

**Breedon Holdings Limited**

**Directors' report and consolidated  
financial statements**

Registered number 06773575

31 December 2009



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## Directors' report

The directors present their annual report and the audited consolidated financial statements for the period from incorporation to 31 December 2009

### Principal activities

The principal activities of the business are the quarrying of aggregates and the production of added value products, including asphalt and ready mixed concrete, together with related activities in both the United Kingdom and Poland

### Business review

#### *Overview*

The Company was incorporated on 15 December 2008 as Hamsard 3148 Limited and changed its name to Breedon Holdings Limited on 26 February 2009

On 9 March 2009, the Company entered into a Facilities Agreement with Barclays Bank PLC and others (the "Banks") under which the Banks made available to the Company up to £140 million of borrowings. On the same date, the Company acquired the entire issued share capital of certain subsidiaries, together with certain other assets, of Ennstone plc (in administration) (the "Ennstone Businesses") for a combined purchase price of £125.7 million, and commenced trading.

The Ennstone Businesses comprise, inter alia, the trading subsidiaries of Ennstone Johnston Limited (England), Ennstone Thistle Limited (Scotland) and Ennstone Sp. z o.o. (Poland). The principal activities of the Ennstone Businesses are the production and sale of aggregates, asphalt, and ready mixed concrete and the provision of road surfacing services in central England and northern Scotland, and the production and sale of aggregates and ready mixed concrete in north west Poland.

The loss on ordinary activities for the period before taxation amounted to £13.6 million on turnover of £122.8 million. Operating profit before exceptional items amounted to £7.0 million. Net cash inflow from operating activities for the period was £13.2 million.

During the period under review, the general economic downturn continued to have a harsh impact in the construction industry in each of the Ennstone Businesses' markets, with housing markets remaining depressed and government infrastructure and local authority expenditure also being restricted. Many major projects in their operating areas faced delays and competition in each of their market places intensified.

Against this background, each of the Ennstone Businesses has conducted a detailed review of its cost base and has implemented a series of measures to ensure that it remains competitive whilst maintaining its ability to respond quickly to the needs of its customers.

All business are very well positioned to benefit from any upturn in trading conditions.

#### *Strategy*

The Group continues to focus on utilising its resources to maximise cash generation. In doing so it will seek to maintain its position as a low cost producer of high quality products and services.

## **Directors' report** *(continued)*

### **Business review** *(continued)*

#### *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 Group'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 Group maintains good communications with all providers of finance to mitigate this risk.
- Local authority investment – a significant proportion of the business is dependent on current and future local authority spend. It endeavours to maintain a spread of work, including the private sector, 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.
- Key material prices – bitumen and cement are key materials in the added value products that the Group produces. Increases in market prices will have an immediate impact on margins. To minimise this risk, the company endeavours to pass increased costs on to its customers.
- Contract management risk – good management of contracts is essential to the business, both financially and to its reputation. The Group has adopted management procedures to reduce this risk.

The Group's operational key performance indicators are centred around unit operating profit, sales prices per tonne, contract profitability and overall Group profit.

The Board has appointed Mr John Foldes as Chief Risk Officer, reporting to the Chairman, and has established an internal audit function, which reports directly to the Audit Committee.

#### *Health and safety*

Health and safety remains core to the Group's business. The Group uses an Envoy Health and Safety Management System and places substantial resource in this important area. Mr Ciaran Kennedy has been designated as the Director responsible for Health and Safety matters. The Board receives monthly reports which include data on reportable accidents and near misses around the Group.

The Group has set stretching Key Performance targets for 2010 in relation to its Accident Incident Rate, its Lost Time Frequency Rate, and its Lost Time Injury Severity Rate. Performance against these targets is reported to the Board on a monthly basis.

#### *Corporate social responsibility (CSR)*

Breedon Holdings Limited recognises the importance of balancing the interest of key stakeholders – customers, employees, lenders, investors, suppliers and the wider community in which it operates. The Group remains committed to continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation. At the end of 2009, 20 of its business units had achieved accreditation in accordance with BS EN ISO 14001:2004 and 5 further units are targeted to achieve such accreditation during 2010. It has also established a number of community liaison groups to encourage dialogue between its businesses and the communities in which they operate in connection with matters such as planning and development, transport and road usage, and community support.

#### *Outlook*

The Directors believe that the markets in which the Ennstone Businesses operate will remain challenging in 2010, but that due to investment in prior years and careful management of cash and costs, they each remain well placed to take advantage of any opportunities that arise. The Group continues to concentrate on the production of high value single-sized aggregates and in developing routes to market through value added products such as asphalt, ready-mixed concrete and the surfacing business.

## Directors' report *(continued)*

### Dividends

No dividends have been declared and paid in respect of the period ended 31 December 2009

### Directors

The directors who held office during the period were as follows

SR Smith	(appointed 26 February 2009)
JEP Cooper	(appointed 9 March 2009)
JHR Foldes	(appointed 26 November 2009)
CA Kennedy	(appointed 26 November 2009)
AK Mackenzie	(appointed 26 November 2009)
CV McLeod	(appointed 2 March 2009, resigned 23 September 2009)
PM Crossley	(appointed 15 December 2008, resigned 26 February 2009)
Hammonds Directors Limited	(appointed 15 December 2008, resigned 26 February 2009)

Additionally, Mr MA Ogden was appointed as a director on 11 March 2010

### Creditor payment policy

The Group does not follow any code or standard on payment practices as it is the Group's policy to settle creditors promptly on mutually agreed terms. The terms will vary from supplier to supplier and suppliers will be aware of the terms of payment. At the year end, the number of days purchases in trade creditors was 41 days.

### Employees

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

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

### Political and charitable contributions

During the period, the Group made charitable donations, which totalled £875.

### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

### Auditor

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP, having been appointed during the year, will therefore continue in office.

By order of the board

  
**RE McDonald**  
Secretary

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

23 July 2010

## **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 Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company 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 Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.



