

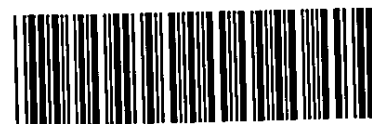
Breedon Holdings Limited

**Directors' report and financial
statements**

Registered number 06773575

For the year ended 31 December 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activities

The principal activities of the Company are the provision of management services and finance to the fellow group companies, being subsidiaries of Breedon Aggregates Limited (collectively "the Breedon Aggregates Group")

Business review

Overview

The underlying operating loss amounted to £1,762,000 (2011 £1,434,000)

Strategy

The Company continues to provide management services and finance to the Breedon Aggregates Group

Risk management

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

- Availability of finance – the business is dependent on ongoing support from its providers of finance. The Company maintains good communications with all providers of finance to mitigate this risk
- Loss of key employees – as it operates in a market where relevant skills are difficult to replace, the Group has put procedures in place designed to aid retention of key individuals

Corporate social responsibility (CSR)

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

Outlook

The Company will continue to supply management services and external finance to the Breedon Aggregates Group

Dividends

No dividend has been declared or paid in the year ended 31 December 2012 (2011 £Nil)

Directors

The directors who held office during the year were as follows

AK Mackenzie
IAD Peters
PWG Tom
SN Vivian

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Directors' report *(continued)*

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG Audit Plc will, therefore, continue in office

By order of the board



RE McDonald
Secretary

Breedon Quarry
Main Street
Breedon on the Hill
Derby
DE73 8AP

24 April 2013

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

The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Breedon Holdings Limited

We have audited the financial statements of Breedon Holdings Limited for the year ended 31 December 2012 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Breedon Holdings Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Graham Neale (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

24 April 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	Underlying	2012 Exceptional (note 3)	Total	Underlying	2011 Exceptional (note 3)	Total
		£000	£000	£000	£000	£000	£000
Administrative expenses		(2,487)	(149)	(2,636)	(2,165)	(45)	(2,210)
Other operating income		725	-	725	731	-	731
Operating loss	2	(1,762)	(149)	(1,911)	(1,434)	(45)	(1,479)
Interest receivable and similar income	6			2,453			2,223
Interest payable and similar charges	7			(2,905)			(3,027)
Loss on ordinary activities before taxation				(2,363)			(2,283)
Tax on loss on ordinary activities	8			54			-
Loss for the financial year	14			(2,309)			(2,283)

All operating activities were derived from continuing activities

There is no difference between the reported results and the total recognised results in either the current or preceding financial year

Movement on reserves is shown in note 14

Balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	£000	2011 £000	£000
Fixed assets					
Investments	9		-		-
Current assets					
Debtors	10	57,181		54,978	
Creditors: amounts falling due within one year	11	<u>(3,787)</u>		<u>(3,613)</u>	
Net current assets			53,394		51,365
Total assets less current liabilities			53,394		51,365
Creditors: amounts falling due after more than one year	12		<u>(82,575)</u>		<u>(78,237)</u>
Net liabilities			<u>(29,181)</u>		<u>(26,872)</u>
Capital and reserves					
Called up share capital	13		1		1
Share premium account	14		11,025		11,025
Profit and loss account	14		<u>(40,207)</u>		<u>(37,898)</u>
Shareholder's deficit			<u>(29,181)</u>		<u>(26,872)</u>

These financial statements were approved by the board of directors on 24 April 2013 and were signed on its behalf by



IAD Peters
Director

Company number 06773575

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The nature of the Company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information and after making appropriate enquiries, taking into account the available banking facilities and the support from the Company's principal bankers, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

Subsidiary undertakings ("subsidiaries")

Investments in subsidiaries are stated at cost less amounts written off. Only dividends received are credited to the Company's profit and loss account. As permitted by Section 400 of the Companies Act 2006, consolidated financial statements have not been prepared since the Company is itself a wholly-owned subsidiary undertaking of another company.

Related party transactions

As the Company is a wholly owned subsidiary of Breedon Aggregates Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with Group undertakings.

Cash flow statement

In accordance with FRS 1 Cash flow statements, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking of Breedon Aggregates Limited.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes and accounting purposes which have arisen, but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred Tax.

Post retirement benefits

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

Leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Notes (continued)

1 Accounting policies (continued)

Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company, Breedon Aggregates Limited. The fair value of options granted are expensed. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, these are also accounted for as equity settled in the accounts of this Company. Share based payments are recharged by the ultimate parent company to participating subsidiary undertakings on an annual basis.

2 Operating loss

	2012 £000	2011 £000
<i>Operating loss is stated after charging</i>		
<i>Auditor's remuneration*</i>		
Auditor's remuneration – audit of these financial statements	5	5

Amounts receivable by the Company's auditor in respect of services to the Company other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent undertaking, Breedon Aggregates Limited.

