and legal standards when making decisions and putting the Group's core ethical values of integrity, honesty and respect for the law into practice in their daily duties.

During the year external training sessions, facilitated by the Company Secretary, were provided to the Board to support them in their roles and discharging their responsibilities as statutory directors. This included training on directors' statutory duties under the Act, along with an update on the Regulations and wider regulatory responsibilities. Under the Policy, all newly appointed directors will receive director training within 3 months of being appointed and all directors will refresh their training at least once every calendar year. The provision of training will be facilitated by the Company Secretary.

*Board*

The Company's Board, which comprises seven Directors, collectively have a broad range of skills, knowledge and industry experience, including general management, finance, engineering and operation, to enable the Company to meet the needs of its business and for the Directors to each carry out their role and statutory duties to a high standard.

In addition, in line with Northstone regional operational structure, a number of Directors of the Board are tasked with overseeing and managing Northstone business in certain geographical locations. This allows the Board to develop an understanding of the local areas and the needs of the business within it. The Board's collective experience enables them to consider a broad range of stakeholders in their deliberations and decision making.

Before any Director is appointed to the Board, consultation with the Group is undertaken to ensure the composition of the Board is appropriate, taking into consideration the skills and experience of the appointee and the overall diversity mix.

**STRATEGIC REPORT (continued)**

Section 172(1) statement (continued)

*Stakeholder engagement*

The principal activity of the Company's business is that of the provision of building materials and construction solutions in the United Kingdom and Republic of Ireland for both the public and private sectors. The Company's key stakeholders are its workforce, customers, suppliers and the local communities in which it operates. The Board must consider how the decisions made on behalf of the Company affect both the shareholders and the key stakeholder groups to ensure of the success of the Company and value creation for the shareholders and ultimately, CRH.

We engage with our key stakeholders using a variety of engagement mechanisms including working with other industry organisations to support safety initiatives. For our employees, our main mechanisms for engagement include delivery of information on the Group's intranet, undertaking surveys along with supporting industry causes and initiatives on issues impacting people in our industry.

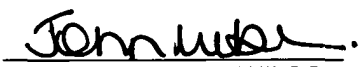
Where a principal decision is to be made an impact assessment will be undertaken by the Board or on its behalf, the results of which will be documented for recommendation to the Board or CRH where the decision has been delegated. The impact assessment will provide an assessment of the impact of the principal decision on key stakeholders, how each key stakeholders' interest was considered throughout the assessment process, details of the risks identified and resulting actions proposed to be taken to monitor and mitigate those risks and consideration of any potential impacts on the Company's reputation and how the impact will be monitored. The Company maintains a stakeholder register, recording details of impact assessments and principal decisions made. On an annual basis, the Board will review and confirm the Company's key stakeholders, recording how the directors formed the opinion that they are key stakeholders.

*Principal decisions*

The Board and the board of CRH have the necessary skills and experience required to identify the impact of their decisions on the Company's stakeholders, and where relevant, the likely consequences of the decisions in the long-term.

**ON BEHALF OF THE BOARD**

99 Kingsway, Dunmurry  
Belfast  
Registered in Northern Ireland NI 4078

  
MR. J. WILSON  
DIRECTOR

**DATE: 5 November 2020**



## **DIRECTORS' REPORT**

Registered No. NI 4078

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

### **RESULTS AND DIVIDENDS**

The results for the year are set out in detail on page 15. Profit for the financial year is £8,863,059. (2018: profit £5,159,424).

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

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

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

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

### **SOCIAL AND COMMUNITY**

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

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

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

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

## **DIRECTORS' REPORT (continued)**

### **EMPLOYEE INVOLVEMENT**

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

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

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

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

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

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

### **MODERN SLAVERY STATEMENT**

Northstone (NI) Limited, as a CRH company, is committed to doing business in a sustainable, responsible and ethical manner with its customers, suppliers, business partners, local governments and communities, shareholders and employees alike. We build lasting relationships based on trust and underpinned by the core values of integrity, honesty and respect for the law.

CRH has a long-standing commitment to human and labour rights and insofar as they are applicable to CRH companies, it supports the principles set out in the articles of the United Nations' Universal Declaration of Human Rights and the International Labour Organisation's Core Labour Principles.

CRH believes that slavery in all its forms (slavery, servitude, forced or compulsory labour, human trafficking and exploitation) is abhorrent and that all CRH companies have a responsibility to ensure it does not occur in their sphere of influence. The CRH Code of Business Conduct (COBC) specifically refers to the prohibition of Forced Labour.

### **IMPLEMENTING ROBUST POLICIES**

All CRH companies implement a COBC which sets out policies, guidelines, training, monitoring and review mechanisms to uphold CRH's principles to abide by good business practices and standards. Company Managing Directors are responsible for the implementation of CRH core principles and policies.

The CRH Social Policy is applied rigorously across all Group companies and requires the following: -

- Compliance as a minimum with all applicable legislation and continuously improve our social stewardship, aiming at all times to meet or exceed industry best practice.
- Prohibiting forced, compulsory or child labour.
- Managing our business in a fair and equitable manner, meeting all our social responsibilities as both a direct and indirect employer.
- Applying the principle of equal opportunity, valuing diversity regardless of age, gender, disability, creed, ethnic origin or sexual orientation, while insisting that merit is the ultimate basis for recruitment and selection decisions.
- Supporting freedom of association and recognise the right to collective bargaining.
- Ensuring that we deal responsibly with our suppliers and customers in accordance with the COBC and proper business practice.

## **DIRECTORS' REPORT (continued)**

### **MODERN SLAVERY STATEMENT (continued)**

CRH also implements a Supplier Code of Conduct which outlines the CRH principles on ethical procurement. The Code sets out the human rights and labour standards, practices and related procedures that CRH expects of suppliers with which it does business, both directly and indirectly.

#### **UNDERSTANDING RISK**

95% of CRH employees are in the US, EU, Canada or Switzerland.

The CRH Enterprise Risk Management Framework provides a basis for CRH to assess and manage risks associated with business and strategic decisions, including all aspects of sustainability and corporate social responsibility, human rights and labour rights. In addition, CRH conducts an annual review of social performance in all its operations and human and labour rights are a focus of this review.

CRH has determined the greatest risk area for modern slavery to occur is within its supply chain and the Group's actions are therefore focused on this area.

CRH assesses supply chain risk at a commodity level against a set of 15 different sustainability criteria that are tailored to its business and in accordance with its Supplier Code of Conduct. A commodity heat map is utilised, which identifies both a risk profile and an opportunity assessment to understand and leverage areas where improvements can be made. By managing risk and opportunity at a commodity level, CRH is able to obtain a greater insight into its supply chain and ensure that the required improvements are integrated into commodity strategy plans and procurement decisions.

CRH actively addresses any risk identified within its own operations and also implements policies, such as the CRH Social Policy. The employment policies of all CRH subsidiaries require that these policies are embedded within its business. In general, there is a low risk of modern slavery connected with direct employees because CRH operates mainly in countries where employment legislation incorporates the relevant international accords and conventions and local employment policies, processes and controls ensure that such risks are negligible.

#### **ASSURING STANDARDS**

CRH completes an annual Social Review which tracks compliance with CRH's policies regarding human and labour rights. In addition, CRH carries out an annual compliance certification process which requires the Managing Director of each operating company, globally to confirm implementation and compliance with CRH's Code of Business Conduct and its underlying policies. The positive results of these review exercises support the fact that CRH takes its responsibilities in these areas very seriously and that its policies are embedded within its operations.

Human and labour rights are of particular concern to CRH when entering emerging economies. For this reason, acquisition due diligence covers human rights and other corporate social responsibility issues. CRH also conducts a high-level human rights risk assessment, which takes into account countries of operation and vulnerability.

CRH has developed a number of assurance processes for supplier performance and compliance with the CRH Supplier Code of Conduct within its business structures. CRH verifies and ensures that relevant suppliers identified in the Supplier Code of Conduct as potentially high risk, by way of a questionnaire, operate to CRH's ethical standards. A declaration of adherence to the Supplier Code of Conduct and its principles is required when entering into a contract with CRH.

CRH also has a due diligence process to ensure conflict minerals are absent from its supply chain.

#### **DEVELOPING AWARENESS**

All relevant CRH employees are trained on the Code of Business Conduct and the CRH Social Policy. In the current training cycle, some 23,500 employees completed this training. CRH has also delivered a series of modern slavery training sessions to the procurement teams as well as customers, suppliers and stakeholder groups. This raises awareness and knowledge of the international legislation banning modern slavery, not just within CRH, but also in the wider industry.

## **DIRECTORS' REPORT (continued)**

### **MODERN SLAVERY STATEMENT (continued)**

#### **ENABLING A CULTURE OF OPENNESS**

CRH encourages colleagues and partners within its supply chain to raise any suspicions they may have that slavery, in any form, may be taking place in any part of the business by way of a 24/7 multi-lingual confidential "Hotline" facility to allow reporting of issues, including possible human rights violations and infringements of labour standards. Every report is investigated thoroughly with appropriate actions taken based on investigation findings.

#### **CONCLUSION**

CRH is committed to taking all necessary steps needed to ensure, in as much as possible, that slavery in any form does not take place within its sphere of influence. CRH implements its Supplier Code of Conduct and Social Policy to address any issues identified. CRH also has processes in place to assure standards, understand risks, develop awareness and enable a culture of openness.

CRH will use this annual voluntary Policy Statement to demonstrate progress and to drive continuous improvement in the associated processes.

### **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 derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 2 to 6.

The Company's forecast and projections, taking into account possible changes in performance, and the wider support of the CRH plc Group, show the Company has adequate financial resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

As outlined above and in Note 36 to the financial statements, the Directors do not anticipate a material impact on the going concern status of the Company stemming from the COVID-19 pandemic.

### **FUTURE DEVELOPMENTS**

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

### **FINANCIAL RISK MANAGEMENT**

Details of financial risk management are provided in the strategic report on pages 2 to 6.

### **DIRECTORS**

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

### **POLITICAL CONTRIBUTIONS**

No political contributions were paid by the company during the year (2018 - nil).

### **DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

NORTHSTONE (NI) LIMITED

## **DIRECTORS' REPORT (continued)**

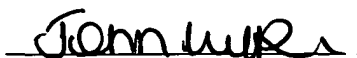
### **AUDITOR**

Following legislative changes requiring the mandatory rotation of audit firms, Ernst & Young LLP will resign as auditors of CRH plc, the Company's ultimate parent company, after the completion of the parent accounts for the year ended 31 December 2019.

Ernst & Young LLP will also resign as auditors of the Company following the completion of the Company's accounts for the year ended 31 December 2019 and will therefore cease to hold office. The Company intend to appoint Deloitte LLP as the Company's auditor in accordance with section 485 of the Companies Act 2006.

99 Kingsway, Dunmurry  
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Registered in Northern Ireland NI 4078

**ON BEHALF OF THE BOARD**

  
MR. J. WILSON  
DIRECTOR

**DATE:** 5 November 2020.

## **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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period.

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### **Opinion**

We have audited the financial statements of Northstone (NI) Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 37, 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 FRS101 'Reduced Disclosure Framework' (United Kingdom Generally accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with 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 were:

- 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.

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

### **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 any material misstatements in the strategic report or the 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 12, 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**

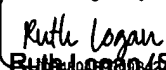
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee 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

DocuSigned by:

 Ruth Logan

Ruth Logan (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
Cambridge



**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	NOTE	2019 £	2018 £
<b>TURNOVER</b>	3 & 4	383,505,713	374,546,055
Cost of sales		(331,876,133)	(327,323,850)
<b>GROSS PROFIT</b>		<u>51,629,580</u>	<u>47,222,205</u>
Distribution costs		(15,825,996)	(16,161,768)
Administration costs		(24,268,260)	(22,771,072)
Other operating income		163,848	221,244
<b>OPERATING PROFIT</b>	5	<u>11,699,172</u>	<u>8,510,609</u>
Interest receivable and similar income	6	183,003	57,415
Interest payable and similar charges	7	(213,693)	(300,031)
Other finance charge	8	<u>(1,025,000)</u>	<u>(757,000)</u>
<b>PROFIT BEFORE TAXATION</b>		10,643,482	7,510,993
Tax charge on profit	11	<u>(1,780,423)</u>	<u>(2,351,569)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>8,863,059</u></u>	<u><u>5,159,424</u></u>

All amounts relate to continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**

		2019 £	2018 £
Profit for the financial year		8,863,059	5,159,424
Other comprehensive Income:			
Actuarial (loss)	33	(11,766,000)	(3,680,000)
Deferred tax on actuarial (loss)	11(b)	2,000,220	625,600
Foreign currency net investment translation		(12,708)	2,123
Revaluation reserve depreciation transfer		19,066	23,692
Cash flow hedges		1,282,766	(2,494,274)
Deferred tax on cash flow hedges	11(b)	(220,343)	425,726
Total comprehensive Income for the year		<u>166,060</u>	<u>62,291</u>

All amounts relate to continuing operations.


**BALANCE SHEET AS AT 31 DECEMBER 2019**  
**Company No. NI 4078**


	NOTE	2019 £	2018 £
<b>FIXED ASSETS</b>			
Intangible assets:			
Goodwill	12	131,000	131,000
		<u>131,000</u>	<u>131,000</u>
Tangible assets:	13		
Land and buildings - freehold		26,422,973	27,550,917
Plant, equipment, fixture & transport		20,975,943	19,662,356
		<u>47,398,916</u>	<u>47,213,273</u>
Leased right of use assets:	25		
Land and buildings		2,632,989	-
Plant and equipment		513,471	-
Transport		843,149	-
		<u>3,989,609</u>	<u>-</u>
Investments:	14		
Investments in associated undertakings		135,580	135,580
Investments in subsidiary undertakings		64,678,694	64,703,004
		<u>64,814,274</u>	<u>64,838,584</u>
<b>CURRENT ASSETS</b>			
Stocks:	15		
Raw materials		6,445,534	7,456,952
Work in progress and land development		18,001,548	15,397,601
Finished goods and goods for resale		5,572,347	4,042,515
		<u>30,019,429</u>	<u>26,897,068</u>
Debtors:			
Trade debtors		21,039,006	19,156,418
Other debtors	16	50,274,940	45,246,524
Prepayments and accrued income		3,748,852	2,800,049
Amounts owed by group undertakings	17	67,880,724	65,122,151
		<u>142,943,522</u>	<u>132,325,142</u>
Cash at bank and in hand		<u>12,860,659</u>	<u>14,181,852</u>
Total current assets		<u>185,823,610</u>	<u>173,404,062</u>

**BALANCE SHEET AS AT 31 DECEMBER 2019 (continued)**  
**Company No. NI 4078**

	NOTE	2019 £	2018 £
CREDITORS - Amounts falling due within one year			
Trade creditors	19	70,300,700	66,906,103
Amounts owed to group undertakings	20	38,178,172	43,822,479
Other creditors	21	39,086,942	36,817,248
Accruals and deferred income		11,429,255	9,546,416
		<u>158,995,069</u>	<u>157,092,246</u>
NET CURRENT ASSETS		<u>26,828,541</u>	<u>16,311,816</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>143,162,340</u>	<u>128,494,673</u>
CREDITORS - Amounts falling due after more than one year.			
Other creditors	22	357,590	791,395
Lease liabilities	25	2,830,855	-
Provision for liabilities and charges	26	4,289,208	4,455,285
Preference share capital	27	238,541	238,541
		<u>7,716,194</u>	<u>5,485,221</u>
Net assets excluding retirement benefits		<u>135,446,146</u>	<u>123,009,452</u>
Retirement benefit liability	33	48,800,000	36,302,000
NET ASSETS		<u>86,646,146</u>	<u>86,707,452</u>
CAPITAL AND RESERVES			
Ordinary share capital	27	870,675	870,675
CRH contribution reserve	28	5,160,714	5,369,014
Revaluation reserve	29	1,395,699	1,414,765
Retained Earnings		<u>79,219,058</u>	<u>79,052,998</u>
TOTAL SHAREHOLDERS FUNDS		<u>86,646,146</u>	<u>86,707,452</u>

The financial statements were approved and authorised for issue by the board on *5 November 2020* and were signed on its behalf by:

  
 \_\_\_\_\_  
 MR. J. WILSON DIRECTOR

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENED 31 DECEMBER 2019**

	Share Capital	CRH Contribution Reserve	Revaluation Reserve	Retained Earnings	Total
At 1 January 2018	870,675	4,757,692	1,438,457	78,990,707	86,057,531
Share Based Payments	-	611,322	-	-	611,322
Profit attributable to members of the company	-	-	-	5,159,424	5,159,424
Foreign currency net investment translation difference	-	-	-	2,123	2,123
Transfer from revaluation reserve	-	-	(23,692)	23,692	-
Cash flow hedges	-	-	-	(2,494,274)	(2,494,274)
Deferred tax on cash flow hedges	-	-	-	425,726	425,726
Actuarial loss	-	-	-	(3,680,000)	(3,680,000)
Deferred tax on actuarial loss	-	-	-	625,600	625,600
Balance at 31 December 2018	870,675	5,369,014	1,414,765	79,052,998	86,707,452
Share Based Payments	-	(208,300)	-	-	(208,300)
Profit attributable to members of the company	-	-	-	8,863,059	8,863,059
Foreign currency net investment translation difference	-	-	-	(12,708)	(12,708)
Transfer from revaluation reserve	-	-	(19,066)	19,066	-
Cash flow hedges	-	-	-	1,282,766	1,282,766
Deferred tax on cash flow hedges	-	-	-	(220,343)	(220,343)
Actuarial loss	-	-	-	(11,766,000)	(11,766,000)
Deferred tax on actuarial loss	-	-	-	2,000,220	2,000,220
Balance at 31 December 2019	870,675	5,160,714	1,395,699	79,219,058	86,646,146

## 1. STATEMENT OF COMPLIANCE

The financial statements of Northstone (NI) Limited for the year ended 31 December 2019 were authorised for issue by the board of directors on 5 November 2020 and the balance sheet was signed on the board behalf by Mr. J. Wilson and Mr. A. Donnan. Northstone (NI) Limited is limited by shares and domiciled in Northern Ireland.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill (see note 2 below).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

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, an undertaking incorporated in the Republic of Ireland.

The results of CRH PLC are included in the consolidated financial statements of CRH Plc which are available from Dublin Castle, Lower Castle Yard, Dame Street, Dublin 2.

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

## 2. ACCOUNTING POLICIES

### (i) Basis of preparation

The company's financial statements have been prepared in compliance with FRS 101 for all periods presented.

The company has taken advantage of the disclosure exemptions under FRS 101 in relation to;

- Share based payments - paragraph 45(b) and 46-52 of IFRS 2 Share based Payments (details of the number and weighted – average exercise price of share options, and how the fair value of goods and services received was determined)
- Financial instruments (IFRS 7 - disclosures),
- Fair value measurements - paragraph 91-99 of IFRS 13 Fair Value Measurement (disclosure of valuation techniques and inputs for fair value measurement of assets and liabilities)
- Presentation of comparative information - paragraph 38 of IAS 1 Presentation of Financial Statements in respect of:
  - (i) paragraph 79(a)(iv) of IAS1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliation between carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, Presentation of financial statements
  - (i) 10(d), statement of cash flow
  - (ii) 10(f), a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
  - (iii) 16, statement of compliance with all IFRS
  - (iv) 38A, requirement for minimum of two primary statements, including cash flow statements
  - (v) 38B-D, additional comparative information
  - (vi) 40A-D, requirements for a third statement of financial position
  - (vii) 111, cashflow statement information and
  - (viii) 134-136, capital management disclosures
- Presentation of a cash flow statement (IAS 7 Statement of Cash Flows)
- Standards not yet effective, paragraph 30 and 31 of IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective).
- Impairment of assets (paragraph 134(d)-134(f) and 135(c) -135 (e) of IAS 36 Impairment of Assets),

## **2. ACCOUNTING POLICIES (continued)**

### **(i) Basis of preparation (continued)**

- Related party disclosures (paragraph 17 of IAS 24 Related Party Disclosure), and
- Business combinations (paragraph 62 and B64-B67 of IFRS 3 Business Combinations),

Where relevant, equivalent disclosures have been given in the group accounts of CRH plc.

The financial statements have been prepared under the historical cost convention, as modified by the measurement at fair value of share-based payments, retirement benefit obligations and certain financial assets and liabilities including derivative financial instruments.

The principal accounting policies adopted are set out below.

### **(ii) Key Accounting Policies which involve Estimates, Assumptions and Judgements**

The preparation of financial statements requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates, assumptions and judgements upon which it relies are reasonable based on the information available to it at the time that those estimates, assumptions and judgements are made. In some cases, the accounting treatment of a particular transaction is specifically dictated by IFRS and does not require management's judgement in its application.

Management consider that their use of estimates, assumptions and judgements in the application of the accounting policies are inter-related and therefore discuss them together below. The critical accounting policies which involve significant estimates, assumptions or judgements, the actual outcome of which could have a material impact on the company's results and financial position outlined below, are as follows:

#### **Impairment of long-lived assets and goodwill**

##### *Impairment of property, plant and equipment and goodwill*

The carrying values of items of property, plant and equipment are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist.

Property, plant and equipment assets are reviewed for potential impairment by applying a series of external and internal indicators specific to the assets under consideration; these indicators encompass macroeconomic issues including the inherent cyclical nature of the building materials sector, actual obsolescence or physical damage, a deterioration in forecast performance in the internal reporting cycle and restructuring and rationalisation programmes.

Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs of disposal and value-in-use), an impairment loss is recognised by writing down the assets to their recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by reference to the cash-generating unit to which the asset belongs. Impairment losses arising in respect of goodwill are not reversed once recognised.

Where indicators of impairment of an investment arise in accordance with the requirements of IFRS 9 Financial Instruments: Recognition and Measurement, the carrying amount is tested for impairment by comparing its recoverable amount with its carrying amount.

## **2. ACCOUNTING POLICIES (continued)**

### **Impairment of long-lived assets and goodwill (continued)**

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by the use of and, if applicable, the eventual disposal of, long-lived assets and goodwill as well as other factors to determine the fair value of the assets. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. A detailed discussion of the impairment methodology applied, and key assumptions used by CRH plc. in the context of long-lived assets and goodwill is provided in notes to the Consolidated Financial Statements of CRH plc.

The assumptions and conditions for determining impairments of long-lived assets and goodwill reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above, many of which are not under management's control. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

### **Retirement benefit obligations**

Costs arising in respect of the company's defined contribution pension schemes are charged to the Income Statement in the period in which they are incurred. The Group has no legal or constructive obligation to pay further contributions in the event that the fund does not hold sufficient assets to meet its benefit commitments.

The liabilities and costs associated with the company's defined benefit pension schemes are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations.

The net surplus or deficit arising on the company's defined benefit pension schemes, are shown either within non-current assets or non-current liabilities in the Balance Sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities as appropriate. Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined benefit pension asset or liability in the Balance Sheet comprises the total for each plan of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information and, in the case of published securities, it is the published bid price. The value of any defined benefit asset is limited to the present value of any economic benefits available in the form of refunds from the plan and reductions in the future contributions to the plan.

### **Assumptions**

The assumptions underlying the actuarial valuations from which the amounts recognised in the Financial Statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and healthcare cost trend rates) are updated annually based on current economic conditions and for any relevant changes to the terms and conditions of the pension and post-retirement plans. These assumptions can be affected by (i) for the discount rate, changes in the rates of return on high-quality corporate bonds and (ii) for future compensation levels, future labour market conditions. The weighted average actuarial assumptions used and sensitivity analysis in relation to the significant assumptions employed in the determination of pension and other post-retirement liabilities are contained in note 31 to the Financial Statements.



## **2. ACCOUNTING POLICIES (continued)**

### **Retirement benefit obligations (continued)**

While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the obligations and expenses recognised in future accounting periods. The assets and liabilities of defined benefit pension schemes may exhibit significant period-on-period volatility attributable primarily to changes in bond yields and longevity. In addition to future service contributions, significant cash contributions may be required to remediate past service deficits.

### **Provisions for liabilities**

A provision is recognised when the company has a present obligation (either legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company anticipates that a provision will be reimbursed, the reimbursement is recognised as a separate asset only when it is virtually certain that the reimbursement will arise. The expense relating to any provision is presented in the Income Statement net of any reimbursement. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as an interest expense. Provisions are not recognised for future operating losses.

#### *Environmental and remediation provisions*

The measurement of environmental and remediation provisions is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, currently enacted laws and regulations and prior experience in remediation of sites. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, the protracted length of the clean-up periods and evolving technologies. The environmental and remediation liabilities provided for in the Financial Statements reflect the information available to management at the time of determination of the liability and are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Due to the inherent uncertainties described above, many of which are not under management's control, the accounting for such items could result in different amounts if management used different assumptions or if different conditions occur in future accounting periods.

#### *Legal contingencies*

The status of each significant claim and legal proceeding in which the company is involved is reviewed by management on a periodic basis and the company's potential financial exposure is assessed. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be estimated, a liability is recognised for the estimated loss. Due to the uncertainties inherent in such matters, the related provisions are based on the best information available at the time; the issues taken into account by management and factored into the assessment of legal contingencies include, as applicable, the status of settlement negotiations, interpretations of contractual obligations, prior experience with similar contingencies/claims, the availability of insurance to protect against the downside exposure and advice obtained from legal counsel and other third parties. As additional information becomes available on pending claims, the potential liability is reassessed, and revisions are made to the amounts accrued where appropriate. Such revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position of the company.

## **2. ACCOUNTING POLICIES (continued)**

### **Taxation – current and deferred**

Current tax represents the expected tax payable (or recoverable) on the taxable profit for the year using tax rates enacted for the period. Any interest or penalties arising are included within current tax. Where items are accounted for outside of profit or loss, the related income tax is recognised either in other comprehensive income or directly in equity as appropriate.

Deferred tax is recognised using the liability method on temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. For the most part, no provision has been made for temporary differences applicable to investments in subsidiaries and joint ventures as the company is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. However, a temporary difference has been recognised to the extent that specific assets have been identified for sale or where there is a specific intention to unwind the temporary difference in the foreseeable future. Due to the absence of control in the context of associates (significant influence only), deferred tax liabilities are recognised where appropriate in respect of the company's investments in these entities on the basis that the exercise of significant influence would not necessarily prevent earnings being remitted by other shareholders in the undertaking.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred tax assets and liabilities are not subject to discounting. Deferred tax assets are recognised in respect of all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised. The carrying amounts of deferred tax assets are subject to review at each balance sheet date and are reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

The determination of the company's provision for income tax requires certain judgements and estimates in relation to matters where the ultimate tax outcome may not be certain. The recognition or non-recognition of deferred tax assets as appropriate also requires judgement as it involves an assessment of the future recoverability of those assets. In addition, the company is subject to tax audits which can involve complex issues that could require extended periods for resolution. Although management believes that the estimates included in the Financial Statements and its tax return positions are reasonable, no assurance can be given that the final outcome of these matters will not be different than that which is reflected in the company's historical income tax provisions and accruals. Any such differences could have a material impact on the income tax provision and profit for the period in which such a determination is made.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairments except for certain items that had been revalued to fair value prior to the date of transition to FRS101.

Repair and maintenance expenditure are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance expenditure are charged to the Income Statement during the financial period in which it is incurred.

Borrowing costs incurred in the construction of major assets which take a substantial period of time to complete are capitalised in the financial period in which they are incurred.

## 2. ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

In the application of the company's accounting policy, judgement is exercised by management in the determination of residual values and useful lives. Depreciation and depletion are calculated to write off the book value of each item of property, plant and equipment over its useful economic life on a straight-line basis at the following rates:

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

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method as appropriate on a prospective basis. For the company's accounting policy on impairment of property, plant and equipment please see impairment of long-lived assets and goodwill.

### Revenue recognition

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

#### *Construction contracts*

The Company enters into a number of construction contracts, to complete large construction projects.

The Company typically recognises revenue within its construction contract businesses over time, as it performs its obligations. Management believe this best reflects the transfer of control to the customer by providing a faithful depiction of primarily the enhancement of a customer-controlled asset or the construction of an asset with no alternative use. The percentage-of-completion method is used to recognise revenue when the outcome of a contract can be estimated reliably. The percentage-of-completion is calculated using an input method and based on the proportion of contract costs incurred at the balance sheet date relative to the total estimated costs of the contract. In all our construction contract arrangements the Company has an enforceable right to payment for work and performance obligations completed to date.

#### *Recognition of contract assets and liabilities*

In our construction contract businesses, amounts are billed as work progresses in accordance with pre-agreed contractual terms. When a performance obligation is satisfied but a customer has not yet been billed this is recognised as a contract asset (unbilled revenue) and included within Trade and Other Receivables. Retentions are also a common feature of construction contracts and are recognised as a contract asset within Trade and Other Receivables when we have a right to consideration in exchange for the completion of the contract. Retentions are consistent with industry norms and the purpose of these is not to provide a form of financing. Apart from retentions, the Company does not have any construction contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company applies the practical expedient in IFRS 15 and does not adjust any of its transaction prices for the time value of money.

## **2. ACCOUNTING POLICIES (continued)**

### **Revenue recognition (continued)**

When consideration is received in advance of work being performed, or we have billed an amount to a customer that is in excess of revenue recognised on the contract; this is recognised as a contract liability within Trade and Other Payables; and the revenue is generally recognised in the subsequent period when the right to recognise revenue has been determined. As a result, advance payments received for construction contract arrangements are not considered a significant form of financing.

Cumulative costs incurred, net of amounts transferred to cost of sales, after deducting onerous provisions, provisions for contingencies and payments on account not matched with revenue, are included as construction contract balances in inventories. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity. The Company's contracts generally are for a duration of less than one year and therefore the Company does not capitalise incremental contract costs; instead expensing as incurred, as permitted by the practical expedient under IFRS 15.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense. Revenue and/or costs in respect of variations or contracts claims and incentive payments, to the extent that they arise, are recognised when it is probable that the amount, which can be measured reliably, will be recovered from/paid to the customer.

### **Share-based payments**

The company operates a number of equity-settled share-based payment plans. Its policy in relation to the granting of share options and awards under these plans, together with the nature of the underlying market and non-market performance and other vesting conditions, are addressed in the Directors' Remuneration Report on page 68 of the CRH plc annual report. The company has no exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives.

#### *Share options*

Fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date. The share options granted by the Company are at market value at date of grant and are not subject to market-based vesting conditions within the meaning of IFRS 2 Share-based Payment.

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

#### *Savings-related Share Option Schemes*

The fair values assigned to options under the Savings-related Share Option Scheme are derived in accordance with the trinomial valuation methodology on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date. The cost is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The Income Statement expense/credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

## **2. ACCOUNTING POLICIES (continued)**

### **Share-based payments (continued)**

The cumulative charge to the Income Statement is reversed only where an employee in receipt of share options leaves service prior to completion of the expected vesting period and those options forfeit in consequence.

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the determination of diluted earnings per share.

To the extent that the company receives a tax deduction relating to the services paid in shares, deferred tax in respect of share options is provided on the basis of the difference between the market price of the underlying equity as at the date of the financial statements and the exercise price of the option; where the amount of any tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, the current or deferred tax associated with the excess is recognised directly in equity.

#### *Awards under the Performance Share Plans*

50% of the awards granted under the 2014 Performance Share Plan are subject to a Total Shareholder Return (TSR) (and hence market-based) vesting condition; with 25% being measured against a tailored sector peer group and 25% against the FTSE All-World Construction & Materials index. Accordingly, the fair value assigned to the related equity instruments at the grant date is derived using a Monte Carlo simulation technique to model the combination of market-based and non-market-based performance conditions in the Plan; and is adjusted to reflect the anticipated likelihood as at the grant date of achieving the vesting conditions. Awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The remaining awards granted under the 2014 Performance Share Plan are subject to a cumulative cash flow target (non-market based) vesting condition. The fair value of the awards is calculated as the market price of the shares at the date of grant. No expense is recognised for awards that do not ultimately vest. At the balance sheet date, the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Income Statement.

The Company has taken advantage of the disclosure exemptions under FRS 101 in relation to the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share-based payment arrangement concerns the instruments of another group entity and the equivalent disclosures are included in the consolidated financial statements of CRH plc in which the Company is consolidated.

## 2. ACCOUNTING POLICIES (continued)

### Leases

The Company applied IFRS 16 *Leases* for the first time. The Company adopted IFRS 16 by applying the modified retrospective approach on the transition date of 1 January 2019.

#### i) Right-of-use assets

The right-of-use asset has been calculated as the lease liability at 1 January 2019 adjusted for any prepayments, accruals and onerous lease provisions with no adjustment to opening retained earnings.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	1 to 60 years
Plant and equipment	1 to 4 years
Transport	3 to 4 years
Cars	3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## 2. ACCOUNTING POLICIES (continued)

### Leases (continued)

Non-lease components in a contract such as maintenance and other service charges are separated from minimum lease payments and are expensed as incurred.

#### iii) Short-term leases and leases of low-value assets

The Company applied the recognition exemption for both short-term leases and leases of low value assets.

The Company did not avail of the practical expedient not to separate non-lease components from lease components or the practical expedient allowing leases previously classified as operating leases and ending within 12 months of the date of transition, to be accounted for as short-term leases.

On adoption of IFRS 16, the Company recognised right-of-use assets and lease liabilities as follows:

Right-of-use assets	Lease liabilities
Buildings, plant, equipment and vehicles: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.	Measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 January 2019. The Company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 4.50%.

The effect of adopting IFRS 16 is, as follows:

Impact on the financial statement increase/(decrease):

	As originally Presented 31 December 2018	1 January 2019	IFRS16 impact
	£	£	£
<b>Assets</b>			
Right-of-use assets	-	4,632,713	4,632,713
Finance lease buildings	459,000	459,000	-
Property, plant and equipment	46,754,273	46,754,273	-
Other debtors	-	312,193	312,193
Prepayments	57,849	-	(57,849)
<b>Total assets</b>	<b>47,271,122</b>	<b>52,158,179</b>	<b>4,887,057</b>
<b>Liabilities</b>			
Finance lease loan	509,409	-	509,409
Lease liabilities	-	5,396,466	5,396,466
<b>Total liabilities</b>	<b>509,409</b>	<b>5,396,466</b>	<b>4,887,057</b>
<b>Equity</b>			
Retained earnings	46,761,713	46,761,713	-
<b>Total equity</b>	<b>46,761,713</b>	<b>46,761,713</b>	<b>-</b>

## 2. ACCOUNTING POLICIES (continued)

### Leases (continued)

Impact on the Income statement increase/(decrease)):

	2019	2018
	£	£
Cost of sales	133,015	133,659
Administrative expenses	39,596	30,387
Operating profit	172,611	164,046
Interest on lease liabilities	(202,333)	(190,103)
(Loss) for the period before tax	(29,722)	(26,057)
Tax credit	5,647	5,081
(Loss) for the period	(24,075)	(20,976)

Upon adoption of IFRS 16, the Company applied the modified retrospective approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

As at 31 December 2018 and 31 December 2019:

- 'Right-of-use assets' were recognised and presented separately in the statement of financial position.
- Additional lease liabilities were recognised.
- 'Prepayments' related to previous operating leases were derecognised.
- 'Deferred tax liabilities' increased because of the deferred tax impact of the changes in recognised lease related assets and liabilities.
- 'Retained earnings' decreased due to the net impact of these adjustments.

For the year ended 31 December 2019:

- Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of the decrease in 'Property, plant and equipment'). This resulted in increases in 'Cost of sales' of £1,039,316 (2018: £993,538) and in 'Administrative expenses' of £650,793 (2018: £630,852).
- Rent expense included in 'Cost of sales' decreased by £505,035 (2018: £490,562) and in 'Administrative expenses' decreased by £166,430 (2018: £150,180).
- Contract vehicle hire included in 'Cost of sales', relating to previous operating leases, decreased by £667,296 (2018: £636,635) and in 'Administrative expenses' decreased by £523,959 (2018: £511,059).
- 'Finance costs' increased by £202,333 (2018: £190,103) relating to the interest expense on additional lease liabilities recognised.

'Income tax expense' decreased by £5,647 (2018: £5,081) relating to the tax effect of these changes in expenses

### Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. It is not amortised.



## **2. ACCOUNTING POLICIES (continued)**

### **Inventories and construction contracts**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle (and weighted average, where appropriate) and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. In the case of finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs.

Net realisable value is the estimated proceeds of sale less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, taking into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, the likelihood of short-term changes in buyer preferences, product obsolescence or perishability (all of which are generally low given the nature of the company's products) and the purpose for which the inventory is held. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished goods, in which they will be incorporated, are expected to be sold at or above cost.

Amounts recoverable on construction contracts, which are included in receivables, are stated at the net invoiced value of the work done less amounts received as progress payments on account. Cumulative costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses, provisions for contingencies and payments on account not matched with revenue, are included as construction contract balances in inventories. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the company's contract activities based on normal operating capacity.

### **Trade and other receivables**

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectible debts. Provision is made when there is objective evidence that the company will not be in a position to collect the associated debts. Bad debts are written-off to the Income Statement on identification.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances held for the purpose of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Bank overdrafts are included within current interest-bearing loans and borrowings in the Balance Sheet.

### **Interest-bearing loans and borrowings**

All loans and borrowings are initially recorded at the fair value of the consideration received net of directly attributable transaction costs. Subsequent to initial recognition, current and non-current interest-bearing loans and borrowings are, in general, measured at amortised cost employing the effective interest methodology.

### **Government grants**

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

## **2. ACCOUNTING POLICIES (continued)**

### **Emission rights**

Emission rights are accounted for such that a liability is recognised only in circumstances where emission rights have been exceeded and the differential between actual and permitted emissions will have to be remedied through the purchase of the required additional rights at fair value. Assets and liabilities arising in respect of under and over-utilisation of emission credits respectively are accordingly netted against one another in the preparation of the Financial Statements. To the extent that excess emission rights are disposed of during a financial period, the profit or loss materialising thereon is recognised immediately within cost of sales in the Income Statement.

### **Foreign currency translation**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

### **Non-Cumulative Preference Shares**

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

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be favourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares, or is a derivative that will be settled only by the company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instrument.

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

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

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. The company's non-cumulative preference shares have been accounted for as debt.

### **Joint Arrangement**

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

## 2. ACCOUNTING POLICIES (continued)

### Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It addressed the classification, measurement and derecognition of financial assets and financial liabilities, introduced a new impairment model for financial assets and new rules for hedge accounting.

#### (i) Financial assets

##### *Initial recognition and measurement*

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, loan and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases and sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

##### *Loan and receivables*

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

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 2018. This assessment has not resulted in a material adjustment to trade and other receivables.

## **2. ACCOUNTING POLICIES (continued)**

### **Financial Instruments (continued)**

#### **(i) Financial assets (continued)**

##### **Available-for-sale financial assets**

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from unrealised gains and losses reserve.

The Company evaluates its available-for-sale financial assets and whether the ability and intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and when the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

#### **(ii) Financial liabilities**

##### ***Initial recognition and measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

##### ***Subsequent measurement***

The measurement of financial liabilities depends on their classification as follows:

##### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

##### ***Interest bearing loans and borrowings***

All loans and borrowings are initially recorded at the fair value of the consideration received net of directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

##### ***Derecognition of financial liabilities***

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

## 2. ACCOUNTING POLICIES (continued)

### Derivative financial instruments and hedging practices

In order to manage foreign currency and commodity risks, the company employs derivative financial instruments (principally currency swaps and forward foreign exchange contracts). Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The carrying value of derivatives is fair value based on discounted future cash flows and adjusted for counterparty risk. Future floating rate cash flows are estimated based on future interest rates (from observable yield curves at the end of the reporting period). Fixed and floating rate cash flows are discounted at future interest rates and translated at period-end foreign exchange rates.

At the inception of a derivative transaction, the company documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The company also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedging instrument in offsetting movements in the fair values or cash flows of the hedged items. Where derivatives do not fulfil the criteria for hedge accounting, changes in fair values are reported in the Income Statement.

## 3. TURNOVER

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

## 4. ANALYSIS OF TURNOVER BETWEEN ACTIVITIES AND MARKETS

Turnover recognised in the income statement is analysed as follow:

	2019 £	2018 £
Sale of goods and services	93,702,931	86,725,537
Revenue from construction contracts	289,802,782	287,820,518
	<u>383,505,713</u>	<u>374,546,055</u>
Turnover by area of activity	2019 £	2018 £
Manufacture of concrete products	28,093,472	27,761,860
Building, private development, contract management and civil engineering	201,310,142	200,935,425
Road construction and quarrying	88,732,511	86,885,093
Construction and Utility accessories	65,369,588	58,963,677
	<u>383,505,713</u>	<u>374,546,055</u>
Turnover by geographical area	2019 £	2018 £
United Kingdom	342,951,852	341,852,617
Republic of Ireland	29,888,778	22,596,438
Europe	9,547,477	7,750,000
Rest of World	1,117,606	2,347,000
	<u>383,505,713</u>	<u>374,546,055</u>

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

## 5. OPERATING PROFIT

	2019 £	2018 £
Operating profit is arrived at after charging:		
Depreciation:		
- Freehold land and buildings	792,524	826,437
- Freehold land and buildings held under finance lease	-	20,400
- Owned plant, equipment, fixture and transport	3,316,978	2,810,464
- Right of use assets	1,704,706	-
Development land stock write down	-	-
Hire of plant and machinery	7,097,489	8,027,870
Fees payable to the company's auditors		
- for the audit of the company's annual accounts	149,800	172,500
Net foreign exchange (profit)/loss	(253,793)	(83,966)
Rental payments under operating leases		
- Commercial vehicles	-	847,951
- Others	-	903,147
And after crediting:		
Rental income	100,770	161,714
Training grant income	63,079	59,530
Profit on disposal of tangible fixed assets	100,769	100,552
Loss on disposal of right of use assets	7,101	-

## 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Bank deposits	140,817	31,202
Unwinding of discount on provisions (note 26)	17,031	25,901
Unwinding of discount on sub-lease debtor	15,832	-
Other loans	9,323	312
	<u>183,003</u>	<u>57,415</u>

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £	2018 £
Other loans	114	3,921
Group undertaking loans	11,246	221,096
Unwinding of discount element of lease liabilities (note 25)	202,333	75,014
	<u>213,693</u>	<u>300,031</u>

## 8. OTHER FINANCE CHARGE

	2019 £	2018 £
Interest on retirement benefits liabilities	1,025,000	757,000
	<u>1,025,000</u>	<u>757,000</u>

## 9. DIRECTORS' REMUNERATION

	2019 £	2018 £
Emoluments	<u>950,394</u>	<u>937,335</u>
Pensions	<u>128,892</u>	<u>112,326</u>

	2019 No	2018 No
Number of directors accruing benefits under defined benefit pension scheme	<u>3</u>	<u>3</u>
Number of directors who exercised share options	<u>3</u>	<u>3</u>

The amount in respect of the highest paid director are as follows:	2019 £	2018 £
Emoluments	278,156	304,218
Accrued pension at the end of the year	<u>32,377</u>	<u>28,615</u>

## 10. STAFF NUMBERS AND EMOLUMENTS

The average number of persons employed by the company during the year, including directors, was as follows:	2019 No	2018 No
Administrative staff	247	255
Other staff	<u>1,215</u>	<u>1,133</u>
Total	<u>1,462</u>	<u>1,388</u>

The costs incurred in respect of these employees were: -	2019 £	2018 £
Wages and salaries	51,737,244	48,533,592
Social security costs	5,221,679	4,799,818
Other pension costs	4,922,375	4,099,812
Redundancy	36,584	54,022
Total	<u>61,917,882</u>	<u>57,487,244</u>

Included in other pension costs are £3,697,000 (2018: £3,262,000) in respect of defined benefit schemes and £1,225,375 (2018: £837,812) in respect of the defined contribution scheme.

## 11. TAXATION

	2019 £	2018 £
(a) Analysis of tax charge in the year		
<b>UK Current Tax:</b>		
UK corporation tax charge of the year	2,025,067	1,773,818
Adjustments in respect of previous periods	<u>377,466</u>	<u>792,177</u>
Total current tax charge	<u>2,402,533</u>	<u>2,565,995</u>
<b>UK Deferred Tax:</b>		
Origination and reversal of temporary difference	14,453	(3,026)
Retirement benefits	(124,440)	(229,670)
Adjustments in respect of previous periods	<u>(512,123)</u>	<u>18,270</u>
Total deferred tax (asset)/liability	<u>(622,110)</u>	<u>(214,426)</u>
Tax expense in the income statement	<u>1,780,423</u>	<u>2,351,569</u>
(b) Statement of comprehensive income		
	2019 £	2018 £
Deferred tax on actuarial gain/(loss) on retirement benefits	(2,000,220)	625,600
Derivative financial instruments	<u>220,343</u>	<u>425,726</u>
Deferred tax (asset)/liability	<u>(1,779,877)</u>	<u>1,051,326</u>
(c) Factors affecting tax charge for the year:		
The tax assessed for the year is lower than the standard rate of UK corporation tax of 19.00%. The differences are explained below.		
	2019 £	2018 £
Profit before tax	<u>10,643,482</u>	<u>7,510,993</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.00%, (2018:19.00%)	<u>2,022,262</u>	<u>1,427,089</u>
Effects of:		
Disallowed expenses	(65,715)	(4,836)
Capital contribution in relation to share based payments	(39,577)	116,151
Group relief charged at higher rate	(1,890)	2,718
Adjustment in respect of previous periods	<u>(134,657)</u>	<u>810,447</u>
Tax charge for the year	<u>1,780,423</u>	<u>2,351,569</u>
(d) Analysis of deferred tax liability (see note 26)		
	2019 £	2018 £
Short term temporary differences	(553,519)	(555,163)
Accelerated capital allowances	3,130,961	3,630,275
Cash flow hedge	<u>(125,117)</u>	<u>(345,460)</u>
Deferred tax liability	<u>2,452,325</u>	<u>2,729,652</u>
(e) Analysis of deferred tax asset (see note 16)		
	2019 £	2018 £
Deferred tax asset on retirement benefits	<u>8,296,000</u>	<u>6,171,340</u>

The company is not a close company for taxation purposes



## 12. INTANGIBLE FIXED ASSETS

	Goodwill	Intellectual Property Rights
	£	£
Cost at 1 January 2019	321,250	33,889
Additions during the year	-	-
Cost at 31 December 2019	<u>321,250</u>	<u>33,889</u>
Amortisation at 1 January 2019	190,250	33,889
Provided during the year	-	-
Amortisation at 31 December 2019	<u>190,250</u>	<u>33,889</u>
Net book amounts at 31 December 2019	<u>131,000</u>	<u>-</u>
Net book amounts at 31 December 2018	<u>131,000</u>	<u>-</u>

Goodwill acquired on the acquisition of Ballymena Construction Company in 1999 was written off in equal annual instalments over its estimated economic life of 15 years under UK GAAP. The net book value is nil.

Goodwill arising on transfer of C4 Industries Limited was written off over its estimated economic life of 20 years until the company adopted FRS101 in 2015. The net book value is £56,000.

Goodwill arising on the acquisition of East Antrim Mini Mix in August 2017 has a net book value of £75,000.

Intellectual Property Rights acquired on the acquisition of C4 Industries Limited were written off over 10 years.

## 13. FIXED ASSETS

	Freehold Land & Buildings	Plant, Equipment Fixtures & Transport	Total
	£	£	£
Cost or valuation at 1 January 2019	36,487,203	63,994,960	100,482,163
Reclassification	10,605	(10,605)	-
Transfer to right of use assets	(489,600)	-	(489,600)
Additions during the year	112,975	4,933,252	5,046,227
Disposals	(17,671)	(5,392,734)	(5,410,405)
Cost or valuation at 31 December 2019	<u>36,103,512</u>	<u>63,524,873</u>	<u>99,628,385</u>
Depreciation at 1 January 2019	8,936,286	44,332,604	53,268,890
Reclassification	-	-	-
Transfer to right of use assets	(30,600)	-	(30,600)
Charge in the year	792,524	3,316,978	4,109,502
Disposals	(17,671)	(5,100,652)	(5,118,323)
Depreciation at 31 December 2019	<u>9,680,539</u>	<u>42,548,930</u>	<u>52,229,469</u>
Net book amounts at 31 December 2019	<u>26,422,973</u>	<u>20,975,943</u>	<u>47,398,916</u>
Net book amounts at 31 December 2018	<u>27,550,917</u>	<u>19,662,356</u>	<u>47,213,273</u>
Assets at cost			97,176,311
Asset at valuation			<u>2,452,073</u>
Total			<u>99,628,384</u>

### 13. FIXED ASSETS (continued)

Included in the cost or valuation of land and buildings at 31 December 2019 is £24,336,317 attributed to land in respect of which the accumulated depreciation amounted to £4,052,842.

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

The original historical cost of revalued assets cannot be obtained without unreasonable expense. On adoption of FRS 15, the company has followed the transitional provisions to retain book values of land and buildings, which were revalued in 1981, but not to adopt a policy of revaluation in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 101.

### 14. INVESTMENTS

#### Associates

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

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

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

	Shares of Associated Undertakings	Loans to Associated Undertakings	Cost of Investment in Associated Undertakings
	£	£	£
Cost at 1 January 2019	121,294	14,286	135,580
As at 31 December 2019	<u>121,294</u>	<u>14,286</u>	<u>135,580</u>
Investment in Subsidiary Undertakings			
	£		
Cost at 1 January 2019	64,703,004		
Write down	(11,602)		
Translation adjustment	<u>(12,708)</u>		
As at 31 December 2019	<u>64,678,694</u>		

The company owned the whole of the issued ordinary share capital of the following undertakings which were dissolved on the 12 November 2019.

Company name	Holding	Proportion of voting rights and shares held
BP Concrete Flooring Glasgow Limited	2 Ordinary shares	100%
The Farmers Supply Company Limited	100 Ordinary shares	100%
Kings (Northern Ireland) Limited	200 Ordinary shares	100%
North Down Engineering Company (Belfast) Limited	11,000 Ordinary shares	100%
P&J McCann Limited	100 Ordinary shares	100%
Scott Holdings Limited	100 Ordinary shares	100%
Ulster Waste Limited	100 Ordinary shares	100%

#### 14. INVESTMENTS (continued)

##### Joint Ventures

- Northstone (NI) Limited has a 50% interest in FMP Construction Joint Venture Limited, a jointly controlled entity which was established to develop and construct buildings.
- Northstone (NI) Limited has a 50% interest in FMP Joint Venture Limited, which was established to design and construct commercial buildings.
- On the 13th May 2019 the Company acquired a 50% shareholding in a company named Bangor Marine Limited which has been set up to complete the Bangor Marine project in joint venture with Jeras Limited.
- On the 8th November 2019 the Company acquired a 50% shareholding in a company named Tarmac Farrans JV Limited in joint venture with Tarmac Limited, which was established after the joint venture had been awarded a place on the YorCivils Framework which is being led by Sheffield County Council.

The company investments are on a long-term basis and are jointly controlled under a contractual arrangement.

Company name	Holding	Proportion of voting rights and shares held	Nature of Business	Place of Business
FMP Construction Joint-Venture Limited	Ordinary shares	50%	Development and construction of buildings	Northern Ireland
FMP Joint Venture Limited	Ordinary shares	50%	Design and construct commercial buildings	Northern Ireland
Bangor Marine Limited	Ordinary shares	50%	Design and construct the Bangor Marine project	Northern Ireland
Tarmac Farrans JV Limited	Ordinary shares	50%	Design and construct roads and tunnels	England

The company owns the whole of the issued ordinary share capital of the following undertakings unless otherwise indicated: -

##### As at 31 December 2019

Incorporated in England	Holding	Proportion of voting rights and shares held	Nature of Business
C4 Industries Limited Registered office: - Unit 3-5, Yardley Road, Knowsley Industrial Park, Kirby, Liverpool, L33 7SS	100 Ordinary shares	100%	Dormant
NAL Limited Registered office: - Weir Lane, Worcester, Worcestershire, WR2 4AY.	200,000 Ordinary shares	100%	Trading
E.P.H. Contractors (Swindon) Limited	2 Ordinary shares	100%	Dormant
Northstone Concrete Limited	7,500,002 Ordinary shares	100%	Non-trading
Northstone Concrete Supplies Limited	100 Ordinary shares	100%	Dormant
Northstone Products Limited*	2 Ordinary shares	100%	Dormant

Registered office: - New Cambridge House, Bassington Road, Litlington, Cambridgeshire SG8 0SS

\* Held by Northstone Concrete Limited, a subsidiary of Northstone (NI) Limited.

#### 14. INVESTMENTS (continued)

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

##### As at 31 December 2019

Company name	Holding	Proportion of voting rights and shares held	Nature of Business
Ardis Estates Limited	100 Ordinary shares	100%	Dormant
Ards Building Products (Manufacturing) Limited	468,752 Ordinary shares	100%	Non-trading
Aggregates (Ulster) Limited	50,000 Ordinary shares	100%	Liquidation 18 March 2020
Ballymena Construction Company Limited	3,000 Ordinary shares	100%	Dormant
	2,000 Preference shares	100%	
Beckett Construction Solutions Limited	8,751 Ordinary shares	100%	Dormant
	8,751 1% Non-cumulative Preference shares	100%	
Carmean Chemicals Limited	5,000 Ordinary shares	100%	Dissolved 18 Feb.2020
Carmean Limeworks Limited	2,000 Ordinary shares	100%	Dormant
Dunbrik (Ulster) Limited	16,500 Ordinary shares	100%	Liquidation 18 March.2020
Farrans (Construction) Limited	55,000 Ordinary shares	100%	Dormant
Farrans (Engineering) Limited	100,000 Ordinary shares	100%	Dissolved 18 Feb 2020
Farrans Limited	100,000 Ordinary shares 100,00 1% Non-cumulative preference shares with no voting rights	100%	Dormant
Farrans Plant Limited	2 Ordinary shares	100%	Dissolved 18 Feb 2020
J.T. Glover Limited	147,000 Ordinary shares	100%	Dormant
Hadden Quarries Limited	100,000 Ordinary shares	100%	Dormant
John McLean & Sons (Quarries) Limited	5,000 Ordinary shares	100%	Liquidation 18 Mar 2020
Lone Limited	218,750 Ordinary shares	100%	Dormant
Madigan Properties Limited	1 Ordinary shares	100%	Dissolved 18 Feb.2020
Materials Testing Limited	25,000 Ordinary shares	100%	Dormant
North Down Brick Limited	10,000 Ordinary shares	100%	Liquidation 18 March.2020
North Down Quarries Limited	1,000 Ordinary shares	100%	Dormant
Northstone Quarries Limited	504,000 Ordinary shares	100%	Dormant
Northstone (Surfacing) Limited	100 Ordinary shares	100%	Dissolved 17 Mar 2020
Northstone (Group) Limited	15,000 Ordinary shares	100%	Dissolved 18 Mar 2020
Northstone Belfast Limited	80,000 Ordinary shares	100%	Dormant
R. J. Maxwell & Son Limited	9,782 Ordinary shares	100%	Dormant
R.J. Maxwell (Ballymena) Limited	5,000 Ordinary shares	100%	Dormant
Ready Use Concrete Company Limited	100 Ordinary shares	100%	Dormant

#### 14. INVESTMENTS (continued)

Company name	Holding	Proportion of voting rights and shares held	Nature of Business
Scott (Toomebridge) Limited	13,500 Ordinary shares	100%	Dormant
SJ Martin Limited	73,870 Ordinary shares	100%	Dormant
Strangford Limited	450 Ordinary shares	100%	Dormant
T O'Connell & Sons (Contractors) Limited	2 Ordinary shares	100%	Mineral extraction rights administration
W.M. Bolton & Sons Limited	50,000 Ordinary shares	100%	Dormant
T.B.F. Thompson (Properties) Limited	250,000 Ordinary shares	100%	Property rental and management

Registered office: -99 Kingsway, Dunmurry, Belfast BT17 9NU.

Incorporated in the Isle of Man	Holding	Proportion of voting rights and shares held	Nature of Business
Island Aggregates Limited	1 Ordinary shares	100%	Manufacture and supply of construction materials

Incorporated in the Republic of Ireland	% Held	Nature of Business
Farrans Materials Limited	20	Dormant
Milverton Quarries Limited	23	Dormant
Strangford (Plant) Limited	98	Dormant
W.H. Beckett (Ireland) Limited	99	Dormant

Registered Office: Unit 2 Northwest Business Park, Ballycoolin, Dublin 15.

#### 15. STOCKS AND WORK IN PROGRESS

	2019	2018
	£	£
Stock and work in progress comprise:		
Raw materials	6,445,534	7,456,952
Work in progress	1,122,733	439,821
Land development	16,878,815	14,957,780
Finished goods	<u>5,572,347</u>	<u>4,042,515</u>
	<u>30,019,429</u>	<u>26,897,068</u>

#### 16. OTHER DEBTORS

	2019	2018
	£	£
Amounts due from construction contract	40,337,380	38,408,092
Other debtors	1,091,509	541,555
Value Added Tax	154,096	111,167
Derivatives	107,819	14,370
Sub-lease debtors	288,136	-
Deferred tax (note 11(e))	<u>8,296,000</u>	<u>6,171,340</u>
	<u>50,274,940</u>	<u>45,246,524</u>

At 31st December 2019 the Company had an average of 32 days (2018:31 days) outstanding in trade debtors.

## 17. DEBTORS - GROUP UNDERTAKING BALANCES

	2019	2018
	£	£
Amounts due from group undertakings	67,880,724	65,122,151
	<u>67,880,724</u>	<u>65,122,151</u>

Amounts due from group undertakings are unsecured, interest earning at 0.10% and repayable on demand

## 18. CONTINGENT LIABILITIES

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

The Company has received government grants totalling £116,251 in respect of tree planting, which are repayable if land, on which the trees are planted, is sold.

On the hive-up of MCL Group Industries Limited the Company has received government grants totalling £357,590 for the purchase of assets, which are repayable if the work force is not increased.

## 19. TRADE CREDITORS

Trade creditors include amounts due for the purchase of goods supplied on terms, which purport to reserve title to those goods until paid for. Trade creditors are non-interest bearing and are normally settled within an average of 71 days (2018: 87 days).

## 20. CREDITORS - GROUP UNDERTAKING BALANCES

	2019	2018
	£	£
Amounts falling due within 1 year		
Amounts due to group undertakings	38,178,172	43,822,479
	<u>38,178,172</u>	<u>43,822,479</u>

Amounts due to group undertakings are unsecured, interest earning at 3.0% and repayable on demand.

## 21. OTHER CREDITORS – within one year

	2019	2018
	£	£
Amounts due to construction contract customers	26,143,487	23,002,000
Taxation and social security	2,455,532	1,922,251
HMRC – VAT	3,826,748	4,917,891
HMRC – other tax	1,502,142	1,600,147
Corporation tax	1,414,045	1,440,441
Derivatives	842,800	2,032,117
Obligations under finance leases	-	75,604
Lease liabilities	1,469,642	-
Other creditors	1,432,546	1,826,797
	<u>39,086,942</u>	<u>36,817,248</u>

## 22. OTHER CREDITORS - after one year

	2019	2018
	£	£
Included within creditors falling due after 1 year are: -		
Obligations under finance leases	-	433,805
Government grants	357,590	357,590
	<u>357,590</u>	<u>791,395</u>

## 23. FINANCE LEASE OBLIGATIONS

	2019	2018
	£	£
Future minimum lease payments due under finance lease		
After one year	-	75,604
In two to five years	-	302,416
In over five years	-	55,785
	-	<u>433,805</u>
Finance lease obligation accounted for under lease liabilities (note 25)		

## 24. GOVERNMENT GRANTS

Government grants	2019	2018
	£	£
Received and receivable:		
At 1 January	396,642	396,642
Transferred in from subsidiary	-	-
At 31 December	<u>396,642</u>	<u>396,642</u>
Amortisation		
At 1 January	39,052	39,052
Charge for the year	-	-
At 31 December	<u>39,052</u>	<u>39,052</u>
Net balance	<u>357,590</u>	<u>357,590</u>

## 25. IFRS 16 Leases disclosure

Leased right-of-use asset	Land & Buildings	Plant & Machinery	Vehicles	Total
	£	£	£	£
Accounting policy change	2,871,779	940,494	1,279,440	5,091,713
Additions	333,447	-	314,184	647,631
Disposal	-	(23,285)	(21,744)	(45,029)
Depreciation charge for period	(572,237)	(403,738)	(728,731)	(1,704,706)
Net book value at 31 December 2019	<u>2,632,989</u>	<u>513,471</u>	<u>843,149</u>	<u>3,989,609</u>
Lease liabilities	Land & Buildings	Plant & Machinery	Vehicles	Total
	£	£	£	£
Accounting policy change	3,244,106	924,780	1,227,580	5,396,466
Additions	308,207	-	296,084	604,291
Discount unwinding	125,811	31,934	44,277	202,022
Paid	(683,226)	(380,060)	(798,724)	(1,862,010)
Disposal	-	(22,739)	(17,533)	(40,272)
Net book value at 31 December 2019	<u>2,994,898</u>	<u>553,915</u>	<u>751,683</u>	<u>4,300,497</u>

The table below shows a maturity analysis of the lease liability arising from the Company's leasing activities.

	2019	2019
	£	£
	Discounted lease liabilities	Undiscounted lease liabilities
Within one year	1,469,642	1,498,943
Between one and two years	870,939	927,494
Between two and three years	489,136	545,189
Between three and four years	351,530	411,130
Between four and five years	241,151	294,896
After five years	878,099	1,133,275
Total	<u>4,300,497</u>	<u>4,810,928</u>

## 25. IFRS 16 Leases disclosure (continued)

The Company avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Income Statement as incurred:

	2019 £
Short-term leases	7,203,663
Lease of low-value assets	42,280
Total	<u>7,245,943</u>

## 26. PROVISION FOR LIABILITIES AND CHARGES

	Insurance £	Defective Products £	Reinstatement of land £	Deferred tax (note 11(d)) £	Total £
Balance at 1 January 2019	889,257	470,343	366,033	2,729,652	4,455,285
Additional provision in the year	168,522	143,187	-	(497,670)	(185,961)
Cash flow hedge	-	-	-	220,343	220,343
Unwinding of discount	17,031	-	-	-	17,031
Utilised in the year	(23,891)	(65,000)	(40,892)	-	(129,783)
Reversal of unutilised amounts	(79,147)	-	-	-	(79,147)
Payment rescheduling	<u>(8,560)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,560)</u>
Balance at 31 December 2019	<u>963,212</u>	<u>548,530</u>	<u>325,141</u>	<u>2,452,325</u>	<u>4,289,208</u>

Insurance provision relates to actual and potential obligations arising under the self-insured insurance components of the Company's insurance arrangement which comprise employers' liability and public and product liability.

Defective products Insurance provision relates to actual and potential obligations arising from potential claims.

Reinstatement of mineral land provision relates to the obligation regarding site remediation, restoration and environmental works in order to comply with local and national environmental regulations.

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

## 27. SHARE CAPITAL

	2019 £	2018 £
Authorised		
200,000,000 'A' Ordinary shares of 1/2p each	1,000,000	1,000,000
50,000,000 'B' Ordinary shares of 1/2p each	250,000	250,000
2,385,410 Non-cumulative preference shares of 10p each	<u>238,541</u>	<u>238,541</u>
	<u>1,488,541</u>	<u>1,488,541</u>
Allotted, called up and fully paid		
173,180,808 'A' Ordinary shares of 1/2p each	865,904	865,904
954,200 'B' Ordinary shares of 1/2p each	4,771	4,771
2,385,410 Non-cumulative preference shares of 10p each	<u>238,541</u>	<u>238,541</u>
	<u>1,109,216</u>	<u>1,109,216</u>



## 28. OTHER RESERVES

	2019 £	2018 £
<b>CRH contribution reserve</b>		
Balance at 1 January 2019	5,369,014	4,757,692
Contribution during year	<u>(208,300)</u>	<u>611,322</u>
Balance at 31 December 2019	<u>5,160,714</u>	<u>5,369,014</u>

This reserve records the nominal value of shares repurchased by the ultimate parent company, CRH plc.

## 29. OTHER RESERVES

	2019 £	2018 £
<b>Revaluation reserve</b>		
Balance at 1 January 2019	1,414,765	1,438,457
Transfer to retained earnings	<u>(19,066)</u>	<u>(23,692)</u>
Balance at 31 December 2019	<u>1,395,699</u>	<u>1,414,765</u>

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that any such decrease relates to an increase on the same asset previously recognised in equity.

## 30. CONTROLLING PARTY

The immediate parent undertaking is CRH Building Products Limited, an undertaking incorporated in Great Britain, which controls 100% of the issued share capital of Northstone (NI) Limited.

The ultimate parent undertaking and controlling party is CRH plc, an undertaking incorporated in the Republic of Ireland, which controls 100% of the issued share capital of CRH Building Products Limited.

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

## 31. OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases at 31 December are as follow:

	2019 £	2018 £
<u>Commercial vehicles</u>		
- within one year	-	784,238
- after one year but within five years	-	577,791
	-	<u>1,362,029</u>
<u>Others</u>		
- within one year	-	629,610
- after one year but within five years	-	863,700
- after five years	-	-
	-	<u>1,493,310</u>

IFRS 16 Leases was adopted by the company for the annual period beginning on 1 January 2019.  
(Note 25)

### 32. CAPITAL COMMITMENTS

	2019 £	2018 £
Authorised future capital expenditure, before deduction of available Government grants, amounts to:		
Contracted but not provided for.	<u>3,891,316</u>	<u>3,763,953</u>

### 33. COMMITMENTS TO PENSION FUNDS

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

The total pension cost for the company was £3,697,000 (2018: £3,262,000) of which £nil (2018: £nil) relates to the Republic of Ireland Scheme.

Northstone (NI) Limited Pension Scheme was established on 1 April 2015 following the merger of the Farrans Limited Retirement Benefits Scheme, and TBF Thompson (Garvagh) Limited Superannuation and Life Assurance Scheme.

The pension cost relating to the United Kingdom defined benefit schemes, is assessed in accordance with the advice of a qualified actuary on the basis of triennial valuations using the 'Projected Unit' method.

For the purposes of FRS 101, the following financial assumptions were used by the actuary in updating the valuation.

	2019	2018
Rate of increase in salaries	2.90%	2.75%
Rate of increase in pensions in payments		
- RPI maximum 5%	2.70%	3.05%
- RPI minimum 3%	3.45%	3.60%
- CPI maximum 3%	1.85%	1.90%
- CPI maximum 2.5%	1.70%	1.75%
Discount Rate	2.05%	2.95%
Inflation assumption - RPI	2.70%	3.15%
Inflation assumption - CPI	2.00%	2.15%

Life expectancy at age 65:

Current Pensioners	- Men	24.1	25.5
	- Women	25.4	26.1
Future Pensioner now aged 45	- Men	25.4	27.1
	- Women	26.9	27.8

Post retirement, mortality is assumed to follow the standard table PCXA00 YOB using a long cohort, with a 1% underpin. Pre-retirement, the standard table AXC00 is assumed to apply. 90% of male and 80% of female members are assumed to be married on retirement, with males three years older than their spouses. It is assumed that all members will take 95% of their maximum tax-free cash at retirement.

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

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

### 33. COMMITMENTS TO PENSION FUNDS (continued)

The market value of the assets in the scheme and the present value of the liabilities in the scheme were:

	2019 £'000	2018 £'000
Equities	81,305	69,878
Bonds	23,455	28,586
Property	10,417	11,010
Diversified Growth Funds	9,972	8,910
Other	7,630	217
Total fair value of assets	<u>132,779</u>	<u>118,601</u>
Present value of the scheme's liabilities	<u>181,579</u>	<u>154,903</u>
Deficit in the schemes	<u>(48,800)</u>	<u>(36,302)</u>

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income are analysed as follows:

	2019 £'000	2018 £'000
<b>Recognised in the Income Statement</b>		
Current service costs	3,201	3,411
Past service costs	-	255
Administration costs	203	190
Recognised in arriving at operating profit	<u>3,404</u>	<u>3,856</u>

#### Analysis of the amount credited to other finance income

Net interest on defined benefit liability	<u>1,025</u>	<u>757</u>
Net change to the income statement	<u>4,429</u>	<u>4,613</u>

	2019 £'000	2018 £'000
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#### Analysis of the amount recognised in the Statement of Comprehensive Income

Return on plan assets	12,567	(11,614)
Actuarial changes arising from changes in demographic assumptions	2,864	(2,905)
Actuarial changes arising from changes in financial assumptions	(27,197)	12,372
Actuarial changes arising from changes from experience	-	(1,533)
Actuarial gain/(losses)	<u>(11,766)</u>	<u>(3,680)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since 1 January 2002 is a net loss of £61,645,000 (2018 – net loss of £49,879,000).

	2019 £'000	2018 £'000
Assets at beginning of year	118,601	128,870
Movement in year:		
Member contribution	11	11
Employer contributions	3,697	3,262
Administration costs	(203)	(190)
Interest on assets	3,501	3,291
Actuarial gain	12,567	(11,614)
Benefits paid	(5,395)	(5,029)
Closing Scheme assets at year end	<u>132,779</u>	<u>118,601</u>

**33. COMMITMENTS TO PENSION FUNDS (continued)**

	2019 £'000	2018 £'000
Scheme liabilities at beginning of year	154,903	160,141
Movement in year:		
Current service cost	3,201	3,411
Past service cost	-	255
Member contributions	11	11
Interest on liabilities	4,526	4,048
Actuarial loss/(gain)	24,333	(7,934)
Benefits paid	(5,395)	(5,029)
Scheme liabilities at year end	<u>181,579</u>	<u>154,903</u>

	2019 £'000	2018 £,000	2017 £,000	2016 £,000	2015 £'000
Fair value of assets	132,779	118,601	128,870	114,085	106,231
Present value of the scheme's liabilities	<u>(181,579)</u>	<u>(154,903)</u>	<u>(160,141)</u>	<u>(156,491)</u>	<u>(114,361)</u>
Deficit in the schemes	<u>(48,800)</u>	<u>(36,302)</u>	<u>(31,271)</u>	<u>(42,406)</u>	<u>(8,130)</u>
Experience adjustments arising on the scheme liabilities	<u>-</u>	<u>(1,533)</u>	<u>-</u>	<u>(1,856)</u>	<u>4,585</u>
Experience adjustments arising on plan assets	<u>12,567</u>	<u>(11,614)</u>	<u>12,329</u>	<u>7,885</u>	<u>(1,473)</u>

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase / decrease by 0.25%	Decrease by £8,896k / increase by £9,423k
Inflation	Increase / decrease by 0.25%	Increase by £7,313k / decrease by £6,934k
Post retirement mortality	Increase / decrease by 1 year	Increase by £5,563k / decrease by £5,529k

Over the coming year the company expect to contribute:

- Deficit contributions of £1,450,000 p.a.;
- Ongoing contributions (in respect of future service) of 20.6% p.a. of pensionable on a monthly basis;
- An additional 1% p.a. of pensionable salary to meet death in service premiums; and
- Up to £70,000 p.a. towards the Scheme's PPF levy.

The above contributions are in line with the current Schedule of Contributions, dated 31 May 2019.

### 34. SHARE-BASED PAYMENT EXPENSE

	2019 £	2018 £
2014 Performance Share Plan expenses	333,211	342,551
Share option and saving-related share option expenses	294,815	268,771
Total share-based payment expenses	628,026	611,322

Share-based payment expense relates primarily to awards granted under the 2014 Performance Share Plan and the company's share option schemes.

The general terms and conditions applicable to the various plans are set out in the Directors' Remuneration Report on pages 74 to 101 of the CRH plc annual report.

#### *2014 Performance Share Plan*

The structure of CRH plc's 2014 Performance Share Plan is set out in the Directors' Remuneration Report in CRH plc's 2019 published financial statements filed with the Registrar of Companies.

An expense of £333,211 (2018: £342,551) was recognised in the income statement of Northstone (NI) Limited in 2019.

#### *Share Option Schemes*

In May 2014, shareholders of CRH plc, the parent company of Northstone (NI) Limited, approved the adoption of new performance share plan (the "2014 Performance Share Plan"), which replaced the 2010 Share Option Scheme (approved by shareholders in May 2010). Following the introduction of the 2014 Performance Share Plan, no further awards will be made under the 2010 Share Option Scheme.

No expenses in relation to this scheme was recognised in 2019 or 2018. The last awards under the 2010 Share Option Scheme were granted in 2013. All options have a life of ten years.

For share options exercised during the year, the weighted average share price at the date of exercise of these options was €27.82 (2018: €29.10).

	2019	2018
The weighted average remaining contractual life for the £ denominated share options outstanding at 31 December (years)	-	0.28
The weighted average remaining contractual life for the € denominated share options outstanding at 31 December (years)	3.28	2.37
Range of exercise prices (Stg£)	-	15.30
Range of exercise prices (€)	16.19	16.19 – 16.58

#### *Savings-related Share Option Schemes*

The Company operates Savings-related Share Option Schemes. Participants may save up to £500 per month from their net salaries for a fixed term of three or five years and at the end of the saving period they have the option to buy CRH shares at a discount of up to 15% of the market price on the date of invitation of each saving contract.

The saving related expense of £294,815 (2018: £268,771) reported in the Income statement has been arrived at through applying the trinomial model, which is a lattice option-pricing model.

For saving-related share options exercised during the year, the weighted average share price at the date of exercise of these options was €28.36 (2018: €30.96).

	2019	2018
The weighted average remaining contractual life for the £ denominated share options outstanding at 31 December (years)	2.43	2.36
Range of exercise prices (Stg£)	15.54 – 24.51	14.94 – 24.51

**35. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in FRS 101 from disclosing transactions with those related parties that are wholly owned companies within the CRH Group.

**36. POST BALANCE SHEET EVENT**

Having considered the possible impact of the COVID-19 pandemic, the Board has taken into account the nature of the Company's activities which consist of providing building materials, access systems and construction solutions to the public and private sector. The Directors have determined that based on recent trading of the CRH Group the pandemic is not expected to have a significant impact on the Company's business. The Directors will monitor the situation constantly and take any necessary actions to minimise the possible impacts of COVID-19. As a consequence, the Company does not envisage that a material change will be required the write down of any assets.

**37. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorised for issue on 5 November 2020.