## KPMG LLP

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Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

### **Independent auditors' report to the members of Breedon Holdings Limited**

We have audited the financial statements of Breedon Holdings Limited for the year ended 31 December 2009 set out on pages 7 to 39. 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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB'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 APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the period 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 auditors' 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



**G Neale (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

23 July 2010



**Consolidated profit and loss account**  
*for the 13 month period ended 31 December 2009*

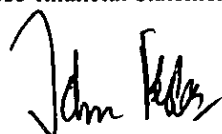
	<i>Note</i>	<b>2009 Underlying £000</b>	<b>2009 Exceptional (note 3) £000</b>	<b>2009 Total £000</b>
<b>Group turnover</b>	<b>2</b>	<b>122,835</b>	<b>-</b>	<b>122,835</b>
Cost of sales		(83,427)	(678)	(84,105)
<b>Gross profit</b>		<b>39,408</b>	<b>(678)</b>	<b>38,730</b>
Distribution costs		(19,974)	-	(19,974)
Administrative expenses		(13,937)	(2,121)	(16,058)
Goodwill credit/(charge)		1,549	(6,313)	(4,764)
<b>Group operating profit/(loss)</b>	<b>4</b>	<b>7,046</b>	<b>(9,112)</b>	<b>(2,066)</b>
Share of profit of associates	12			1,095
<b>Total operating loss</b>				<b>(971)</b>
Other interest receivable and similar income	7			5
Interest payable and similar charges	8			(12,622)
<b>Loss on ordinary activities before taxation</b>				<b>(13,588)</b>
Tax on loss on ordinary activities	9			(93)
<b>Loss on ordinary activities after taxation</b>				<b>(13,681)</b>
Minority interests	20			(17)
<b>Loss for the financial period</b>				<b>(13,698)</b>

All profits and losses during the period arose from acquisitions in the period and are in respect of continuing activities

**Consolidated balance sheet**  
*at 31 December 2009*

	<i>Note</i>	2009 £000	2009 £000
<b>Fixed assets</b>			
Intangible assets	<i>10</i>		
Goodwill			-
Negative goodwill			(34,422)
			<hr/>
Net goodwill			(34,422)
Tangible assets	<i>11</i>		194,869
Investments in associates	<i>12</i>		1,276
			<hr/>
			161,723
<b>Current assets</b>			
Stocks	<i>13</i>	6,825	
Debtors	<i>14</i>	26,577	
Cash at bank and in hand		959	
		<hr/>	
		34,361	
<b>Creditors, amounts falling due within one year</b>	<i>15</i>	(44,169)	
		<hr/>	
<b>Net current liabilities</b>			(9,808)
			<hr/>
<b>Total assets less current liabilities</b>			151,915
<b>Creditors, amounts falling due after more than one year</b>	<i>16</i>		(154,233)
<b>Provisions for liabilities</b>	<i>17</i>		(9,769)
			<hr/>
<b>Net liabilities</b>			(12,087)
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>18</i>		1
Profit and loss account	<i>19</i>		(12,161)
			<hr/>
			(12,160)
Minority interests	<i>20</i>		73
			<hr/>
<b>Equity</b>			(12,087)
			<hr/>

These financial statements were approved by the board of directors on 23 July 2010 and were signed on its behalf by



**JHR Foldes**  
*Director*  
Company number 06773575

**Company balance sheet**  
*at 31 December 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	<i>12</i>		111,838
			<hr/>
<b>Current assets</b>			
Debtors	<i>14</i>	11,874	
<b>Creditors</b> amounts falling due within one year	<i>15</i>	(20,882)	
		<hr/>	
<b>Net current liabilities</b>			(9,008)
			<hr/>
<b>Total assets less current liabilities</b>			102,830
<b>Creditors</b> amounts falling due after more than one year	<i>16</i>		(121,028)
			<hr/>
<b>Net liabilities</b>			(18,198)
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>18</i>		1
Profit and loss account	<i>19</i>		(18,199)
			<hr/>
<b>Equity</b>			(18,198)
			<hr/>

These financial statements were approved by the board of directors on 23 July 2010 and were signed on its behalf by



**JHR Foldes**  
*Director*

Company number 06773575

**Consolidated cash flow statement**  
*for the 13 month period ended 31 December 2009*

	<i>Note</i>	<b>2009 £000</b>
<b>Cash flow statement</b>		
Cash flow from operating activities	25	13,233
Returns on investments and servicing of finance	26	(6,339)
Taxation		(512)
Capital expenditure	26	(1,537)
Acquisitions and disposals	26	(123,741)
		<hr/>
Cash outflow before financing		(118,896)
Financing	26	115,445
		<hr/>
<b>Decrease in cash in the period</b>		<b>(3,451)</b>
		<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>		
<b>Decrease in cash in the period</b>		<b>(3,451)</b>
Cash inflow from increase in debt and lease financing		(115,444)
		<hr/>
Change in net debt resulting from cash flows		(118,895)
Loans and finance leases acquired with subsidiary		(39,433)
Non-cash interest		(5,796)
Translation differences		(868)
		<hr/>
<b>Movement in net debt in the period</b>		<b>(164,992)</b>
<b>Net debt at the start of the period</b>		<b>-</b>
		<hr/>
<b>Net debt at the end of the period</b>	27	<b>(164,992)</b>
		<hr/>

**Consolidated statement of total recognised gains and losses**  
*for the 13 month period ended 31 December 2009*

	2009 £000
Loss for the financial period	(13,698)
Net exchange differences on the retranslation of net investments	1,537
<b>Total recognised gains and losses</b>	<b>(12,161)</b>

**Reconciliation of movements in shareholders' funds**  
*for the 13 month period ended 31 December 2009*

	2009 Group £000	2009 Company £000
Loss for the financial period	(13,698)	(18,199)
Other recognised gains and losses relating to the period (net)	1,537	
New share capital subscribed (net of issue costs)	1	1
<b>Net reduction in shareholders' funds</b>	<b>(12,160)</b>	<b>(18,198)</b>
Opening shareholders' funds	-	-
<b>Closing shareholders' funds</b>	<b>(12,160)</b>	<b>(18,198)</b>

## 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, adjusted for the revaluation of certain freehold properties

#### ***Going concern***

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Group meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The nature of the Group'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 Group's principal bankers, the directors consider that the Group 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.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2009. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

#### ***Turnover***

Turnover is defined as the value of goods and services supplied net of trade discounts, VAT and other sales related taxes. Turnover is derived exclusively from the group's principal activities in the United Kingdom and Poland.