3 Exceptional items

During the current and prior years, the Company incurred legal costs in connection with its banking facilities as a result of disposals and acquisitions made by fellow subsidiary undertakings. During the current year, the Company also incurred costs in respect of previous redundancies. These costs are analysed as follows:

	2012 £000	2011 £000
Legal costs in connection with Group disposals and acquisitions	(97)	(45)
Redundancy costs	(52)	-
	<u>(149)</u>	<u>(45)</u>

Notes (continued)

4 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	1,074	623
Company contributions to defined contribution pension schemes	10	37
	<u>1,084</u>	<u>660</u>

The aggregate of emoluments of the highest paid director was £741,000 (2011 £425,000) and company pension contributions of £Nil (2011 £Nil) were made to a defined contribution pension scheme on his behalf

	Number of directors 2012	2011
Retirement benefits are accruing to the following number of directors under		
Defined contribution schemes	-	1

5 Staff numbers and costs

All UK staff are employed by Breedon Group Services Limited, the Breedon Aggregates Limited group employment services company. The disclosures below represent the underlying costs recharged in respect of those persons working for the Company.

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2012	2011
Administration	4	4

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	1,231	816
Social security costs	166	107
Other pension costs	38	62
Equity-settled share based payments	58	34
	<u>1,493</u>	<u>1,019</u>

6 Other interest receivable and similar income

	2012 £000	2011 £000
Bank interest receivable	2	-
Group interest receivable	2,451	2,223
	<u>2,453</u>	<u>2,223</u>

Notes (continued)

7 Interest payable and similar charges

	2012 £000	2011 £000
On bank loans and overdrafts	2,905	3,023
Other interest	-	4
	<u>2,905</u>	<u>3,027</u>

8 Taxation

Analysis of credit in period

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax credit for the period	54	-
	<u>54</u>	<u>-</u>
Tax on loss on ordinary activities	54	-
	<u>54</u>	<u>-</u>

Factors affecting the tax credit for the current period

The current tax credit for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(2,363)	(2,283)
	<u>(579)</u>	<u>(605)</u>
Current tax at 24.5% (2011 26.5%)	(579)	(605)
<i>Effects of</i>		
Expenses not deductible for tax purposes	52	20
Group relief	473	585
	<u>(54)</u>	<u>-</u>
Total current tax credit (see above)	(54)	-

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Company's future current tax charge accordingly.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Company's future current tax charge.

Notes (continued)

9 Fixed asset investments

Company

Shares in
subsidiary
undertaking
£000

Cost and net book value

At beginning and end of year

-

Details of the investments in subsidiary undertakings at the end of the period are as follows

Name of company	Country of incorporation	Description of shares	Proportion held	Nature of business
<i>Held directly</i>				
Enneurope Holdings Limited	England	Ordinary	100%	Non-trading
<i>Held indirectly</i>				
Enneurope Limited	England	Ordinary	100%	Non-trading

10 Debtors

	2012 £000	2011 £000
Amounts owed by Group undertakings	56,608	54,424
Other debtors	36	39
Prepayments and accrued income	537	515
	<u>57,181</u>	<u>54,978</u>

11 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdrafts (see note 12)	676	956
Trade creditors	70	73
Amounts owed to Group undertakings	346	94
Other creditors	1,113	1,023
Accruals and deferred income	1,582	1,467
	<u>3,787</u>	<u>3,613</u>

Notes (continued)

12 Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Bank loans and overdrafts	63,089	72,978
Amounts owed to Group undertakings	19,486	5,259
	<u>82,575</u>	<u>78,237</u>

Bank loans and overdrafts falling due after more than one year are all part of the UK facilities agreement which, together with the UK overdrafts, are secured on certain freehold and leasehold properties and other assets of the UK group. All borrowings under the UK facilities agreement are due to be repaid on 5 September 2015.

13 Called up share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
85,571 ordinary shares of 1p each	856	856
	<u>856</u>	<u>856</u>

14 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	11,025	(37,898)
Loss for the financial year	-	(2,309)
	<u>11,025</u>	<u>(40,207)</u>
At end of year	11,025	(40,207)

15 Reconciliation of movements in shareholder's deficit

	2012 £000	2011 £000
Loss for the financial year	(2,309)	(2,283)
	<u>(2,309)</u>	<u>(2,283)</u>
Net reduction in shareholder's deficit	(2,309)	(2,283)
Opening shareholder's deficit	(26,872)	(24,589)
	<u>(29,181)</u>	<u>(26,872)</u>
Closing shareholder's deficit	(29,181)	(26,872)

Notes (continued)

16 Share based payments

Performance Share Plan

On 23 May 2011, the Breedon Aggregates Group ("the Group"), of which the Company is a member, adopted the Breedon Aggregates Performance Share Plan (the "PSP") to increase the interest of employees in the Group's long term business goals and performance through share ownership. Under the PSP, awards may be granted as conditional shares or as nil paid (or nominal cost) options. Awards will normally vest three years after grant subject to satisfaction of the Performance Condition.