#### ***Long term contracts***

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Restoration costs*

Provision is made for the cost of restoring sites subject to extraction to comply with contractual, environmental, planning and other legislation. The obligation will be settled through to the end of the production lives of the related quarries. Restoration provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### *Depreciation*

Mineral reserves and related interests are amortised over their estimated useful economic lives on the basis of tonnage extracted.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valuation of fixed assets over their estimated useful lives as follows:

Freehold buildings	- 50 years
Leasehold buildings	- life of lease
Office equipment	- 3-5 years
Motor vehicles	- 4 years
Fixtures and fittings	- 10 years
Plant and equipment	
Fixed	- 20 years
Mobile	- 3 to 10 years

Land is not depreciated.

All minerals and land and buildings were valued at acquisition. Mineral reserves and land and buildings are revalued at least every five years, with the surplus or deficit on book value being transferred to the revaluation reserves, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same site, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

#### *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.

#### *Stocks*

Stocks are valued at the lower of net realisable value and cost, which includes production overheads where applicable.

#### *Post retirement benefits*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leases*

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

Assets held under finance leases are capitalised and the capital element of future repayments included within creditors. Depreciation on such assets is charged to the profit and loss account over the shorter of the term of the lease and useful life. Finance charges are allocated to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the obligation.

#### *Goodwill*

Goodwill arising on acquisitions represents the difference between the fair value of the purchase consideration and the fair value of the net assets acquired. The Group follows the provisions of FRS 10 whereby goodwill is capitalised and amortised by equal annual instalments over its estimated useful economic life, which is determined individually for each acquisition, normally a period not exceeding twenty years. Negative goodwill is credited to the balance sheet and amortised over the lives of the underlying asset to which it relates. Goodwill is reviewed for potential impairments if there are indications that the carrying value might be impaired.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

The currency which most influences the group financial statements is the Polish Zloty. The relevant exchange rates between sterling and Polish Zloty were:

9 March rate	-	5 332
Average rate	-	4 852
Closing rate	-	4 599

#### *Research and development expenditure*

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### *Cash and liquid resources*

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.



## Notes (continued)

### 2 Segmental information

The table below sets out information for each of the Group's geographic areas of operation

	2009 United Kingdom £000	Poland £000	Central administration £000	Total £000
<b>Turnover</b>				
Turnover by origin	113,958	8,877	-	122,835
<b>Underlying Group operating profit/(loss)</b>	9,560	(467)	(2,047)	7,046
Exceptional costs (note 3)	(1,504)	(6,069)	(1,539)	(9,112)
<b>Group operating profit/(loss)</b>	8,056	(6,536)	(3,586)	(2,066)
Share of profit of associates	1,080	15	-	1,095
<b>Operating profit/(loss) before interest</b>	9,136	(6,521)	(3,586)	(971)
Net interest				(12,617)
<b>Loss on ordinary activities before taxation</b>				(13,588)
<b>Net liabilities</b>				
Segment net assets	134,219	16,723	5,165	156,107
Unallocated net liabilities				
Net debt				(164,992)
Taxation				(11)
Deferred taxation				(3,191)
<b>Total net liabilities</b>				(12,087)

Included in net debt is net indebtedness in Poland of £5,856,000 comprising of cash of £88,000, bank overdrafts of £804,000 and finance lease liabilities of £5,140,000

The analysis of turnover by geographical destination is the same as that by geographical origin. In the directors' opinion, there is only one class of business, being the supply of construction materials.

### 3 Exceptional items

During the period, the Group commenced trading and made several acquisitions as detailed in note 21. As a result of the acquisitions, the Group incurred several one-off costs, including commission, valuation and other professional fees. These costs have been included in exceptional costs. Additionally, the Group incurred redundancy costs in respect of the reorganisation of parts of the businesses acquired. Following a strategic review of certain sites, asset impairments have been made to reflect the recoverable amount of certain assets at those sites. Additionally, a review of goodwill was undertaken at the period end, in particular in respect of the Polish business, resulting in certain impairments being made as a result of the deterioration in market conditions since acquisition.

## Notes (continued)

### 3 Exceptional items (continued)

	2009 £000
Included in cost of sales	
Impairment of fixed assets	377
Impairment of stocks	301
	<hr/> 678 <hr/>
Included in administration expenses	
Redundancy costs	1,798
Commission, valuation and professional fees	323
	<hr/> 2,121 <hr/>
Included in goodwill credit/(charge)	
Impairment of goodwill	6,313
	<hr/>
Total exceptional items	<hr/> 9,112 <hr/>

### 4 Loss on ordinary activities before taxation

	2009 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting)</i>	
Depreciation and other amounts written off tangible fixed assets	
Owned	7,441
Leased	5,225
Amortisation of goodwill	(1,549)
Hire of plant and machinery - rentals payable under operating leases	636
Hire of other assets - operating leases	577
Profit on sale of fixed assets	(356)
	<hr/>
<i>Auditors remuneration</i>	
Audit of these financial statements	20
Amounts receivable by auditors and their associates in respect of	
Audit of financial statements of subsidiaries pursuant to legislation	113
Other services relating to taxation	50
Other services - pensions	55
	<hr/>

Amounts paid to the Company's auditors 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

## Notes (continued)

### 5 Remuneration of directors

	2009 £000
Directors' emoluments	267
Company contributions to money purchase pension schemes	57
Compensation for loss of office	697
Amounts paid to third parties in respect of directors' services	236

The aggregate of emoluments of the highest paid director was £222,000, and company pension contributions of £51,085 were made to a money purchase scheme on his behalf. He also received £697,000 compensation for loss of office.

	Number of directors 2009
Retirement benefits are accruing to the following number of directors under	
Money purchase schemes	3

### 6 Staff numbers and costs

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

	Number of employees Group 2009
Production	861
Administration	80
	941

The aggregate payroll costs of these persons were as follows:

	Group 2009 £000
Wages and salaries	20,033
Social security costs	2,089
Other pension costs	705
	22,827

## Notes (continued)

### 7 Other interest receivable and similar income

	2009 £000
Other interest receivable	5
	<hr/>

### 8 Interest payable and similar charges

	2009 £000
On bank loans and overdrafts	9,406
On all other loans	526
Finance charges payable in respect of finance leases and hire purchase contracts	2,526
Discounted provisions	
Unwinding of discount	164
	<hr/>
	12,622
	<hr/>

### 9 Taxation

#### *Analysis of charge in period*

	2009 £000
<i>UK corporation tax</i>	
Current tax on income for the period	-
<i>Foreign tax</i>	
Current tax on income for the period	66
	<hr/>
<b>Total current tax</b>	<b>66</b>
<i>Deferred tax</i>	
Total deferred tax	27
	<hr/>
Tax on loss on ordinary activities	93
	<hr/>

## Notes (continued)

### 9 Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 28%. The differences are explained below

	2009 £000
<i>Current tax reconciliation</i>	
Loss on ordinary activities before tax	(13,588)
	<hr/>
Current tax at 28%	(3,805)
<i>Effects of</i>	
Expenses not deductible for tax purposes	1,093
Capital allowances for period in excess of depreciation	183
Unrelieved tax losses	589
Rollover relief on profit on disposal of property	
Different tax rates on overseas earnings	328
Depreciation on ineligible	1,222
Other timing differences	766
Income from associates already taxed	(310)
	<hr/>
Total current tax charge (see above)	66
	<hr/>

#### Factors that may affect future tax charges

The tax charge in future years is likely to be lower than the standard rate of corporation tax due to the availability of unrecognised tax losses and a lower prevailing rate in Poland

### 10 Intangible fixed assets

Group	Goodwill £000	Negative goodwill £000	Total £000
<i>Cost</i>			
Additions (note 21)	6,725	(36,383)	(29,658)
	<hr/>	<hr/>	<hr/>
At end of period	6,725	(36,383)	(29,658)
	<hr/>	<hr/>	<hr/>
<i>Amortisation and impairment</i>			
Charged in period	412	-	412
Credited in period	-	(1,961)	(1,961)
Impairment losses	6,313	-	6,313
	<hr/>	<hr/>	<hr/>
At end of period	6,725	(1,961)	4,764
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2009	-	(34,422)	(34,422)
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 10 Intangible fixed assets (continued)

The goodwill arising on the acquisition of Enneurope Limited and the assets acquired by Breedon Properties Limited was reviewed for impairment at 31 December 2009 and fully provided for

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises

Negative goodwill arising on the acquisitions detailed in note 21 will be released to the profit and loss account by equal annual instalments over a 15 year period being the approximate average life of the underlying quarries at the date of acquisition

### 11 Tangible fixed assets

#### Group

	Mineral reserves	Land and buildings	Plant, equipment and vehicles	Total
	£000	£000	£000	£000
<b>Cost</b>				
Acquired in business combination	87,251	29,119	87,069	203,439
Exchange adjustments	289	926	2,022	3,237
Additions	742	781	986	2,509
Disposals	(31)	(1)	(845)	(877)
At end of period	88,251	30,825	89,232	208,308
<b>Depreciation</b>				
Charge for period	1,976	533	10,157	12,666
Exchange adjustments	-	49	608	657
Disposals	-	-	(261)	(261)
Impairments	-	80	297	377
At end of period	1,976	662	10,801	13,439
<b>Net book value</b>				
At 31 December 2009	86,275	30,163	78,431	194,869

Included in the total net book value of plant, equipment and vehicles is £34,536,000 in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £5,225,000

The mineral reserves and land and buildings were acquired at fair value, on an existing use value basis, based on an external third party valuation performed by Gerald Eve LLP, Chartered Surveyors as at 9 March 2009

## Notes (continued)

### 11 Tangible fixed assets (continued)

The net book value of minerals and land and buildings comprises

	2009 Minerals £000	2009 Land and buildings £000
Freehold	46,695	26,368
Leasehold	39,580	3,795
	<hr/>	<hr/>
	86,275	30,163
	<hr/>	<hr/>

### 12 Fixed asset investments

#### Group

	Interests in associated undertakings £000
<i>Cost</i>	
Acquired in business combination	182
Exchange adjustments	(1)
	<hr/>
At end of period	181
	<hr/>
<i>Share of post acquisition reserves</i>	
Retained profits less losses	1,095
	<hr/>
At end of period	1,095
	<hr/>
<i>Net book value</i>	
At 31 December 2009	1,276
	<hr/>

## Notes (continued)

### 12 Fixed asset investments (continued)

#### Company

	Shares in group undertaking £000
<b>Cost</b>	
Additions	117,267
At end of period	117,267
<b>Provisions</b>	
Impairment	5,429
At end of period	5,429
<b>Net book value</b>	
At 31 December 2009	111,838

At 31 December 2009, the directors reviewed the carrying value of investments in subsidiary undertakings. An impairment provision was made to reduce the carrying value of Enneurope Limited to the value of its net assets.

The principal undertakings in which the Group's interest at the period end is more than 20% are as follows:

	Country of incorporation	Class and percentage of shares held	Principal activity
<b>Subsidiary undertakings</b>			
<b>Held directly</b>			
Ennstone Johnston Limited	England	100%	Production and sale of aggregates
Ennstone Thistle Limited	Scotland	100%	Production and sale of aggregates
Enneurope Limited	England	100%	Holding company
Ennstone Group Services Limited	England	100%	Service company
Breedon Properties Limited	England	100%	Property holding company
<b>Held indirectly</b>			
Alba Traffic Management Limited	Scotland	90%	Traffic management
Ennstone Sp z o o	Poland	100%	Production and sale of aggregates
<b>Associated undertakings</b>			
BEAR Scotland Limited	Scotland	37.5%	Road maintenance contracting
Betotest Polska Sp z o o	Poland	50%	Concrete testing



## Notes (continued)

### 12 Fixed asset investments (continued)

#### Associates

The following information is relevant to an understanding of the Group's investment in its associates and joint ventures

The total of the Group's profit after taxation from interests in associates was £1,095,000

Included above are the following individually significant associates

	2009	
	BEAR Scotland Limited £000	Betotest Polska Sp.z o.o. £000
Turnover	15,811	112
Profit before taxation	1,500	18
Taxation	(420)	(3)
Profit after tax	<u>1,080</u>	<u>15</u>
Fixed assets	2,523	27
Current assets	4,233	48
Liabilities due within one year	(3,779)	(14)
Liabilities due after one year	(1,762)	-
	<u>1,215</u>	<u>61</u>

### 13 Stocks

	Group 2009 £000
Raw materials and consumables	5,428
Finished goods and goods for resale	1,397
	<u>6,825</u>

## Notes (continued)

### 14 Debtors

	Group 2009 £000	Company 2009 £000
Trade debtors	18,548	-
Amounts recoverable on contracts	3,274	-
Amounts owed by group undertakings	-	10,898
Amounts owed by undertakings in which the company has a participating interest	1,152	-
Other debtors	845	46
Prepayments and accrued income	2,758	930
	<u>26,577</u>	<u>11,874</u>

### 15 Creditors: amounts falling due within one year

	Group 2009 £000	Company 2009 £000
Bank loans and overdrafts (see note 16)	4,410	11,863
Obligations under finance leases and hire purchase contracts	7,308	-
Trade creditors	13,130	1,014
Amounts owed to group undertakings	-	4,095
Amounts owed to undertakings in which the Company has a participating interest	31	-
Taxation and social security	9,410	-
Other creditors	3,368	-
Accruals and deferred income	6,501	3,910
Overseas taxation	11	-
	<u>44,169</u>	<u>20,882</u>

### 16 Creditors: amounts falling due after more than one year

	Group 2009 £000	Company 2009 £000
Bank loans and overdrafts	123,312	121,028
Obligations under finance leases and hire purchase contracts	30,921	-
	<u>154,233</u>	<u>121,028</u>

Included within bank loans and overdrafts due within one year are overdrafts in Poland of £804,000 which are secured on certain of the freehold and leasehold properties in the Polish business. These overdrafts are denominated in Polish Zloty. The overdraft is repayable on demand as part of a facility which expires on 31 December 2011.

Included within bank loans and overdrafts due within one year are overdrafts in the UK of £3,606,000 as part of the UK facilities agreement.

## Notes (continued)

### 16 Creditors' amounts falling due after more than one year (continued)

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 of the freehold and leasehold properties and other assets of the UK group. All the borrowings under the UK facilities agreement are due to be repaid on 9 March 2012, except for £50,000,000 which is due to be repaid on 9 March 2013.

Included within obligations under finance leases and hire purchase contracts are amounts repayable, by instalments, after five years of £4,628,000.

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

	Group 2009 £000
Within one year	7,308
In the second to fifth years	26,293
Over five years	4,628
	<hr/> 38,229 <hr/>

### 17 Provisions for liabilities

Group	Deferred taxation £000	Restoration provisions £000	Other provisions £000	Total £000
Amounts arising from business combinations	3,164	4,503	2,659	10,326
Exchange adjustments	-	94	-	94
Utilised during period	-	(249)	(592)	(841)
Charge/(credit) to the profit and loss for the period				
Additional amounts provided	27	(1)	-	26
Unwinding of discounted amount	-	164	-	164
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At end of period</b>	<b>3,191</b>	<b>4,511</b>	<b>2,067</b>	<b>9,769</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Restoration provisions principally comprise provisions for the cost of restoring sites subject to extraction where an obligation arises so as to comply with contractual, environmental, planning and other legislation. The obligation has been discounted and will be settled through to the end of the production lives of the related quarries.

Other provisions, which have not been discounted, comprise provisions for continued obligations for dilapidations, environmental requirements, warranty costs, and provisions for lease costs in respect of sites no longer being utilised by the Group. These obligations will be settled within the normal operating cycle.

## Notes (continued)

### 17 Provisions for liabilities (continued)

The elements of deferred taxation are as follows

	2009 £000
Difference between accumulated depreciation and amortisation and capital allowances	8,531
Other timing differences	(1,918)
Tax losses	(3,422)
	<hr/> 3,191 <hr/>

In addition, the Group has tax losses carried forward of £10 million for which no deferred tax asset has been provided

#### Company

The Company has no potential deferred tax liability

### 18 Called up share capital

	2009 £
<i>Authorised</i>	
10,000 A ordinary shares of 1p each	100
36,526 B ordinary shares of 1p each	365
6,064 C1 ordinary shares of 1p each	61
7,205 C2 ordinary shares of 1p each	72
7,205 C3 ordinary shares of 1p each	72
33,000 D ordinary shares of 1p each	330
	<hr/> 1,000 <hr/>
<i>Allotted, called up and fully paid</i>	
1 A ordinary shares of 1p each	-
36,526 B ordinary shares of 1p each	365
6,064 C1 ordinary shares of 1p each	61
7,205 C2 ordinary shares of 1p each	72
7,205 C3 ordinary shares of 1p each	72
28,070 D ordinary shares of 1p each	281
	<hr/> 851 <hr/>

The Company was incorporated on 15 December 2008 with an authorised share capital of 100 ordinary shares of £1 each of which 1 ordinary share of £1 each was allotted, called up and fully paid in cash

On 28 January 2009, the authorised share capital was increased to £1,000 by the creation of 90,000 new ordinary shares of 1p each and the subdivision of the then existing authorised share capital into 10,000 ordinary shares of 1p each. On the same date, the allotted, called up and fully paid ordinary share of £1 was subdivided into 100 ordinary shares of 1p each.

## Notes (continued)

### 18 Called up share capital (continued)

On 9 March 2009, the authorised share capital was reclassified into 10,000 A ordinary shares of 1p each, 36,526 B ordinary shares of 1p each, 6,064 C1 ordinary shares of 1p each, 7,205 C2 ordinary shares of 1p each, 7,205 C3 ordinary shares of 1p each and 33,000 D ordinary shares of 1p each. On the same date, the existing 100 allotted, called up and fully paid ordinary shares of 1p each were reclassified into 1 A ordinary shares of 1p and 99 B ordinary shares of 1p each.

Also on 9 March 2009, 36,427 B ordinary shares of 1p each, 6,064 C1 ordinary shares of 1p each, 7,205 C2 ordinary shares of 1p each, 7,205 C3 ordinary shares of 1p each and 28,070 D ordinary shares of 1p each were issued at par for a total cash consideration of £850.

### 19 Reserves

#### Group

#### Profit and loss account £000

Loss for the year	(13,698)
Exchange adjustment	1,537
	<hr/>
<b>At end of period</b>	<b>(12,161)</b>
	<hr/>

#### Company

#### Profit and loss account £000

Loss for the period	(18,199)
	<hr/>
<b>At end of period</b>	<b>(18,199)</b>
	<hr/>

The Company's loss for the financial period was £18,199,000.

### 20 Minority interests

#### Group 2009 £000

Arising on business combination	56
Share of profit for period	17
	<hr/>
<b>At end of period</b>	<b>73</b>
	<hr/>

## Notes (continued)

### 21 Acquisitions

On 26 February 2009, the Group subscribed for one ordinary share of £1 at par in the share capital of Breedon Properties Limited

On 9 March 2009, the Group acquired the entire issued share capital of Ennstone Thistle Limited. This transaction has been accounted for as an acquisition. The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition, are as follows

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves	19,613	21,009	40,622
Land and building	7,226	1,767	8,993
Plant and equipment	39,552	(1,293)	38,259
Intangibles – goodwill	7,302	(7,302)	-
Investment in associates	134	-	134
<b>Total fixed assets</b>	<b>73,827</b>	<b>14,181</b>	<b>88,008</b>
Stocks	4,875	(142)	4,733
Debtors	13,801	(414)	13,387
Cash	4,380	-	4,380
Creditors less than one year	(24,273)	-	(24,273)
Creditors more than one year	(8,798)	-	(8,798)
Provisions			
Restoration	(2,362)	107	(2,255)
Other	-	(307)	(307)
Deferred tax	(3,000)	-	(3,000)
Minority interests	(56)	-	(56)
<b>Total</b>	<b>58,394</b>	<b>13,425</b>	<b>71,819</b>
Consideration			
Cash		64,434	
Expenses		496	
<b>Total</b>			<b>64,930</b>
Negative goodwill arising			(6,889)

The fair value adjustments comprise

- the revaluation of certain minerals and land and buildings to reflect fair value at the date of acquisition,
- the impairment of certain minerals, land and buildings and plant and machinery to reflect its fair value at the date of acquisition,
- adjustments to stocks to reflect net realisable value,
- adjustments to debtors to reflect recoverable amounts,
- adjustments to provisions to reflect restoration costs to comply with environmental, planning and other legislation and to make provision for levy cost in respect of sites no longer being utilised

## Notes (continued)

### 21 Acquisitions (continued)

The negative goodwill arising in respect of this acquisition will be credited to the profit and loss account over 15 years

The results of Ennstone Thistle Limited in the period prior to acquisition were as follows

	Period from 1 January to 9 March 2009 £000
Turnover	11,478
Loss before taxation	(471)
Taxation	-
	<hr/>
Loss after taxation	(471)
	<hr/>

The underlying operating profit, before interest, tax and exceptional items, for the year ended 31 December 2008 amounted to £12,259,000. Operating profit before interest and tax amounted to £1,523,000.

Since the date of acquisition, Ennstone Thistle Limited has contributed the following cash flows to the Group

	Period from 9 March to 31 December 2009 £000
Net operating cash flow	8,273
Returns on investment and servicing of finance	(938)
Capital expenditure and financial investment	(827)
Financing	(324)
	<hr/>
	6,184
	<hr/>

## Notes (continued)

### 21 Acquisitions (continued)

On 9 March 2009, the Group acquired the entire issued share capital of Ennstone Johnston Limited. This transaction has been accounted for as an acquisition. The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves	35,888	8,928	44,816
Land and building	11,419	(6,261)	5,158
Plant and equipment	42,113	(2,376)	39,737
Intangibles – goodwill	13,995	(13,995)	-
<b>Total fixed assets</b>	<b>103,415</b>	<b>(13,704)</b>	<b>89,711</b>
Stock	6,152	(2,455)	3,697
Debtors	16,708	(1,389)	15,319
Cash	(3,584)	-	(3,584)
Creditors less than one year	(17,899)	(4,618)	(22,517)
Current tax payable	(257)	52	(205)
Creditors more than one year	(14,431)	-	(14,431)
Provisions			
Restoration	(906)	(765)	(1,671)
Other	(2,791)	439	(2,352)
Deferred tax	(3,540)	3,540	-
<b>Total</b>	<b>82,867</b>	<b>(18,900)</b>	<b>63,967</b>
Consideration			
Cash		34,226	
Expenses		342	
<b>Total</b>			<b>34,578</b>
Negative goodwill arising			<b>(29,389)</b>

The fair value adjustments comprise:

- the revaluation of certain minerals and land and buildings to reflect fair value at the date of acquisition,
- the impairment of certain minerals, land and buildings and plant and machinery to reflect its fair value at the date of acquisition,
- adjustments to stocks to reflect net realisable value,
- adjustments to debtors to reflect recoverable amounts,
- adjustments to creditors to reflect contractual liabilities including a historic pension liability,
- adjustments to provisions to reflect restoration costs to comply with environmental, planning and other legislation,
- adjustments to deferred tax balances



## Notes (continued)

### 21 Acquisitions (continued)

The negative goodwill arising in respect of this acquisition will be credited to the profit and loss account over 15 years

The results of Ennstone Johnston Limited in the period prior to acquisition were as follows

	Period from 1 January to 9 March 2009 £000
Turnover	9,991
Profit before taxation and exceptional costs	(1,566)
Exceptional costs	(276)
	<hr/>
Loss before taxation	(1,842)
Taxation	(66)
	<hr/>
Loss after taxation	(1,908)
	<hr/>

The underlying operating profit, before interest, tax and exceptional items, for the year ended 31 December 2008 amounted to £2,482,000. The operating loss before interest and tax amounted to £32,244,000.

Since the date of acquisition, Ennstone Johnston Limited has contributed the following cash flows to the Group

	Period from 9 March 2009 to 31 December 2009 £000
Net operating cash flow	7,147
Returns on investment and servicing of finance	(1,428)
Taxation	(205)
Capital expenditure and financial investment	(615)
Financing	(574)
	<hr/>
	4,325
	<hr/>

## Notes (continued)

### 21 Acquisitions (continued)

On 9 March 2009, the Group acquired the entire issued share capital of Enneurope Limited. This transaction has been accounted for as an acquisition. The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves	1,380	433	1,813
Land and building	4,856	643	5,499
Plant and equipment	10,027	(1,162)	8,865
Intangibles – goodwill	1,787	(1,787)	-
Investment in associates	48	-	48
	<hr/>	<hr/>	<hr/>
Total fixed assets	18,098	(1,873)	16,225
Stock	298	(1)	297
Debtors	1,856	(24)	1,832
Cash	(250)	-	(250)
Creditors less than one year	(2,951)	(90)	(3,041)
Current tax payable	(252)	-	(252)
Creditors more than one year	(4,261)	-	(4,261)
Provisions - Restoration	(1,036)	459	(577)
- Deferred tax	(403)	239	(164)
	<hr/>	<hr/>	<hr/>
Total	11,099	(1,290)	9,809
	<hr/>	<hr/>	<hr/>
Consideration			
Cash		16,000	
Expenses		147	
		<hr/>	
Total			16,147
			<hr/>
Goodwill arising			6,338
			<hr/>

The fair value adjustments comprise:

- the revaluation of certain minerals and land and buildings to reflect fair value at the date of acquisition,
- the impairment of certain minerals, land and buildings and plant and machinery to reflect its fair value at the date of acquisition,
- adjustments to stocks to reflect net realisable value,
- adjustments to debtors to reflect recoverable amounts,
- adjustments to creditors to reflect contractual liabilities,
- adjustments to provisions to reflect restoration costs to comply with environmental, planning and other legislation,
- adjustments to deferred tax balances

## Notes (continued)

### 21 Acquisitions (continued)

The goodwill arising in respect of this acquisition has been written off in the period

The results of Enneurope Limited in the period prior to acquisition were as follows

	Period from 1 January to 9 March 2009 £000
Turnover	1,143
Loss before taxation	(1,763)
Taxation	26
Loss after taxation	(1,737)

The operating profit, before interest and tax, for the year ended 31 December 2008 amounted to £2,557,000

Since the date of acquisition, Enneurope Limited has contributed the following cash flows to the Group

	Period from 9 March 2009 to 31 December 2009 £000
Net operating cash flow	1,534
Returns on investment and servicing of finance	(391)
Taxation	(307)
Capital expenditure and financial investment	(117)
Financing	(1,173)
	(454)

## Notes (continued)

### 21 Acquisitions (continued)

On 9 March 2009, the Group acquired the entire issued share capital of Ennstone Group Services Limited. This transaction has been accounted for as an acquisition. The fair value of the consideration paid and the net assets acquired, together with the goodwill arising in respect of this acquisition, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Debtors	4,104	-	4,104
Cash	1,421	-	1,421
Creditors less than one year	(3,808)	-	(3,808)
<b>Total</b>	<b>1,717</b>	<b>-</b>	<b>1,717</b>
Consideration			
Cash		1,600	
Expenses		12	
<b>Total</b>			<b>1,612</b>
Negative goodwill arising			<b>(105)</b>

The negative goodwill arising in respect of this acquisition will be credited to the profit and loss account over 15 years.

The results of Ennstone Group Services Limited in the period prior to acquisition were as follows:

	Period from 1 January to 9 March 2009 £000
Turnover	4,568
Profit before taxation and exceptional costs	(16)
Exceptional costs	(21)
Loss before taxation	(37)
Taxation	-
Loss after taxation	(37)

The operating profit, before interest and tax for the year ended 31 December 2008 amounted to £13,000.

## Notes (continued)

### 21 Acquisitions (continued)

Since the date of acquisition, Ennstone Group Services Limited has contributed the following cash flows to the Group

	Period from 9 March 2009 to 31 December 2009 £000
Net operating cash flow	(5,254)
Returns on investment and servicing of finance	(4)
	<hr/> (5,258) <hr/>

On 9 March 2009, Breedon Properties Limited, one of the Group's subsidiary undertakings, acquired certain trade and assets from Ennstone plc (in administration). This transaction has been accounted for as an acquisition. The fair value of the consideration paid and the net assets acquired, together with the goodwill arising in respect of this acquisition, are as follows

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Land and building	7,151	2,318	9,469
Plant and equipment	230	(22)	208
	<hr/>	<hr/>	<hr/>
Total fixed assets	7,381	2,296	9,677
Debtors	1,060	(387)	673
Creditors less than one year	-	(721)	(721)
Creditors more than one year	-	(1,575)	(1,575)
	<hr/>	<hr/>	<hr/>
Total	8,441	(387)	8,054
	<hr/>	<hr/>	
Consideration			
Cash		8,166	
Expenses		275	
		<hr/>	
Total			8,441
			<hr/>
Goodwill arising			387
			<hr/>

## Notes (continued)

### 21 Acquisitions (continued)

The fair value adjustments comprise

- the revaluation of certain land and buildings to reflect fair value at the date of acquisition,
- the impairment of certain land and buildings and plant and machinery to reflect its fair value at the date of acquisition,
- adjustments to debtors to reflect recoverable amounts,
- Adjustments to creditors to reflect contractual liabilities

The goodwill arising in respect of this acquisition has been written off in the period

### 22 Contingent liabilities

The Group has guaranteed the hire purchase liability in respect of vehicles operating under the Group's owner driver scheme. The maximum contingent liability in respect of these guarantees amounts to £682,000.

The Company has guaranteed the overdrafts of its subsidiaries. At 31 December 2009 no amount was outstanding.

The Company has guaranteed the finance lease liabilities of certain of its UK subsidiaries. The amount outstanding at 31 December 2009 was £14,340,000.

The Group has guaranteed its share of the banking facilities of BEAR Scotland Limited, the Company's associated undertaking. The maximum liability at 31 December 2009 amounted to £1,837,500.

The Group has also guaranteed the performance of BEAR Scotland's contracts in respect of the maintenance of trunk roads in the NE and SE of Scotland and in respect of the M80 Operating and Maintenance contract.

### 23 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	Group 2009 £000
Contracted	512

- (b) Annual commitments under non-cancellable operating leases are as follows

Group	2009 Land and buildings £000	Other £000
Operating leases which expire		
Within one year	-	67
In the second to fifth years inclusive	132	19
Over five years	544	-
	<u>676</u>	<u>86</u>

The Company has no commitments at the end of the financial year.

## Notes (continued)

### 24 Pension scheme

#### *Defined contribution pension scheme*

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £705,000.

Contributions amounting to £121,000 were payable to the scheme and are included in creditors at 31 December 2009.

### 25 Reconciliation of operating loss to operating cash flows

	2009 £000
Operating loss	(2,066)
Depreciation, amortisation and impairment charges	17,807
Profit on sale of fixed assets	(356)
Decrease in stocks	1,815
Decrease in debtors	8,199
Decrease in creditors	(11,324)
Decrease in provisions	(842)
	<hr/>
<b>Net cash inflow from operating activities</b>	<b>13,233</b> <hr/>

## Notes (continued)

### 26 Analysis of cash flows

	Notes	2009 £000
<b>Returns on investment and servicing of finance</b>		
Interest received		5
Interest paid		(3,818)
Interest element of finance lease rental payments		(2,526)
		<u>(6,339)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets		(2,509)
Sale of plant and machinery		972
		<u>(1,537)</u>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertakings	21	(117,267)
Net cash acquired with subsidiary undertakings		1,967
Purchase of business	21	(8,441)
		<u>(123,741)</u>
<b>Financing</b>		
Issue of ordinary share capital		1
Debt due after more than one year		
New secured loan		118,600
Repayment of secured loan		(1,084)
Capital element of finance lease rental payments		(2,072)
		<u>115,445</u>

### 27 Analysis of net debt

	At beginning of period £000	Cash flow £000	Acquisition (excluding cash and overdrafts) £000	Other non cash changes £000	Translation differences £000	At end of period £000
Cash in hand at bank	-	959	-	-	-	959
Overdrafts	-	(4,410)	-	-	-	(4,410)
	<u>-</u>	<u>(3,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,451)</u>
Debt due after one year	-	(117,516)	-	(5,796)	-	(123,312)
Finance leases	-	2,072	(39,433)	-	(868)	(38,229)
	<u>-</u>	<u>(118,895)</u>	<u>(39,433)</u>	<u>(5,796)</u>	<u>(868)</u>	<u>(164,992)</u>
<b>Total</b>	<u>-</u>	<u>(118,895)</u>	<u>(39,433)</u>	<u>(5,796)</u>	<u>(868)</u>	<u>(164,992)</u>



## Notes (continued)

### 28 Related party disclosures

During the period, the Group supplied services and materials to, and purchased services and materials from, its associated undertakings on an arms length basis. It had the following transactions with these related parties during the period

	Turnover £000	Purchases £000	Debtors £000	Creditors £000
BEAR Scotland Limited	6,056	35	1,152	-
Betotest Polska Sp z o o	4	73	-	(31)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Certain of the Company's major shareholders provide a UK syndicated banking facility to the Group on an arms length basis. During the period, it had the following transactions with these related parties

	Interest £000	Fees and charges £000	Debtors £000	Creditors less than one year £000	Creditors greater than one year £000
Barclays Bank plc and others	9,019	428	897	(400)	(123,312)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

During the period the Group contracted with MPC Partners LLP and Stephen R Smith Associates Limited for the provision of the services of Mr JEP Cooper and Mr SR Smith respectively as directors of the company. Fees payable in respect of these services are included within note 5, Remuneration of the Directors.

Following the acquisition of Ennstone Johnston Limited, the Group made a payment of £3,000,000, which was included in creditors at acquisition, to the Trustees of the Johnston Management Holdings Pension and Life Assurance Scheme ("the scheme"). The Trustees of the scheme are a major shareholder in the Company. As a result of this payment no member of the Group and, in particular, Ennstone Johnston Limited, has any further liability for the deficit of the scheme.