On 23 May 2011, the Group awarded conditional awards over 1,572,111 shares under the PSP (the "Initial Award") in respect of the Company. No PSP awards were forfeited, exercised or expired during either the current or prior years. No PSP awards were made in the current year.

Performance Condition

The Performance Condition applicable to the Initial Award is that the average annual growth in the Group's total shareholder return over the Performance Period must be at least 12.5% per annum.

Performance Period

The Performance Period applicable to the Initial Award is the period starting on 6 September 2010 and ending on or after 6 September 2013 but no later than 6 September 2015.

Valuation of PSP awards

The fair value of PSP awards was calculated using a binomial valuation model which valued the awards at £165,000 which will be recognised over the period to 6 September 2013. In the current year, £55,000 (2011: £32,000) has been recognised as an expense in the Profit and Loss Account in respect of PSP awards.

The binomial valuation model uses the following assumptions:

Date of grant	May 2011
Share price at date of grant	16.13 pence
Total shares under award	1,572,111
Expected volatility	40%
Risk-free rate	2.41%
Expected term	3.65 years

Share options

During the year, the Group adopted a savings related share option scheme open to all employees (the "Breedon Sharesave Scheme").

The number and weighted average exercise prices of options granted under the Breedon Sharesave Scheme are as follows:

	Weighted average exercise price	Number of options
At beginning of year	15.4p	204,499
Granted during the year	16.6p	81,226
At end of year	15.8p	285,725

Notes (continued)

16 Share based payments (continued)

Share options (continued)

Details of share options outstanding at 31 December were as follows

	2012 Number	2011 Number	Exercise price	Exercise period
Breedon Sharesave Scheme	60,533	60,533	16 4p	1 May 2014 to 31 October 2014
Breedon Sharesave Scheme	143,966	143,966	15 0p	1 May 2016 to 31 October 2016
Breedon Sharesave Scheme	81,226	-	16 6p	1 May 2015 to 31 October 2015
	<u>285,725</u>	<u>204,499</u>		

The fair value of services received in return for scheme options granted is measured based on a modified Black Scholes Valuation Model using the following assumptions

	May 2012	May 2011	May 2011
Date of grant			
Fair value at measurement date	6 0p	3 2p	5 3p
Share price at date of grant	20 5p	17 5p	17 5p
Exercise price	16 6p	16 4p	15 0p
Expected volatility	27 93%	18 69%	18 69%
Option life	3 years	3 years	5 years
Expected dividend yield	0%	0%	0%
Risk free interest rate	0 55%	1 80%	1 80%

17 Contingent liabilities

The Company has guaranteed the loans and overdrafts of Breedon Aggregates Limited and its fellow UK subsidiary undertakings. At 31 December 2012, the amount outstanding was £Nil (2011 £2,159,000)

The Company has guaranteed the finance lease liabilities of certain of its fellow UK subsidiaries. The amount outstanding at 31 December 2012 was £5,722,000 (2011 £7,900,000)

18 Commitments

The Company has no commitments at the end of the financial year (2011 £Nil)

19 Pension scheme

Defined contribution pension scheme

During the year and in the prior year since 5 April 2011, the Company has contributed to the Breedon Aggregates Group Personal Pension Plan (the Breedon Scheme) which is a contract based defined contribution scheme funded by way of an HMRC approved salary sacrifice arrangement. In the period to 5 April 2011, the Company participated in the Group's trust based defined contribution scheme, the Ennstone Group Pension Scheme (the "Ennstone Scheme"), which was closed on 5 April 2011.

The pension costs charged during the year, which include the portion of salary sacrificed, were £Nil (2011 £12,000) in respect of the Ennstone Scheme and £38,000 (2011 £50,000) in respect of the Breedon Scheme. There were no outstanding contributions at the end of either the current or preceding financial year in respect of either scheme.

Notes *(continued)*

20 Related party transactions

The Company is a wholly-owned subsidiary of Breedon Aggregates Limited, a company whose financial statements are publicly available and therefore is exempt from the requirement to disclose transactions with entities which are part of the Breedon Aggregates Limited group or investees of the Breedon Aggregates group qualifying as related parties

21 Ultimate parent undertaking

The Company's immediate parent undertaking is Marwyn Materials Investments Limited, a company incorporated in Jersey and the Company's ultimate parent undertaking is Breedon Aggregates Limited, also a company incorporated in Jersey

The consolidated results of Breedon Aggregates Limited include the results of the Company and copies of its consolidated financial statements can be obtained from the Company Secretary, Breedon Aggregates Limited, Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT