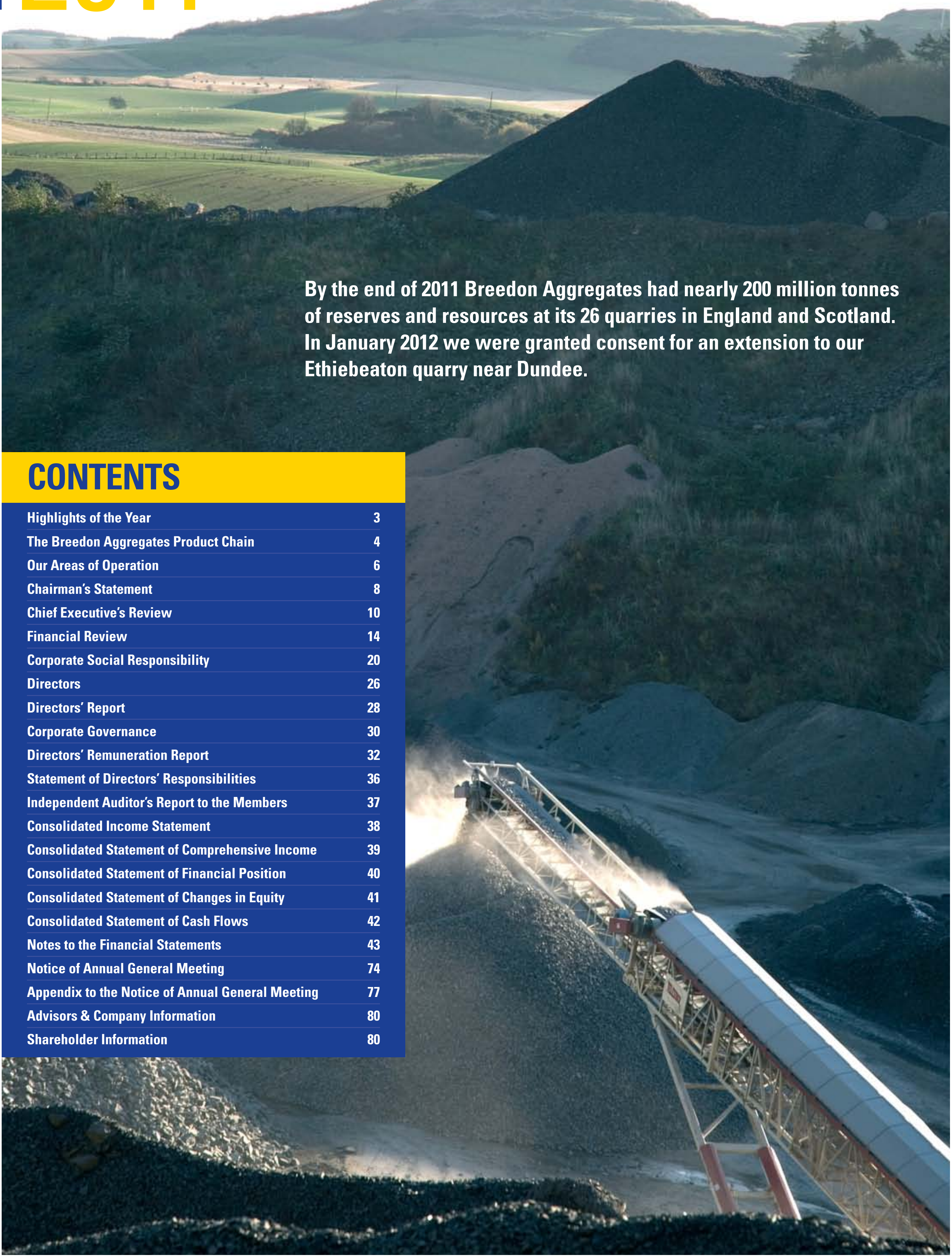
BREEDON AGGREGATES

ADDING STRENGTH TO OUR BUSINESS

ANNUAL REPORT AND ACCOUNTS 2011

BREEDON AGGREGATES
ANNUAL REPORT AND ACCOUNTS
2011



By the end of 2011 Breedon Aggregates had nearly 200 million tonnes of reserves and resources at its 26 quarries in England and Scotland. In January 2012 we were granted consent for an extension to our Ethiebeaton quarry near Dundee.

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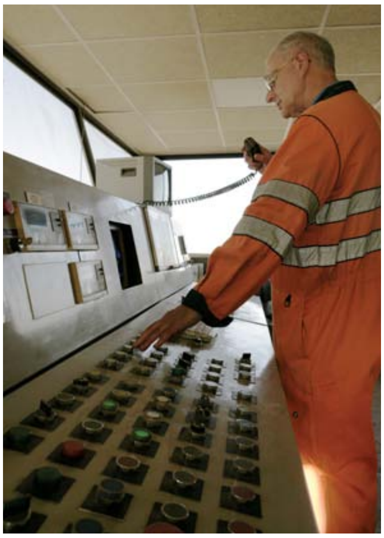
HIGHLIGHTS OF THE YEAR



FINANCIAL HIGHLIGHTS

		Change*
Revenue	**£168.9 million**	**+17.5%**
Underlying EBITDA†	**£17.1 million**	**+24.8%**
Underlying operating profit†	**£5.7 million**	
Underlying profit before tax†	**£1.5 million**	
Total non-current assets	**£154.4 million**	

4.1 million tonnes of aggregates sold
1.4 million tonnes of asphalt sold
400,000 cubic metres of ready-mixed concrete sold

* Based on unaudited pro forma results for the full 12 months ended 31 December 2010.
† Underlying results are stated before acquisition related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles, changes in the fair value of financial instruments and gains on bargain purchase. References to an underlying profit measure throughout this Annual Report are defined on this basis.

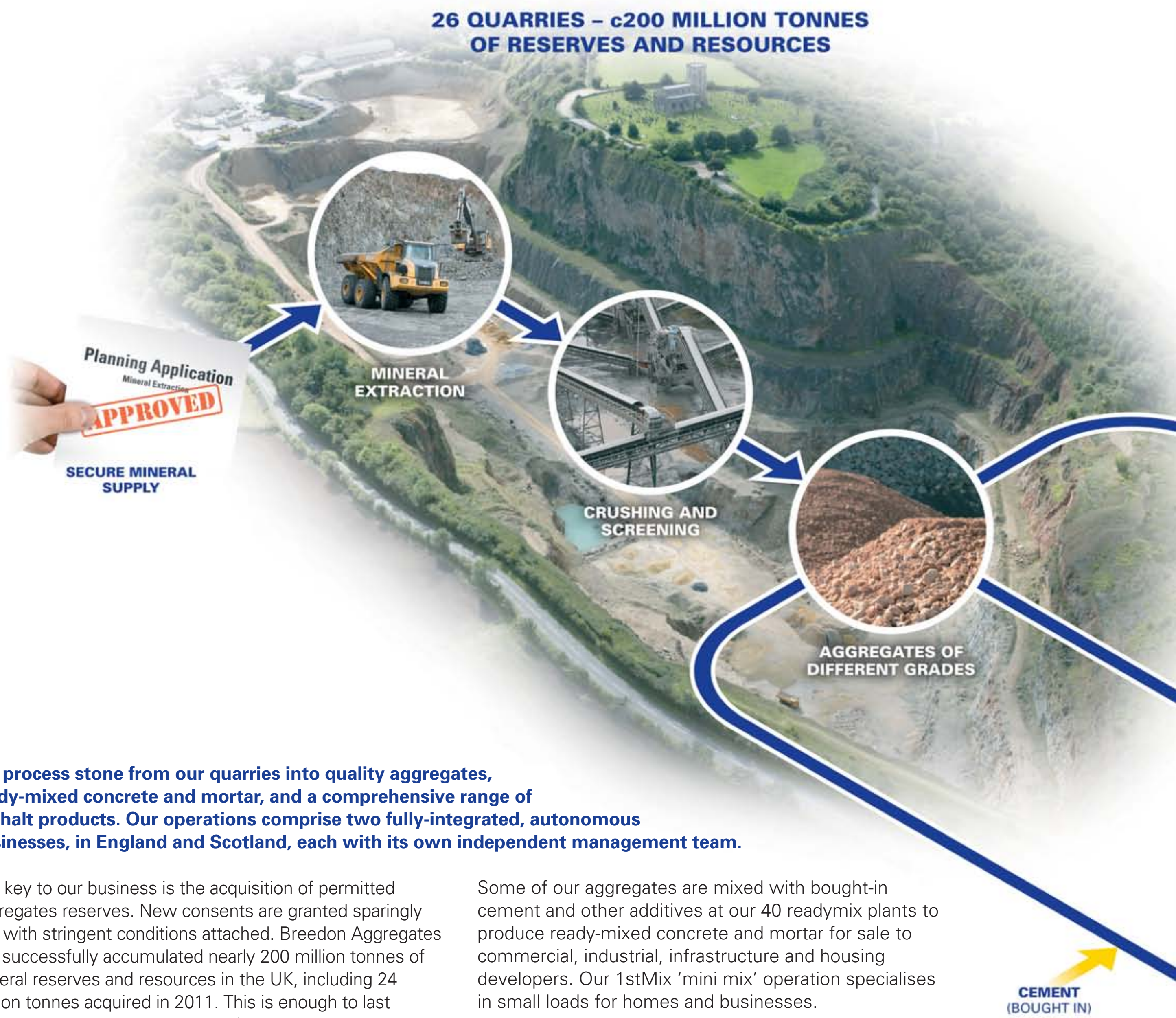
OPERATIONAL HIGHLIGHTS

- Group EBITDA margin improved to 10.1%, despite high cost inflation
- Strong turnaround in English business
- First bolt-on acquisition: C&G Concrete
- 24 million tonnes of additional mineral reserves & resources acquired
- *GoodQuarry* initiative launched to raise operational standards
- Improved health & safety focus, further improvements identified
- Post year end, Nottingham Readymix acquired

Front cover: Richard Brooks, concrete mixer driver, and the Group's landmark Breedon quarry

BREEDON AGGREGATES
ANNUAL REPORT AND ACCOUNTS
2011

THE BREEDON AGGREGATES PRODUCT CHAIN



We process stone from our quarries into quality aggregates, ready-mixed concrete and mortar, and a comprehensive range of asphalt products. Our operations comprise two fully-integrated, autonomous businesses, in England and Scotland, each with its own independent management team.

The key to our business is the acquisition of permitted aggregates reserves. New consents are granted sparingly and with stringent conditions attached. Breedon Aggregates has successfully accumulated nearly 200 million tonnes of mineral reserves and resources in the UK, including 24 million tonnes acquired in 2011. This is enough to last around 48 years at current rates of extraction.

Rock is blasted from the working faces of our hard rock quarries and passed through a series of crushers and screens to produce several types and grades of 'dry' aggregates for onward sale to external customers or for use in our own operations. We also have a number of quarries that produce sand and gravel for both internal and external use, including one of the UK's richest and highest quality reserves at Norton Bottoms in Lincolnshire.

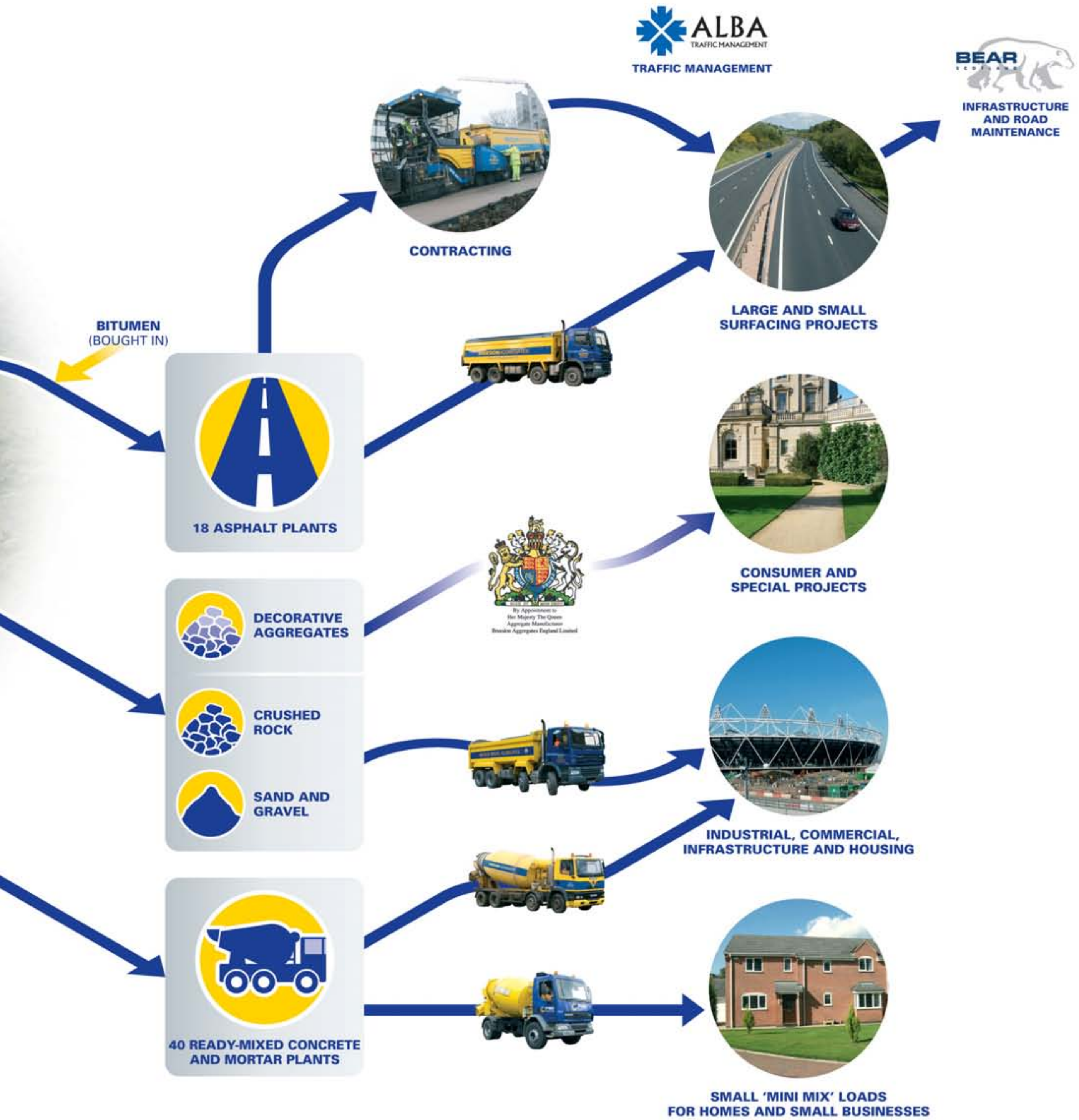
Some of our aggregates are mixed with bought-in bitumen to produce a variety of speciality surfacing products at our 18 asphalt plants in England and Scotland. These are used either by our own contracting teams or by external contractors to surface roads, car parks, airport runways and racetracks around the UK.

Some of our aggregates are mixed with bought-in cement and other additives at our 40 readymix plants to produce ready-mixed concrete and mortar for sale to commercial, industrial, infrastructure and housing developers. Our 1stMix 'mini mix' operation specialises in small loads for homes and businesses.

We also supply an exclusive range of decorative aggregates, sold loose or bagged, which is used in a wide variety of domestic and commercial applications, from drives and pathways to courtyards and architectural landscaping. Breedon Special Aggregates have been used in many of the UK's leading stately homes and tourist attractions, including the London Olympic Village.

Our fleet of over 220 specialist vehicles delivers the full range of our products to customers around Great Britain.

Through our associate company, BEAR Scotland Limited, we maintain and manage much of the trunk road infrastructure in Scotland. We also own a majority stake in Alba Traffic Management Limited, a leading provider of traffic management solutions throughout Scotland.


ALBA
TRAFFIC MANAGEMENT
TRAFFIC MANAGEMENT
BEAR
INFRASTRUCTURE AND ROAD MAINTENANCE
CONTRACTING
LARGE AND SMALL SURFACING PROJECTS
BITUMEN (BOUGHT IN)
18 ASPHALT PLANTS
By Appointment to
Her Majesty The Queen
Aggregate Manufacturer
CONSUMER AND SPECIAL PROJECTS
DECORATIVE AGGREGATES
CRUSHED ROCK
SAND AND GRAVEL
INDUSTRIAL, COMMERCIAL, INFRASTRUCTURE AND HOUSING
40 READY-MIXED CONCRETE AND MORTAR PLANTS
SMALL 'MINI MIX' LOADS FOR HOMES AND SMALL BUSINESSES

OUR AREAS OF OPERATION

BREEDON AGGREGATES ENGLAND

Tim Hall is Chief Executive of our English business. He has spent his entire career in the aggregates industry, most recently as Director of Tarmac Limited's Western Area until 2010, when he joined Breedon Aggregates. Prior to this he was Managing Director of Tarmac Western Limited, the company formed by Anglo American from the former assets of Nash Rocks, Tilcon and Tarmac. He spent the previous 27 years with Nash Rocks, latterly as Managing Director.

Our English operations are headquartered at Breedon-on-the-Hill near East Midlands airport and employ approximately 400 people across the central region of the country. We operate 9 quarries, 7 asphalt plants and 18 ready-mixed concrete and mortar plants, primarily supplying the West Midlands, East Midlands and eastern England.

Our English contracting services business undertakes minor road-surfacing projects as well as major infrastructure contracts, serving an area from the east coast to mid-Wales and from the M62 corridor to the South Midlands.

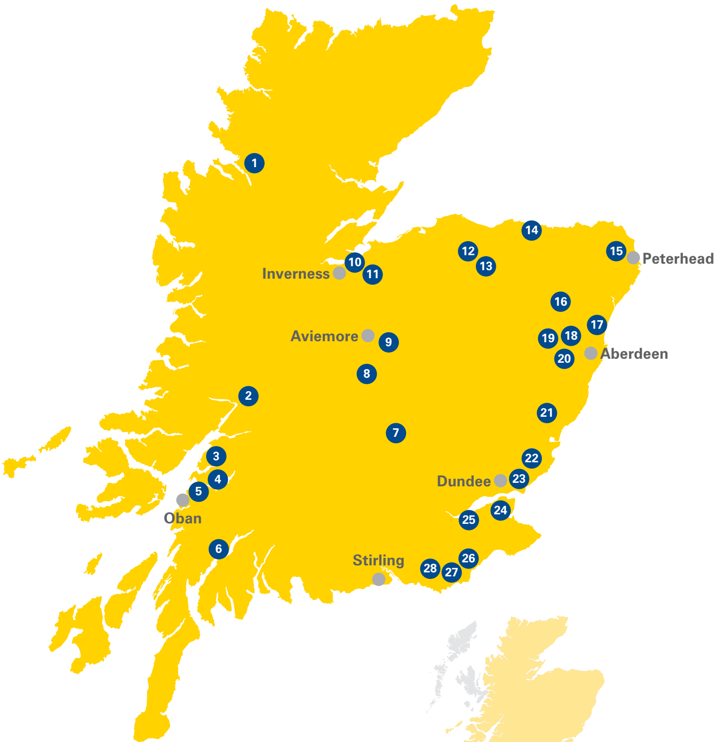
BREEDON AGGREGATES SCOTLAND

Alan Mackenzie is Chief Executive of our Scottish operations. He has spent more than 30 years in the aggregates industry, initially with Wimpey and later with Tarmac, where he was latterly Contracting Director of the company's largest region in central England. Alan joined Breedon Aggregates Scotland in 2001 as Regional Director for North and West Scotland. After leaving for a four year spell as Chief Executive of BEAR Scotland, he rejoined the Group in 2006 as Chief Executive of its Scottish business. Alan is Chairman of the Asphalt Industry Alliance and the Mineral Products Association in Scotland.

Our Scottish operations are headquartered at Ethiebeaton, near Dundee, and employ around 400 people. Breedon Aggregates Scotland operates 17 quarries, 11 asphalt plants and 22 ready-mixed concrete plants, primarily supplying the north, west and east of Scotland.

We own a 37.5% stake in BEAR Scotland Limited, which manages the north-east and south-east trunk road networks on behalf of Transport Scotland, and we also own a majority stake in traffic management services company Alba Traffic Management Limited.

BREEDON AGGREGATES UK LOCATIONS



Key

- Agricultural Lime
- Asphalt
- Concrete
- Contracting
- Crushed Rock
- Decorative Aggregates
- Mortar
- Sand & Gravel

Scotland

1	Morefields Quarry	Agricultural Lime, Concrete, Crushed Rock
2	Banavie Quarry	Asphalt, Concrete, Crushed Rock, Decorative Aggregates
3	Benderloch Quarry*	Concrete, Sand & Gravel, Decorative Aggregates
4	Bonawe Quarry	Asphalt, Crushed Rock
5	West Area Contracting	Contracting
6	Furnace Quarry	Concrete, Asphalt, Crushed Rock
7	Shierglas Quarry	Agricultural Lime, Asphalt, Concrete, Crushed Rock
8	Meadowside Quarry	Crushed Rock
9	Aviemore Concrete Plant	Concrete
10	Inverness Concrete Plant	Concrete
11	Daviot Asphalt Plant	Asphalt
12	Netherglen Quarry	Asphalt, Concrete, Contracting, Crushed Rock
13	Rothes Glen Concrete Plant	Concrete
14	Boyne Bay Quarry	Agricultural Lime, Concrete, Crushed Rock
15	Stirlinghill Quarry	Asphalt, Concrete, Crushed Rock
16	Inverurie Concrete Plant	Concrete
17	Bridge of Don Concrete Plant	Concrete
18	Craigenlow Quarry	Agricultural Lime, Asphalt, Concrete, Contracting, Crushed Rock
19	Westhill Concrete Plant	Concrete
20	Deeside Concrete Plant	Concrete
21	Capo Quarry*	Agricultural Lime, Concrete, Sand & Gravel, Decorative Aggregates
22	Cunmont Quarry**	Crushed Rock
23	Ethiebeaton Quarry	Asphalt, Concrete, Crushed Rock
24	Balmullo Quarry	Decorative Aggregates, Crushed Rock
25	Clatchard Craig Quarry	Agricultural Lime, Asphalt, Concrete, Contracting, Crushed Rock
26	Kirkcaldy Concrete Plant	Concrete
27	Orrock Quarry	Asphalt, Concrete, Crushed Rock
28	Dunfermline Concrete Plant	Concrete

England

29	Mansfield Asphalt Plant	Asphalt
30	Nottingham Readymix	Concrete
31	Leaton Quarry	Asphalt, Concrete, Crushed Rock
32	Leinthall Quarry	Asphalt, Concrete, Crushed Rock
33	Breedon Quarry*	Decorative Aggregates, Contracting
34	Cloud Hill Quarry	Agricultural Lime, Asphalt, Concrete, Crushed Rock
35	Ling Hall Asphalt & Concrete Plant	Asphalt, Concrete
36	Corby Asphalt & Concrete Plant	Asphalt, Concrete
37	Peterborough Concrete Plant	Concrete, Mortar
38	Stamford Concrete Plant	Concrete
39	South Witham Quarry	Agricultural Lime, Crushed Rock
40	Grantham Concrete Plant	Concrete
41	Sleaford Concrete Plant	Concrete
42	Norton Bottoms Quarry	Concrete, Mortar, Sand & Gravel
43	Woodhall Concrete Plant	Concrete
44	Kelsey Road Quarry	Sand & Gravel
45	Kettleby Quarry	Sand & Gravel
46	Elsham Concrete Plant	Concrete, Mortar
47	Grimsby Concrete Plant	Concrete
48	Skegness Concrete Plant	Concrete
49	Boston Concrete Plant	Concrete
50	Long Sutton Concrete Plant	Concrete
51	King's Lynn Concrete Plant	Concrete
52	Shropham Quarry**	Sand & Gravel
53	Longwater Asphalt Plant	Asphalt, Contracting

*Decorative Aggregates are also available bagged **Recycling available

CHAIRMAN'S STATEMENT

OUR STRATEGY

is to continue to win new business in a very competitive market by remaining nimble and flexible, and providing a high-value local service to our customers

In our first full year as Breedon Aggregates we have been clearly focused on adding strength to our business. We have significantly increased our mineral reserves, extended our geographical reach, secured critical mass in our English ready-mixed concrete business and returned our English contracting operation to profit. We can draw considerable satisfaction from these achievements, whilst recognising that the market remains challenging and we must continue to drive the business hard to deliver the returns our shareholders expect from us.

The highlight of the year was undoubtedly our acquisition in July of the C&G Concrete business, the leading ready-mixed concrete producer in Lincolnshire, which also has some of the most substantial and highest-quality sand and gravel reserves to be found anywhere in the UK. This was an excellent purchase, which has already made a positive contribution in the year under review, and we are well on the way to exploiting the significant synergies it offers with our operations in the East Midlands.

C&G's extensive sand and gravel reserves added some 24 million tonnes to the Group's total reserves and resources in 2011, which now stand at nearly 200 million tonnes, enough to last some 48 years at current rates of extraction. In addition, we secured planning consent for 12 million tonnes of aggregates at one of our key English quarries.

Despite very competitive trading conditions, sales volumes held up well, with growth across all product groups in both England and Scotland. We are pleased to report a very satisfactory EBITDA of £17.1 million on revenues of £168.9 million, with a return to underlying profit before tax of £1.5 million. Year-end borrowings at £96.2 million mask a steady reduction in our underlying debt, with the reported increase reflecting the £10.8 million outlay on our acquisition of C&G.

You will find a detailed review of Breedon Aggregates' progress during the year in your Group Chief Executive's review on pages 10 to 12 of this report. I will confine myself here to highlighting the considerable achievements of the management team in reducing costs, eliminating losses across the business, improving procurement and credit terms, and recovering all major raw material cost increases over the year.

I would also like to highlight the encouraging progress made in all areas of health and safety. Much has been achieved, but there is still much to do. This remains the number-one item on our board agenda and there will be no relaxation in our efforts to achieve 'Zero Harm' in all our operations.

Looking ahead, our objective remains the same: to be the safest, most profitable and best run aggregates business in the UK. The operational improvements we have made in the last year have set us on the right trajectory.

The outlook for 2012 presents a mixed picture following the reversal of GDP growth in the final quarter of 2011. The Construction Products Association anticipates a 3.6 per cent fall in construction output over the year as a whole and the full impact of public sector spending cuts is now beginning to be felt, particularly in Scotland. However, the increases in English housing and infrastructure spending announced by the Government in its autumn statement are very welcome and, provided reality matches expectation, should have a positive impact on demand for our products in the medium term.

More importantly, we believe that our proven ability to be flexible and nimble, providing a high-value local service to a wide range of private and public sector customers, will enable us to continue to win new business even in a highly competitive market.

Furthermore, we believe there is significant scope to further expand the Group and we remain committed to securing additional bolt-on acquisitions of earnings-enhancing aggregates related businesses. The current market conditions are definitely creating opportunities to purchase assets at realistic prices and several acquisition opportunities remain under review, and we were pleased to announce the acquisition of Nottingham Readymix in January 2012.

The decision by the OFT to refer Britain's aggregates, cement and ready-mixed concrete markets to the Competition Commission for investigation will inevitably create some uncertainty in the industry pending publication of the Commission's report, due at the latest by January 2014. We have submitted a summary of our views to the Commission and continue to believe that any conclusions it might reach are more likely than not to create opportunities for us in the longer term.

In closing, I would like to acknowledge that none of our achievements over the past year would have been possible without the unstinting dedication and hard work of our 800 employees. I am particularly delighted that our financial performance in 2011 enabled us to show our appreciation in a more tangible form with the payment of a modest Christmas bonus, the first in many years. I recognise that many of you reading this are shareholding employees and, on behalf of the Board, I would like to thank you for all your outstanding efforts over the past year.

We have every expectation of making further progress in the year ahead.

Peter Tom CBE
Executive Chairman
6 March 2012

CHIEF EXECUTIVE'S REVIEW

OUR OBJECTIVE

remains unchanged: to be the safest, most profitable and best-run aggregates business in the UK

I am very pleased to report that we have made substantial progress on a number of fronts in our first full year of trading following the creation of Breedon Aggregates in September 2010. The business has been stabilised following a difficult period under bank ownership and we have returned the English business to profit while maintaining a robust performance in Scotland where market conditions have been particularly difficult. I am especially pleased that our improved trading performance allowed us to pay a modest bonus to all employees in December in recognition of their hard work during the year.

OPERATIONAL HIGHLIGHTS

At the beginning of the year, we identified a number of key priorities that needed to be addressed if the business was to perform to our expectations in 2011 and beyond. First amongst these was the reorganisation of the management team in England under the direction of the new Chief Executive, Tim Hall. The necessary changes were implemented early in the first quarter of the year and the new team moved quickly to eliminate the significant contracting losses of the previous year, improve customer service and recover market share lost during the disruption of the administration of the previous parent company in 2009. We now have experienced and proven management teams in both England and Scotland, which gives me great confidence in our ability to take the business forward in the years ahead.

In July, we made our first acquisition, buying Lincolnshire-based C&G Concrete from the administrator for £10.8 million, following an insolvency process. This business had been a target for some time and we had been in discussions with the owners prior to its administration. C&G comprises 3 sand and gravel quarries and 12 ready-mixed concrete and mortar plants and has identified mineral reserves and resources of 24 million tonnes. The acquisition is strategically important for us for three reasons: geographically, it links our business in East Anglia with our units in the East Midlands; it gives us critical mass in concrete, more than doubling the number of plants in our English business; and, most importantly, it provides us with an internal source of sand which we previously had to buy in from competitors. The business has already been rebranded, was fully integrated into our systems early in 2012 and we are confident that it will prove to be an excellent acquisition for us.

We achieved another major success by securing planning consent for an additional 12 million tonnes of granite at Leaton near Telford, which is our second-largest quarry. This gives us more than 30 years' life at this important operation and, with the future now secure, we have committed additional investment in a major fixed plant upgrade to expand capacity and improve productivity at the site. The engineering work will be completed in the first quarter of 2012. We are actively pursuing a number of other planning applications across the Group and expect to further strengthen our mineral reserves in the current year.

The poor safety culture of the business was a key area of concern when we took over in September 2010 and we undertook a radical overhaul of health and safety throughout the business during the year. We replaced the safety manager in the English business and introduced a number of initiatives to improve training and increase awareness of safety issues. A key feature of our new approach to safety is our *Visible Felt Leadership* programme, in which senior management, from the Group Chief Executive down, take a direct and proactive involvement in getting out and spreading the message about the standards we expect from everyone in our business. The introduction of *Breedon Basics* has also reinforced minimum acceptable safety standards in key areas across the Group. All executive directors and senior managers now have an allocated number of site safety audits to undertake annually. We have succeeded in reducing our accident frequency rate, but are still above the industry average and this is something we need to improve in the future.

During the year, we managed to normalise procurement credit terms with all our key suppliers. Following the financial difficulties of the former Ennstone group, the business had only been given short credit or cash terms from most suppliers. We are now on normal credit terms with our suppliers of bitumen, cement, aggregates and utilities. This has helped improve our cash flow and reduce working capital. We have also succeeded in reducing insurance costs for the business.

The *Best of Breedon* business improvement scheme, in which employees come up with practical ideas for how to do things better, has gone from strength to strength. The most recent programme produced more than 80 suggestions from a wide range of employees at all levels. There were five winners, including two from the recently-acquired C&G business, who came up with some excellent suggestions to improve productivity, safety and security.

Our *Breedon GoodQuarry* scheme was introduced in March 2011 to raise operational standards across the Group, identify best practice and highlight units that are under performing in a number of key areas including: safety, environment, planning compliance, plant maintenance, operating efficiency and community relations. Base case audits were undertaken during the first half of the year and revealed a wide variation in standards across the Group. Several units were very good and were immediately awarded *GoodQuarry* status, but others scored poorly. Improvement plans have been implemented in preparation for reaudit in 2012.

TRADING SUMMARY

The year got off to a very strong start following the snow disruption in December 2010, as contractors tried to make up lost time. Local authorities, the Highways Agency and Transport Scotland were also busy, as they spent the last of their budgets before the start of the new financial year in April and the imposition of Government spending cuts. Consequently, sales volumes of most products were 10 per cent or more above the previous year in the first quarter. Although activity slowed from the second quarter, sales revenue for the year increased by 17.5 per cent over the pro forma sales revenue for 2010 to £168.9 million. Sales volumes in all products were ahead of the previous year. C&G made a useful positive contribution in its initial period of ownership.

TRADING SUMMARY (continued)

The rapidly escalating oil price in the early part of the year represented a major challenge for the business. A significant proportion of our costs is directly linked to hydrocarbons and, in the case of asphalt, represents nearly 60 per cent of the total selling price. Other costs also increased as suppliers sought to recover rises in their own energy costs. In addition, the introduction of the new carbon reduction tax in April cost approximately £500,000 in the year. These factors combined to produce a significant step change in the cost base of the business in the early part of 2011. To recover these costs, we notified three price increases and, despite the difficult market conditions, we were successful in passing these on to customers, although there is always a time lag and full recovery can take several months as fixed price contracts are worked out.

Underlying EBITDA for the year increased by 24.8 per cent over the pro forma EBITDA for 2010 to £17.1 million (before associated undertakings) and EBITDA margin improved from 9.5 per cent to 10.1 per cent, which represents a significant achievement in an environment of high cost inflation.The improvement was driven by a strong recovery in the English business, compensating for much tougher conditions in Scotland, where we supply two of the four available term maintenance contracts in a year when maintenance budgets were cut by 40 per cent.

A number of major contracts were supplied during the year including, in England: the supply of over 50,000 cubic metres of concrete to the new East Midlands distribution centre of Marks & Spencer; some 21,000 tonnes of asphalt to the Hethel race circuit and 13,000 tonnes to the Loughborough Eastern Gateway. In addition, we secured a major new annual supply contract for the C&G business to the Marshalls block paving factory at Stainton.

In Scotland, we supplied over 55,000 tonnes of asphalt and over 20,000 cubic metres of lean mix concrete to two major road contracts at Fochabers, near Elgin, and Crubenmore on the A9. Both contracts went well, although margins were lower than expected as they were secured at the end of 2010, before the increase in oil prices. We also supplied almost 12,000 tonnes of asphalt to Dundee Airport and almost 13,000 cubic metres of ready-mixed concrete to a new warehouse for Amazon near Kinross.

OUR STRATEGY

Our objective remains unchanged: to be the safest, most profitable and best-run aggregates business in the UK. We have made huge progress in 2011, but there remains much to do. The levels of service we offer our customers can be improved further and costs need to be rigorously controlled to ensure product margins are maximised. We are looking at a number of new products and internal development opportunities which we believe will improve our product offering and add value to the business.

We now have an excellent platform for future growth and a number of acquisition opportunities and greenfield developments are currently under review. Since the year-end we have completed the acquisition of Nottingham Readymix, the leading independent producer of concrete in the Nottingham area, significantly strengthening our readymix position in the East Midlands. We hope to complete further deals in 2012, but will only invest if we are confident that additional value can be created for shareholders. We are constantly on the lookout for good people who can help us grow the business.

The proposed merger of Tarmac and Lafarge has been referred by the OFT to the Competition Commission, with a decision expected during the first half of this year. The industry is expecting significant disposals to be required if the deal goes ahead and we continue to monitor the situation closely.

BUSINESS OUTLOOK

The general outlook for the UK continues to be affected by worries about Eurozone debt issues and declining growth in many western European countries. On the positive side, inflation is falling and we do not expect a repeat of the step change in input costs experienced last year. Oil prices however remain volatile amid concerns about the situation in the Middle East and we have been notified of a 15 per cent increase in bitumen prices from 1 March 2012, which will be passed on to our customers.

We expect the first quarter to be quieter than the corresponding period last year, which was exceptionally busy following the backlog of work after the severe winter, the additional pothole funding provided by the government and generally higher levels of public expenditure in advance of the spending cuts implemented in April 2011. Thereafter we anticipate reasonable activity levels, supported by a modest recovery in the housing sector and continuing investment in retail and commercial construction. There are a number of large contracts breaking in our markets, including the expansion of the Nottingham tram network, the Corby ring road, Peterhead Prison and improvements at Inverness Airport. Our Scottish business will continue to be affected by reduced spending by Transport Scotland while, in the medium term, the English business should benefit from the infrastructure spending plans announced in the autumn statement.

Overall we are confident that we will make further progress in 2012. We have a stable, experienced and motivated management team and remain confident in our ability to deliver an improved performance without any significant recovery in our key markets.

Simon Vivian
Group Chief Executive
6 March 2012

Breedon Aggregates is the largest independent aggregates business in the UK. Our 20 hardstone quarries in England and Scotland produced around 3.9 million tonnes of crushed rock in 2011 and following the acquisition of C&G we also produced a total of around 0.4 million tonnes of aggregates from our 6 sand and gravel quarries.

FINANCIAL REVIEW

OUR FOCUS

will be on delivering capital growth through improving the operating efficiency of our existing business and maximising the value generated by our assets through prudent ongoing investment in the business and the sale of surplus land and equipment

I am pleased to report on the results and financial statements of Breedon Aggregates Limited for the year ended 31 December 2011. The acquisition of the trade and assets of C&G Concrete was completed on 22 July 2011 and therefore the Consolidated Income Statement and the Consolidated Statement of Financial Position incorporate the results of C&G from that date. C&G was acquired for a total consideration of £10.8 million in cash, funded from our existing bank facilities.

Revenue for the year was £168.9 million (2010: £42.7m), including £7.2 million from C&G. In 2010, we completed the acquisition of Breedon Holdings Limited on 6 September and all of last year's revenue was therefore earned from that date.

Underlying earnings before our share of associated undertakings, interest, tax, depreciation and amortisation (EBITDA) were £17.1 million (2010: £3.3 million). Of this, EBITDA of £0.5 million was generated by C&G. Underlying Group operating profit was £5.7 million (2010: loss £0.3 million). Underlying results are stated before acquisition related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles, changes in the fair value of financial instruments and gains on bargain purchase.

DIVISIONAL PERFORMANCE – UNAUDITED PRO FORMA

In order to aid understanding of the business performance and provide a meaningful year-on-year performance comparison, we have included below a comparison of the audited 2011 figures with the unaudited pro forma figures for the full calendar year of 2010.

The market environment generally remained very competitive following the significant volume declines seen in 2008 and 2009. The year started strongly, assisted by work carried forward from December 2010, which was severely impacted by harsh weather conditions, and we also began to see some benefit from the Government's 'pothole fund' for essential road maintenance. Revenue during the first half was consequently strong, driven by increased volumes – especially in asphalt – and slightly improved pricing. Activity levels in the second half of the year were generally less buoyant, especially in Scotland.

For the 12 months as a whole, aggregates volumes were ahead 13.9 per cent at 4.1 million tonnes, with both England and Scotland ahead year on year. Asphalt volumes were 15.0 per cent up at 1.38 million tonnes with asphalt volumes in England ahead by 18.0 per cent, and in Scotland ahead 9.2 per cent. Ready-mixed concrete volumes grew by 48.1 per cent in the year to 0.4 million cubic metres, assisted by the inclusion of the former C&G plants since the end of July and deliveries to several significant contracts during the year in both England and Scotland.

The higher input costs experienced in the year, particularly bitumen (a key ingredient in the production of asphalt), were a major challenge faced by the business. Despite substantial effort being put in to ensure that these costs were largely passed on to customers, EBITDA margins across the business in Scotland were down year-on-year due to the inevitable time-lag between increased costs and higher selling prices; this was however, countered by improvements in the English business.

The full-year revenue of £168.9 million represented a 17.5 per cent increase on the pro forma figure for the same period in 2010. The underlying EBITDA of £17.1 million was up £3.4 million, 24.8 per cent year-on-year, with our attention now turning to the challenge of continuing to improve the margins generated in the business.

NON-UNDERLYING ITEMS

Non-underlying items in the year comprised a gain on the bargain purchase of C&G of £0.5 million, net of associated acquisition costs, and £0.6 million of redundancy costs, reorganisation and property disposal profits.

	2011 12 months Audited £m	2010 12 months Pro forma £m	Variance
Revenue:			
England	86.2	68.8	25.3%
Scotland	82.7	75.0	10.3%
Total	168.9	143.8	17.5%
Underlying EBITDA:			
England	9.1	5.5	65.5%
Scotland	10.3	10.2	1.0%
Head Office	(2.3)	(2.0)	(15.0)%
Total	17.1	13.7	24.8%
Margin	10.1%	9.5%	

In Spring 2012 we extended our market reach with the launch of a new mini mix service. 1stMix offers domestic and smaller commercial customers the opportunity to buy small loads for direct delivery to their homes or businesses. The concrete is produced at our existing plants and delivered via a newly acquired fleet of small four-wheeled mixer trucks in a fast and efficient service.

INTEREST AND TAX

Net finance costs in the year totalled £4.8 million and included interest on the Group's bank finance facilities, as well as interest on finance leases and hire purchase agreements.

An underlying tax charge of £0.3 million was recorded in the year, resulting in an underlying effective tax rate for the full year of 21.0 per cent influenced by the effects of income from associates already being taxed and of costs in Jersey for which no tax relief can be obtained.

EARNINGS PER SHARE

Basic earnings per share ("EPS") for the year were 0.21 pence (2010: loss 2.19 pence), struck after the non-underlying items mentioned above. Underlying basic EPS for the year totalled 0.21 pence (2010: loss 0.58 pence).

STATEMENT OF FINANCIAL POSITION

Net assets at 31 December 2011 were £59.0 million (2010: £56.8 million). The Company issued 7,002,287 ordinary shares during the year as Allied Irish Bank exercised their warrants in June at a price of 12 pence per share.

The net assets are underpinned by the mineral, land and building assets of the Group.

CASH FLOW

Cash generated from operations was £12.8 million. The Group spent £9.8 million on acquisitions and had a cash spend on capital expenditure projects of £6.7 million. £0.8 million was raised through an issue of shares, which was utilised to reduce the Group's bank debt, and £3.0 million was raised from the disposal of surplus assets in the Group. Repayment of finance leases totalled £6.0 million, resulting in a net cash outflow for the year of £3.9 million.

Net debt at 31 December 2011 was £96.2 million (2010: £92.3 million).

BANK FACILITIES

The Group's bank loans have a maturity date of 5 September 2015 and are subject to a floating interest rate based on LIBOR plus a margin. At 31 December 2011, total undrawn facilities available to the Group amounted to £17.4 million.

The Group's bank facility is subject to covenants which are tested quarterly. These covenants are: Group interest cover, minimum underlying EBITDA and, with effect from 30 September 2011, Group cash flow cover. At 31 December 2011, the Group comfortably complied with all three covenants.

Based on our current estimates, we expect to comply with all our covenants for the foreseeable future.

The Group has in place an interest rate hedge purchased in September 2010 which mitigates the risk of interest rate rises on £64.5 million of bank loans. The effect of the hedge is to cap the LIBOR element of the interest rate at 2.0 per cent from 30 September 2011 until 28 September 2012 and at 2.5 per cent from 28 September 2012 to 28 March 2013. The net fair value of this instrument at 31 December 2011 was minimal.

DIVIDENDS

Subject to availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, the main focus of the Group will be on delivering capital growth for shareholders.

RISK

Risk is an inherent and accepted element of doing business. We have identified the principal risks and maintain and continue to develop a risk management system that is appropriate to and commensurate with our business. We set out below our key risks, together with the mitigating factors or action we have taken.

The main financial risks of the Group relate to the availability of funds to meet business needs, customer default and fluctuations in interest rates. The Group finance function is tasked with managing these risks through a series of risk avoidance strategies, including robust cash forecasting, performance management, credit insurance and interest rate hedging. Further information is included in note 21 to the financial statements.

The Group is heavily reliant on energy and fuel oil to produce its products and get them to market. The recent fluctuations in crude oil prices underline the volatility of these products and we have introduced a strategic purchasing plan which attempts to spread the risk by a combination of better buying, fixed-term contracts and spot prices. However, we remain exposed to inflationary cost increases on bitumen, gas-oil and diesel. The solution is to pass on these additional costs to our customers through price increases and forward-pricing, although inevitably, due to the nature of the contracts we have to supply and lay materials, there will be a time lag between the date we start paying additional costs and the date from which we are able to recover these costs in the market.

RISK (continued)

The Group has demonstrated that over time it can recover its cost increases from the end customer, helped by investment in both new products and modern, efficient plants.

There is a risk in an industry dominated by large multinationals that one of the industry's larger players may attempt to gain an advantage by reducing prices in the short term to secure market share. However, the Group is a low-cost producer in all its regions and is able to sustain short-term price erosion.

The Group is to some extent dependent on UK and Scottish Government spending on the maintenance and improvement of public infrastructure, buildings and services. The Government budget announcements include large spending cuts alongside a commitment to transport and infrastructure. The resulting impact on demand for our products is uncertain. Whilst the Group is somewhat protected from cuts in large-scale projects, there is a risk that larger competitors will, as a result, trade down to smaller projects, increasing the competitive pressure on our business.

The Group is subject to both the environmental and health and safety risks inherent in the quarrying and aggregates processing industry. Management, training and control systems are in place to minimise and prevent these risks. These systems are reviewed regularly and all new plant and equipment is specified with these risks in mind.

Planning consents are required in order to utilise the Group's mineral reserves and to build and operate added-value processing facilities such as asphalt and concrete plants. The planning regime is strict and gaining permissions is challenging. However, we adopt a very proactive approach. We involve all stakeholders in early consultation and regularly meet with local communities in organised liaison groups.

Quarrying is a highly regulated and controlled industry, with the standards expected of us continuing to rise. This is an industry-wide issue and Breedon Aggregates participates fully in the relevant industry trade associations in an effort to ensure that any new measures are workable and achievable, whilst minimising the impact on the environment of delivering products which are fundamental to the economic well-being of the communities in which we operate.

KEY PERFORMANCE INDICATORS

The Group uses the following financial and non-financial key performance indicators ("KPIs") to measure the operational and strategic performance of the business.

EARNINGS PER SHARE AND MARKET VALUE GROWTH

The primary performance indicators are the Group's underlying earnings per share and market value growth. Our aim is to increase earnings per share each year, both through the growth of our existing business and through acquisition. Management are incentivised to increase shareholder value in the Group at a compound annual rate of at least 12.5 per cent.

EBITDA

The Group uses business unit underlying EBITDA as the key performance indicator to monitor the progress of each of our business units towards our overall targets.

CASH MANAGEMENT

The level of cash generation within the Group is monitored as a KPI to ensure that available facilities meet the needs of the business.

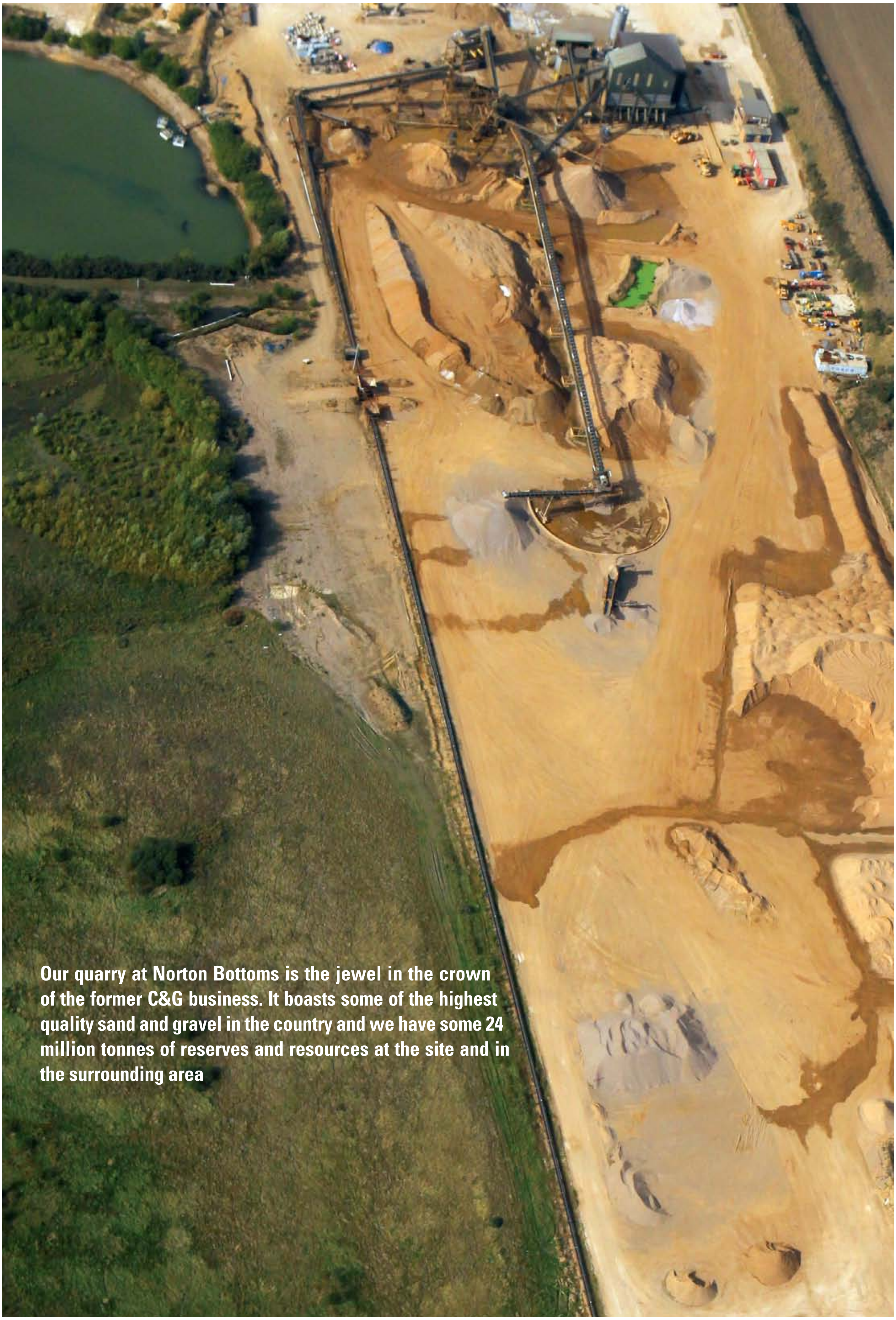
NON-FINANCIAL KPIs

Non-financial KPIs include the monitoring of mineral reserves based on quarry life, taking into account consents gained and minerals extracted, to ensure the sustainability of this key asset to the Group. Other non-financial KPIs include those in respect of health and safety, particularly Lost Time Incidence rates. This is the frequency rate of injuries resulting in an employee being absent for one or more shifts.

OTHER KPIs

The Group also monitors a range of other KPIs, including bitumen and cement costs per tonne, interest cover and the ratio of net debt to EBITDA.

Ian Peters
Group Finance Director
6 March 2012



Our quarry at Norton Bottoms is the jewel in the crown of the former C&G business. It boasts some of the highest quality sand and gravel in the country and we have some 24 million tonnes of reserves and resources at the site and in the surrounding area

CORPORATE SOCIAL RESPONSIBILITY

OUR GOAL

is to achieve Zero Harm throughout our operations and maintain a safe environment for all our employees, customers and visitors

Breedon Aggregates recognises the importance of balancing the interests of its key stakeholders – employees, customers, investors, suppliers and the wider community in which we operate.

HEALTH AND SAFETY

TARGET ZERO HARM

We are committed to providing and maintaining a safe environment for all our employees, customers and other visitors to our premises and to complying with all relevant health and safety legislation. Our ultimate goal is to achieve Zero Harm throughout our operations, an objective captured in the logo we introduced in 2011 which now features prominently across our business.

All Group businesses:

- aim to protect the health of employees with suitable, specific, work-based strategies;
- seek to minimise the risk of injury from their activities;
- ensure that, through senior management participation, sufficient resources and information are made available, and suitable management systems are in place, to address health and safety matters; and
- encourage the involvement of employees and aim for continual improvement in health and safety standards through a formal structure with a reporting and review process.

Compliance with Group policy is monitored and reviewed centrally and a comprehensive monthly health and safety report is produced for the Board. The Group Chief Executive has been designated by the Board as the director responsible for health and safety matters.

We have invested heavily in a dedicated health and safety computer system, Envoy, that provides a flexible platform for the management of safety on all our sites.

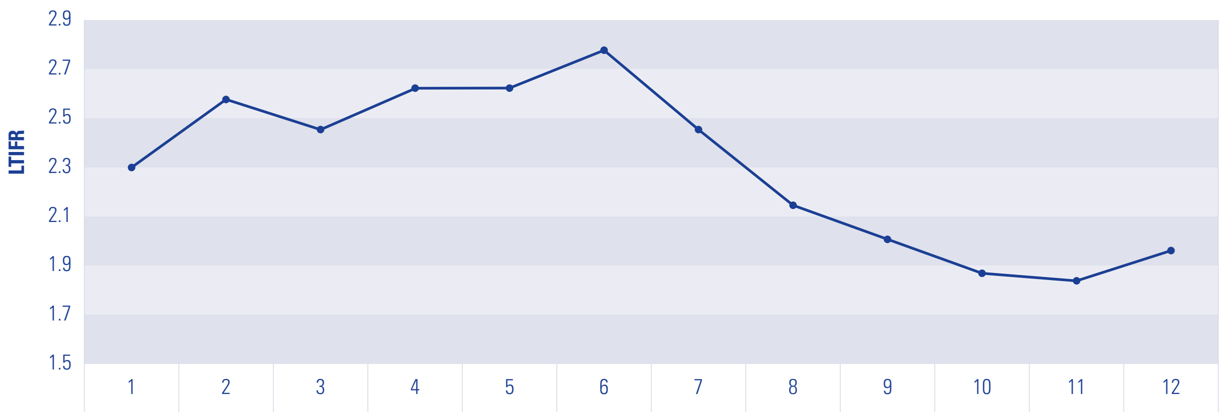
The system facilitates:

- incident tracking and reporting;
- registration of non-conformities and follow-up actions required;
- logging and reporting of action plans;
- maintenance of training records and competencies; and
- risk assessments for different tasks and operations.

During 2011, we established a Health and Safety Committee which comprises the Group Chief Executive, Group Finance Director, and the Chief Executives and Health and Safety Managers of Breedon Aggregates England and Breedon Aggregates Scotland. The principal objective of the Committee is to ensure a co-ordinated approach to the Group's management of all Health, Safety and Environmental ("HSE") issues. One of the Committee's first tasks was to draft a comprehensive HSE Policy and HSE Statement to be implemented across all Group business units.

The Group aims for continuous improvement in health and safety KPIs, including our Accident Incidence Rate, Lost Time Injury Frequency rate ("LTIFR"), and Lost Time Injury Severity Rate. Performance against these KPIs is reported monthly.

The following graph shows the improving trend in the Group's LTIFR over the last 12 months, and we are targeting to achieve further improvements in 2012.



LTIFR 12 Month Rolling

Bonawe quarry on the west coast of the Highlands is one of 17 quarries operated by Breedon Aggregates Scotland. Often located in areas of great beauty, our quarries are developed with as much sympathy as possible to their surroundings and great care will be taken to ensure that they blend back into the landscape when they have been fully worked out.

We also launched two important new HSE initiatives during the year:

1. ***A Visible Felt Leadership*** ("VFL") and Behavioural Safety programme, under which all senior managers are committed to undertaking a minimum of 12 VFL visits per annum to our operations. During these visits they closely observe what is happening in the workplace and engage employees in a dialogue about how their tasks might be undertaken more safely; and

2. ***Breedon Basics***, a series of non-negotiable safety rules which every employee in the Group has signed up to comply with, to help the Group achieve its ultimate goal of Zero Harm.

EMPLOYEE ENGAGEMENT

One of our most successful initiatives has been *Best of Breedon*, a scheme which encourages employees to come up with practical suggestions for ways we can improve the performance of our business. Since the scheme was launched at the end of 2010, we have received nearly 200 suggestions, the great majority of which have been of great practical value to the Group. The most outstanding suggestions have received *Best of Breedon* awards and the winners have benefited from either a weekend away for two or a cash prize, with their suggestions being quickly implemented in the business. These have led to a real improvement in the performance of certain of our operations and valuable associated cost-savings.

In March 2011, we introduced the *Breedon GoodQuarry* scheme, designed to raise operational standards across the Group, identify best practice and highlight those units which are not performing in key areas. The purpose of *GoodQuarry* is to ensure that all our operations deliver the highest possible standards of safety, environmental and planning compliance, maintenance, efficiency and community relations.

Several units have already matched the exacting standards of the scheme in our first audit and have been awarded *GoodQuarry* status. Improvement plans have been put in place for others in preparation for a second audit in 2012.

EDUCATION & TRAINING

Our people are the cornerstone on which our business is built and we recognise the importance of ensuring that we keep their skills and knowledge at the highest possible level. During 2011, Breedon Aggregates Scotland became the first company in the UK to have an internal training scheme – in health and safety for surfacing operatives – accepted as an alternative to the national S/NVQ scheme.

We also recognise that if we are to preserve and improve the skills and knowledge in our business, we need to foster young talent. In 2011 we therefore took on our first four apprentices, aged between 16 and 24. Three have already started work in our quarries at Cloud Hill, Orrock and Ethiebeaton and a fourth will start at Cloud Hill later this year.

ENVIRONMENTAL

Continuous improvement in our environmental performance is critical to ensuring that our activities comply fully with environmental standards and legislation. By the end of 2011, all of Breedon Aggregates Scotland's business units had achieved BS EN ISO 14001:2004 accreditation and Breedon Aggregates England had six accredited units, with a further six units actively pursuing accreditation.

During the year we introduced a Group carbon policy, and worked closely with the Carbon Trust to deliver a programme of workshops and site visits across the Group, which will assist with future carbon reduction. Through the work undertaken in 2011 we reduced our carbon intensity per tonne of material produced by over 6% compared to 2010. This reduction was brought about in a number of ways including increased employee awareness and a series of smaller reduction initiatives. We have continued to adhere to the requirements of mandatory Government schemes such as the CRC and EU ETS and have put systems in place for ongoing compliance.

Importantly, during 2011 we were able to gain a better understanding of our carbon footprint. The next step, during 2012 and beyond, will be to convert the knowledge gained into practical measures that will further reduce our emissions. To this end, a carbon management plan is currently being developed that will set out reduction targets and detail objectives as to how these targets will be met. These actions are expected to bring about an overall decrease in our energy costs, increased efficiency in our operations and recognition of our achievements through external accreditations.

ENVIRONMENTAL (continued)

We are also working hard to improve our recycling credentials. In England, Breedon Aggregates uses up to 20 per cent RAP (Reclaimed Asphalt Pavement) in its base and binder course materials. Our Cloud Hill operation uses 50 per cent waste in type 1 sub-base, and the Longwater asphalt plant incorporates waste fluorescent tubes, in the form of crushed glass, into its base and binder course products.

In Scotland, we are also introducing the use of RAP in our asphalt plants. Our asphalt plants at Ethiebeaton, Orrock, Elgin and Oban have been fitted with RAP feed systems and this allows us to recycle up to 20 per cent reprocessed asphalt planings as RAP in standard hot mix asphalt base and binder course materials. We are setting targets for the increased use of RAP to ensure that we maximise the amount of recycling that can be achieved, and planings that come back from contracting sites are routinely reprocessed into type 1 sub-base. We also routinely use recycled incinerator bottom ash as aggregate in our Ethiebeaton asphalt plant.

We are currently actively developing a low energy asphalt product which uses a special production process to manufacture standard asphalts at a fraction of the normal energy cost. This product uses around 30% recycled asphalt in the mix. Careful balancing of moisture content of feed materials and their temperatures creates a workable product at only 95 degrees centigrade. A huge energy saving is achieved through this reduced final temperature (normal materials have to be heated to around 160 degrees centigrade) and the material is also virtually fume-free at this temperature. Breedon Aggregates Scotland has already carried out successful plant trials of this product and hopes to develop it widely in 2012.

We are also currently looking at developing a new suite of thin surfacing materials that use recycled tyre rubber as a bitumen modifier, replacing highly engineered polymer bitumen with its associated high energy production cost and we are undertaking testing of this material with Transport Scotland.

In addition to seeking the highest standards in our own environmental performance, Breedon's product development teams actively support our customers in their efforts to improve their own green credentials. Breedon Aggregates Scotland recently resurfaced a busy section of the A9 at Crubenmore using a new recycled leanmix product manufactured by reprocessing the worn out surfacing that had been removed from the previous road, and had to meet a number of environmental challenges while working on the same road at Faskally. These included the provision of bat boxes, the protection of rare orchids and the creation of appropriate water run-offs into neighbouring Loch Faskally.

COMMUNITY ENGAGEMENT

We have established a number of community liaison groups to encourage dialogue between our businesses and the communities in which they operate, tackling such important issues as planning and development, transport and road usage, and community support.

During the year, our Craigenlow Quarry near Aberdeen hosted more than 1,200 members of the public and over 400 school children at open days designed to help them gain a better understanding of the quarrying industry. Craigenlow is now set to become a central attraction in the annual week-long festival held in Aberdeen to celebrate its world famous status as the 'Granite City'.

In England, we provided support to the 900-year-old local Priory Church of St Mary and St Hardulph, which stands on the crest of our quarry at Breedon-on-the-Hill, as they installed their first-ever mains water supply. Breedon Special Aggregates donated seven tonnes of Wayfarer gravel to Rainbows Hospice in Loughborough, Leicestershire for the construction of a garden in which the residents can relax. The recently-acquired C&G business was also active in supporting its local communities, with its Boston plant providing concrete to one of its major customers which was donating a patio to allow a local 7-year-old girl with severe cerebral palsy to become more active, and we donated six tonnes of decorative chippings to help the residents of Caistor in Lincolnshire to renovate their local churchyard as part of their *East Midlands in Bloom* competition entry.

Craigenlow Quarry has been active in supplying local stone for use in creating new monuments to mark both the exploits of the 1st Battalion Black Watch near Ypres in Belgium and the centenary of Captain Scott's famous polar expedition.

Most recently, we agreed to sponsor the Highland League Cup, a high-profile football tournament played across our Scottish heartlands and one of a number of local and regional sporting organisations and events supported by Breedon Aggregates north and south of the border.

THE SCOTTISH HIGHLAND FOOTBALL LEAGUE

Our contracting gangs laid around 0.5 million tonnes of asphalt in 2011, including the prestigious Mallory Park racing circuit in Leicestershire. The 1.4 mile long track, often described as the most viewer-friendly motor sport circuit in the UK, was completely resurfaced using a special mix prepared by our Leaton asphalt plant.

DIRECTORS

Peter Tom CBE
Executive Chairman
Peter has more than 50 years' experience in the aggregates industry. He joined Bardon Hill Quarries Limited as a school-leaver in 1956, becoming Managing Director in 1977 and Chief Executive of Bardon Group plc in 1985. He went on to lead the merger of Bardon and Evered plc in 1991 and the enlarged group's subsequent merger with CAMAS in 1997 to form Aggregate Industries plc.

Following the acquisition of Aggregate Industries by Swiss building materials Group Holcim Limited for £1.8 billion, he became non-executive Chairman of Aggregate Industries until his resignation in December 2007. Peter served as Chairman of the aggregates industry's trade association in 1997, managing its amalgamation that year with two related associations to form the Quarry Products Association. In addition, Peter has been Chairman of Leicester Rugby Football Club (Leicester Tigers) since 1997. He is also Chairman of Leaf Clean Energy Company and of the Channel Islands Property Fund.

Simon Vivian
Group Chief Executive
Simon has over 20 years' experience in the aggregates and construction industries. Most recently, he was Chief Executive of Mowlem plc (June 2004 - July 2006) where he led an organisation with over 25,000 employees, generating revenues of £2.2 billion from operations in the UK, US and Australia.

Prior to Mowlem, Simon worked in a number of roles with Hanson plc (1987 - 2003), ultimately as a main board director and Chief Executive of Hanson plc's European Building Materials business. He oversaw operations in eight European countries employing over 8,000 people and generating EBITDA of £200 million. Whilst with Hanson, he executed and integrated the £1.5 billion acquisition of Pioneer International Ltd and managed the disposal of the company's waste disposal business for £185 million.

Ian Peters
Group Finance Director
Ian has more than 20 years' experience in the European aggregates industry, initially in financial controller roles within the UK aggregates business of Hanson. Following the demerger of Hanson plc in 1997, Ian was appointed Group Financial Controller and was involved in the completion of £2.5 billion of acquisitions. He was Finance and Development Director of Hanson Building Materials Europe between 2000 and 2003. After a year as Finance Director, Continental Europe and Asia, in 2004 Ian was appointed General Manager, Continental Europe.

Ian joined the senior management team of Marwyn Materials Limited in 2008 and worked closely with the Chairman and Chief Executive on the reverse acquisition of Breedon Holdings Limited in September 2010. He was appointed as a director of Breedon Aggregates Limited on 1 November 2010.

Susie Farnon [1,2,3]
Non-executive Director
Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit at KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission and The Guernsey Public Accounts Committee. She is a Commissioner of The Guernsey Financial Services Commission and a non-executive director of a number of listed and unlisted companies. Susie was appointed to the Board of Breedon Aggregates Limited on 1 November 2010 and became the Senior Independent Director in January 2012.

David Warr [1,2]
Non-executive Director
David joined the accountancy practice of Reads & Co in Guernsey in 1972. He qualified as a Chartered Accountant in 1976 and is a fellow of the Institute of Chartered Accountants in England and Wales. David became a partner in Reads & Co in 1981 and held a variety of executive positions within the firm helping to develop it into a broad-based financial services business which was sold in 1999. David currently holds a number of non-executive director positions including UK Select Trust Limited, Mid Europa Fund Management Limited, Unigestion (Guernsey) Limited and Invista Foundation Property Trust Limited.

David Williams [2]
Non-executive Director
David has significant experience in the investment market. He has served as Chairman in executive and non-executive capacities for a number of companies, both public and private. He has built a reputation for creating significant shareholder value through both organic and acquisitive growth, as well as leading turnaround situations.

Key:
1 Member of the Audit Committee
2 Member of the Remuneration Committee
3 Senior Independent Director

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements, for the year ended 31 December 2011.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Breedon Aggregates Limited's principal activity is as a holding company for companies involved in the quarrying, production and sale of aggregates and related activities. Further details of the Group's activities and future developments are included in the Chairman's Statement on pages 8 and 9, and in the Chief Executive's Review on pages 10 to 12.

RISK MANAGEMENT

The Board is ultimately responsible for risk management and continues to develop polices 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. Further details of the key areas of risk to the business identified by the Group, together with the Group's operational key performance indicators, are included in the Financial Review on pages 14 to 18.

RESULTS AND DIVIDENDS

For the year to 31 December 2011, the Group's profit before tax was £1.4 million (2010: loss of £6.3 million) and after tax was a profit of £1.2 million (2010: loss of £5.9 million).

Subject to availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so.

STATED CAPITAL

Details of the Company's shares in issue are set out in note 19 to the financial statements.

DIRECTORS

The following directors served during the year:

Peter Tom CBE	Executive Chairman
Simon Vivian	Group Chief Executive
Ian Peters	Group Finance Director
Susie Farnon	Independent Non-executive Director
David Warr	Independent Non-executive Director
David Williams	Non-executive Director
James Corsellis	Non-executive Director *(resigned 22 July 2011)*

Biographical details of the Directors who held office at the end of the year can be found on pages 26 and 27 and details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 32 to 34.

DIRECTORS' INTERESTS

The Directors in office at 31 December 2011 had interests in the issued share capital of the Company as shown in the table below.

All the below interests are beneficial, unless indicated otherwise no Director has any interests in the issued share capital or loan stock of any subsidiary undertaking.

There were no changes in the Directors' interests between 1 January 2012 and 6 March 2012.

Directors	Ordinary Shares	
	31 December 2011	31 December 2010
Peter Tom CBE	32,583,333	30,683,333
Simon Vivian (and family)	3,166,667	3,166,667
Ian Peters	1,833,333	1,833,333
Susie Farnon	1,200,000	989,840
David Warr	3,500,000	2,500,000
David Williams	13,212,133	12,012,133

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that, at 23 February 2012, other than the Directors, the following held 3% or more of the issued share capital of the Company as shown in the table below.

Beneficial holder	Ordinary Shares	
	Number	%
Invesco Asset Management Ltd	165,000,000	29.4
Marwyn Value Investors LP	146,223,698	26.1
Cenkos Channel Islands Nominee Co Ltd	59,579,235	10.6
Scottish Widows Investment Partnership	41,665,000	7.4
Morgan Stanley	27,600,000	4.9

EMPLOYEES

The Group recognises the importance of employee involvement in the operation and development of its business units, which are given autonomy within a group policy and structure, 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 Group as a whole.

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 wherever possible.

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

The Group made charitable donations of £7,552 in 2011 (2010: £nil). The Group did not make any contributions to political parties during either the current or the previous year.

PAYMENT OF CREDITORS

The Company is a holding company and has no external trade suppliers. It is the policy of the Group's operating businesses to negotiate payment terms when agreeing the overall terms of transactions with all their suppliers, and to abide by them, provided that they are satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any standard or external code which deals specifically with the payment of suppliers.

ANNUAL GENERAL MEETING

Shareholders are being asked at the forthcoming Annual General Meeting to grant the Directors authority to allot up to 105,000,000 ordinary shares. Shareholders are also being asked to grant the Directors authority to allot, for cash otherwise than in connection with a rights issue, up to 91,390,475 ordinary shares, which is 15% of the current issued ordinary share capital of the Company (as adjusted for the potential exercise of the outstanding warrants).

The Company did not purchase any of its ordinary shares during the year. However, the approval of shareholders is being sought to renew the existing authority to purchase its own shares.

If granted, and unless previously renewed, varied or revoked, each of the authorities described above shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 or within 12 months from the date of approval of the authority, whichever shall be the earlier.

Shareholders are also being asked to approve an amendment to the Company's Articles of Association which will allow the Company to communicate with its shareholders by electronic means including, but not limited to, via the internet or by e-mail. The full text of the proposed amendment is set out in the Appendix to the Notice of Meeting on pages 77 to 79.

GOING CONCERN

The Group meets its day-to-day working capital and other funding requirements through its banking facility, which includes an overdraft facility, and which expires in September 2015.

The Group actively manages its financial risks as set out in note 21 to the financial statements and operates Board approved financial policies, including interest rate hedging policies, that are designed to ensure that the Group maintains an adequate level of headroom and effectively mitigates financial risks.

On the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who hold office at the date of this Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

KPMG Channel Islands Limited, has expressed willingness to continue in office and, in accordance with Article 113 of the Companies (Jersey) Law 1991, a resolution to reappoint KPMG Channel Islands Limited will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Peter Tom CBE
Executive Chairman
6 March 2012

Simon Vivian
Group Chief Executive

CORPORATE GOVERNANCE

The Directors recognise the value of strong corporate governance and the Company has sought to comply, as far as it is appropriate to do so, with the *Corporate Governance Guidelines for Smaller Quoted Companies* published by the Quoted Companies Alliance in September 2010 (the "*QCA Guidelines*"), in respect of the accounting year ended on 31 December 2011.

The purpose of this statement is to describe the Company's approach to corporate governance and, in particular, to explain how the Company has applied the QCA Guidelines.

THE BOARD OF DIRECTORS

The current Board comprises the Executive Chairman, two executive directors, two independent non-executive directors and one non-executive director who is not considered to be independent.

The Board considers that each of the non-executive directors brings a senior level of experience and judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. Mrs Farnon was appointed as the Company's first Senior Independent Director in January 2012.

Biographical details of the Directors are set out on pages 26 and 27.

The Board is provided with regular and timely information on the financial performance of businesses within the Group, and of the Group as a whole, together with other trading reports, contract performance and market reports and data, including reports on personnel related matters such as health and safety and environmental issues. Six formal board meetings are held each year to consider those matters which have been specifically reserved to the Board for review and decision, including the management of assets to maximise performance and the control of the operation of the business, to review corporate strategy and the progress of individual business units, and to discharge the Directors' other duties. The Board has adopted a schedule of Matters Reserved to the Board and it keeps this under regular review.

Where it considers it necessary to do so, the Board instructs external professional advisors to provide advice and guidance on any matter where it considers it prudent to seek such advice. All members of the Board are able to take independent professional advice at the Company's expense in the furtherance of their duties.

The Board has conducted a review of its own performance and effectiveness. This review was carried out by way of a survey of each director completing a questionnaire on a range of key processes and procedures. The outcome of that survey was that the Board concluded that it was of an appropriate size for the current stage of the Company's development and its members had a balanced range of functional and sector skills and experience to allow it to carry out its duties effectively. It did however identify certain areas where the Directors considered that the Board could improve its knowledge and understanding, and these will be addressed during 2012.

The Directors explain their responsibilities for preparing the financial statements on page 36 and the Report of the Independent Auditor on page 37 contains a statement of its reporting responsibilities.

BOARD COMMITTEES

Throughout the year the Board maintained two standing committees, the Remuneration Committee and the Audit Committee.

Remuneration Committee

Throughout the year, the Remuneration Committee comprised solely of non-executive directors. Mr Williams, Mr Warr and Mrs Farnon served on the Remuneration Committee throughout the year (Mrs Farnon having been appointed to the Committee in January 2011). Mr Williams is chairman of the Committee. The Executive Chairman makes himself available to the Committee to discuss the performance of other executives and to make proposals as necessary. The Remuneration Committee's responsibilities are to make recommendations to the Board on terms of service, remuneration and benefits of the executive directors and senior executives of the Group. Where it considers it prudent to do so, the Committee engages external remuneration consultants to advise and assist it. Further details of the terms of reference of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 32 to 34 and are available on the Group's website.

Audit Committee

Mr Warr and Mrs Farnon served on the Audit Committee throughout the year, and Mr Corsellis served on the Committee until his resignation from the Board in July 2011. Mr Warr is chairman of the Committee. Written terms of reference have been agreed for the Audit Committee, the main role of which is the oversight and monitoring of the Group's financial statements, which includes keeping under review the scope and results of the audit, its cost effectiveness, the independence and objectivity of the auditor and the effectiveness of internal control. Full terms of reference for the Audit Committee are available on the Group's website.

The Audit Committee invites the Executive Chairman, the Group Chief Executive and the Group Finance Director, and senior representatives of the external auditor to attend part of its meetings as appropriate.

The members of the Audit Committee have relevant and recent financial experience at senior executive level.

Nominations Committee

The Board has considered the possible requirement for a Nominations Committee and it has concluded that, as the Board is small, there is no current need for a separate Nominations Committee and the appointment of any new directors of the Company will be considered by the Board as a whole. This situation will be periodically reviewed.

	Board		Audit Committee		Remuneration Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Peter Tom CBE	6	6	-	-	-	-
Simon Vivian	6	6	-	-	-	-
Ian Peters	5	6	-	-	-	-
Susie Farnon	6	6	4	4	3	3
David Warr	6	6	4	4	2	3
David Williams	5	6	-	-	2	3

MEETINGS ATTENDANCE

The Board met formally 6 times during the year and the attendance of the Directors, who held office at 31 December 2011, at each meeting together with attendance at committee meetings, is set out in the table above.

This table shows only those meetings which each director attended as a member rather than as an invitee.

SHAREHOLDER RELATIONS

The Company is committed to maintaining good communications with its shareholders.

Members of the Board have meetings with institutional shareholders to aid understanding of the Group's strategic objectives and performance, and all shareholders are encouraged to participate in the Company's Annual General Meeting.

Messrs Williams and Warr, as chairmen of the Remuneration and Audit Committees respectively, will be available to answer questions at the forthcoming Annual General Meeting. In addition, proxy votes will be counted and the results announced after any vote on a show of hands.

The Company complies with the recommendation of the UK Corporate Governance Code that the notice of the Annual General Meeting and related papers should be sent to shareholders at least twenty working days before the meeting.

The Executive Chairman ensures that the views of shareholders are communicated to the Board as a whole, and that non-executive directors develop an understanding of the views of major shareholders.

INTERNAL CONTROL

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors have reviewed the effectiveness of the Group's system of internal control including financial, operational, compliance and risk management controls, which mitigate the significant risks identified. A formal Risk Register has been drawn up, and this is reviewed by the Board at least twice annually.

The Group does not have an internal audit function. This is presently considered appropriate given the size of the Group and the close involvement of executive directors and senior management on a day to day operational basis. However, the need for an internal audit function is kept under regular review.

DIRECTORS' REMUNERATION REPORT

The responsibility for establishing the overall remuneration policy lies with the Board as a whole. The Remuneration Committee works within agreed terms of reference to make recommendations to the Board on the Group's framework for executive remuneration. The terms of reference of the Remuneration Committee are available on the Group's website.

REMUNERATION COMMITTEE

The Remuneration Committee was chaired by David Williams throughout the year. At the end of the financial year, the Committee comprised David Williams, David Warr and Susie Farnon. The Company Secretary acts as secretary to the Committee. The Committee met 3 times formally in 2011.

The role of the Remuneration Committee is broadly to determine the terms of employment, including remuneration and other benefits, for individual directors and senior management, within the overall policy as agreed by the Board as a whole. The Remuneration Committee gives full consideration to the provisions of the UK Corporate Governance Code concerning remuneration policy, service contracts and compensation. The Remuneration Committee takes into account remuneration packages of comparable companies and has access to professional advice from both internal and external sources in order to determine and develop its recommendations.

REMUNERATION POLICY

In order to ensure that it attracts and retains a management team with the appropriate skills to provide maximum shareholder value for the future, the Group needs to ensure that its pay and benefit practices are competitive but consistent with the Group's circumstances; that they motivate employees at all levels; and that they recognise and reward high standards of performance.

The Group's remuneration policy is as follows:

(i) to ensure that individual rewards and incentives are aligned with the performance of the Group and the interests of Shareholders;

(ii) to maintain a competitive remuneration package which enables the Group to attract, retain and motivate high calibre executives; and

(iii) to ensure that performance related elements form a significant proportion of total remuneration.

The Group's non-executive directors do not participate in any incentive scheme, share scheme or pension arrangement. The remuneration of non-executive directors is a matter for the Board as a whole, taking into account market rates and the required time commitment.

(i) BASIC SALARY

Executive directors' and senior managers' individual salaries and performance incentives are determined by personal factors. These include the individual's performance as measured by an appraisal process, and any other matters likely to affect a particular executive's value in the employment market.

Basic salaries are reviewed on an annual basis or following a significant change in responsibilities.

(ii) INCENTIVE ARRANGEMENTS

Annual Cash Bonus

In addition to basic salary, the Group operates a performance related cash bonus scheme and challenging performance goals are set which must be achieved before the maximum bonus becomes payable. The Company has agreed, subject to certain performance targets being achieved, to pay Peter Tom a bonus of up to £200,000 in relation to each financial year of the Company. Commencing in 2011, for Simon Vivian and Ian Peters, as executive directors, the maximum bonus opportunity is 100% of salary as at the end of the year, linked to targets based on the Group's EBITDA performance. For other senior management in the Group, the maximum bonus opportunity is up to 75% and is linked to targets based on achieving EBITDA targets for the businesses for which they are responsible. Bonuses are not pensionable.

Transaction Bonuses

In accordance with the terms of their service agreements, upon completion of the acquisition of any trading company, the executive directors are entitled to a transaction bonus of up to 0.5 percent of the value of the transaction to be shared amongst them at the discretion of the Remuneration Committee.

Long Term Incentive arrangements

The Directors believe that the success of the Company will depend to a high degree on the future performance of the management team. The Company has therefore established incentive arrangements which will only reward the participants if shareholder value is created, thereby aligning the interests of management directly with those of the shareholders.

The executive directors have subscribed for Participation Shares in the Company's wholly owned subsidiary Marwyn Materials Investments Limited (the "*Management Participation Shares*"). Further details of the Management Participation Shares, including descriptions of the Growth and Vesting Conditions, are set out in note 20 to the financial statements.

Certain other members of the Group's senior executive management team participate in the Breedon Aggregates Performance Share Plan which was approved by shareholders at the 2011 Annual General Meeting (the "*PSP*"). Further details of the awards made under the PSP are set out in note 20 to the financial statements.

(iii) PENSIONS
Simon Vivian is paid a salary supplement equal to 17.5% of his base salary in lieu of a pension contribution, and Ian Peters is entitled to a pension contribution equal to 17.5% of his base salary which is paid to the Group's defined contribution pension scheme.

SERVICE AGREEMENTS / LETTERS OF APPOINTMENT OF THE DIRECTORS
The Directors are party to the following service agreements/letters of appointment with the Company:

(i) Non-executive Directors
The Company has entered into letters of appointment with each of Susie Farnon, David Warr and David Williams, pursuant to which each of them were appointed as a non-executive director of the Company.

The letters of appointment do not contain a fixed time commitment but require each non-executive director to ensure that he or she has sufficient time to meet the expectations of the role.

The appointments can be terminated by either party without notice. The non-executive directors each receive a fee for their services of £25,000 per annum payable in equal monthly instalments and are entitled to be reimbursed all reasonable expenses, properly incurred in the course of performing their duties. No other benefits are payable. The letters of appointment are governed by Jersey law.

(ii) Executive Directors
Peter Tom CBE

On 5 June 2008, the Company entered into a service agreement with Rise Rocks Limited for the purposes of procuring the services of Peter Tom as a consultant to the Company in the role of Chairman. This agreement does not render Mr Tom as an employee, officer, worker or partner of the Company. To the extent that any liabilities arise in connection with a claim that he is an employee, officer, worker or partner of the Company, Mr Tom agrees to indemnify the Company (and its associates) from any such claim.

The agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Mr Tom, such notice to expire no earlier than 6 September 2013. Mr Tom may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Mr Tom. The service agreement is governed by English law.

Simon Vivian

On 5 June 2008, the Company entered into a service agreement with Simon Vivian pursuant to which he is employed as Group Chief Executive.

The service agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Mr Vivian, such notice to expire no earlier than 6 September 2013. Mr Vivian may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Mr Vivian. The service agreement is governed by English law.

Ian Peters

On 5 June 2008, the Company entered into a service agreement with Ian Peters pursuant to which he is employed as Group Finance Director.

The service agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Mr Peters, such notice to expire no earlier than 6 September 2013. Mr Peters may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Mr Peters. The service agreement is governed by English law.

During any notice period, it is the Company's policy to have regard to an individual's duty to mitigate his loss in respect of those contractual rights that he would otherwise be entitled to receive. On the early termination of any contract, the Board will act in shareholders' interests in arriving at the level of compensation to be awarded.

SUCCESSION PLANNING
The Board recognises the requirements of the QCA Guidelines that it should, through periodic review, ensure that plans for an orderly succession to Board and senior management positions are regularly updated. It will continually monitor the composition of the senior management team, including the executive directors, and, taking into account factors such as age, experience and career progression opportunities, it will formulate plans well in advance of potential vacancies arising.

DETAILS OF REMUNERATION

The remuneration of the Directors for the year ended 31 December 2011 was as shown in the table below.

					Total		Pension Contributions (note 6)	
	Salary	Bonus (note 1)	Fees (note 2)	Benefits (note 3)	2011	2010	2011	2010
Peter Tom CBE	-	-	376,897	-	376,897	460,240	-	-
Simon Vivian	400,695	240,300	-	3,791	644,786	515,531	-	-
Ian Peters (note 4)	184,437	106,400	-	3,805	294,642	32,141	37,187	5,104
James Corsellis (note 5)	-	-	10,417	-	10,417	14,626	-	-
Susie Farnon (note 4)	-	-	25,000	-	25,000	4,167	-	-
David Warr	-	-	25,000	-	25,000	15,000	-	-
David Williams	-	-	25,000	-	25,000	15,000	-	-
Total	585,132	346,700	462,314	7,596	1,401,742	1,056,705	37,187	5,104

Notes

1. The bonuses paid and payable to Messrs Vivian and Peters were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme.
2. Included in fees above is an amount of £196,867 (*2010: £140,240*) in respect of services provided by Rise Rocks Limited, a company in which Mr Tom has a beneficial interest, and the sum of £180,030 *(2010: £320,000)* which was paid or payable to Rise Rocks Limited as bonuses pursuant to the consultancy agreement between the Company and Rise Rocks Limited.
3. Benefits for Mr Vivian and Mr Peters comprise the provision of private medical insurance and the reimbursement of certain travel costs.
4. The 2010 comparative figures for Mr Peters and Mrs Farnon comprise their remuneration from their appointment as directors on 1 November 2010.
5. The fees payable in respect of Mr Corsellis were paid to Marwyn Capital LLP in respect of his services as a non-executive director, and represent their fees until his resignation as a director on 22 July 2011.
6. In 2011 the Group introduced a Group Personal Pension Plan which is funded by way of an HMRC approved salary sacrifice arrangement. Pension contributions paid in respect of Mr Peters in 2011 therefore include the portion of his salary sacrificed for this purpose.

MANAGEMENT PARTICIPATION SHARES

Details of Management Participation Shares issued to Directors ("*Management Participation Shares*") which give rights to participate in an increase in the market capitalisation of the Company are set out in note 20 to the financial statements. At 31 December 2011, the Group had a number of Management Participation Shares outstanding. None of the Management Participation Shares vested during the year.

On behalf of the Board

David Williams
Chairman, Remuneration Committee
6 March 2012

We produced around 0.4 million cubic metres of ready-mixed concrete in 2011 from our 40 batching plants in England and Scotland, benefiting from the added capacity of the 12 plants acquired with C&G in July, which gave us critical mass in England. We now produce a full range of proprietary concrete mixes, screeds and mortars for a variety of specialist applications.

Statement of Directors' Responsibilities
in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates which 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 Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report
to the Members of Breedon Aggregates Limited

KPMG
5 St Andrew's Place
Charing Cross
St Helier
Jersey
JE4 8WQ
Channel Islands

We have audited the Group financial statements of Breedon Aggregates Limited for the year ended 31 December 2011 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 Statement of Directors' Responsibilities set out on page 36, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Andrew P Quinn
6 March 2012
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants

Notes:

1. *The maintenance and integrity of the Breedon Aggregates Limited website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 6 March 2012. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 6 March 2012 which in any way extends this date.*
2. *Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.*

Consolidated Income Statement

for the year ended 31 December 2011

	Note	2011 Underlying† £000	2011 Non-underlying* (note 3) £000	2011 Total £000	2010 Underlying† £000	2010 Non-underlying* (note 3) £000	2010 Total £000
Revenue	1,2	168,888	-	168,888	42,679	-	42,679
Cost of sales		(130,035)	-	(130,035)	(25,069)	-	(25,069)
Gross profit		38,853	-	38,853	17,610	-	17,610
Distribution expenses		(19,816)	-	(19,816)	(8,332)	-	(8,332)
Administrative expenses		(13,349)	(758)	(14,107)	(9,545)	(4,456)	(14,001)
Gain on bargain purchase		-	636	636	-	-	-
Group operating profit/(loss)	2	5,688	(122)	5,566	(267)	(4,456)	(4,723)
Share of profit/(loss) of associated undertaking (net of tax)	11	659	-	659	(22)	-	(22)
Profit/(loss) from operations		6,347	(122)	6,225	(289)	(4,456)	(4,745)
Financial income	6	2	-	2	42	-	42
Financial expense	6	(4,842)	-	(4,842)	(1,601)	-	(1,601)
Profit/(loss) before taxation		1,507	(122)	1,385	(1,848)	(4,456)	(6,304)
Taxation	7	(316)	130	(186)	287	144	431
Profit/(loss) for the year		1,191	8	1,199	(1,561)	(4,312)	(5,873)
Attributable to:							
Equity holders of the parent		1,167	8	1,175	(1,571)	(4,312)	(5,883)
Non-controlling interests		24	-	24	10	-	10
Profit/(loss) for the year		1,191	8	1,199	(1,561)	(4,312)	(5,873)
Basic earnings/(loss) per ordinary share	25	0.21p		0.21p	(0.58p)		(2.19p)
Diluted earnings/(loss) per ordinary share	25	0.20p		0.20p	(0.58p)		(2.16p)

* Non-underlying items represent acquisition related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles, changes in the fair value of financial instruments and gains on bargain purchase.

† The Consolidated Income Statement presents the results for the year ended 31 December 2011. In the prior year, the Group made its first acquisition on 6 September 2010 (note 27). Accordingly, with the exception of £649,000 of administrative expenses, all comparative underlying revenues and profits from operations set out above are for the period from 6 September 2010 to 31 December 2010.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Profit/(loss) for the year		**1,199**	(5,873)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**(201)**	74
Taxation on items taken directly to other comprehensive income	**7**	**52**	(20)
Other comprehensive income for the year		**(149)**	54
Total comprehensive income for the year		**1,050**	(5,819)
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		**1,026**	(5,829)
Non-controlling interests		**24**	10
		1,050	(5,819)

Consolidated Statement of Financial Position

at 31 December 2011

	Note	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	8	151,984	146,816
Intangible assets	9	1,648	1,790
Investment in associated undertaking	11	792	1,070
Total non-current assets		154,424	149,676
Current assets			
Inventories	13	8,001	6,774
Trade and other receivables	14	34,555	26,410
Cash and cash equivalents		921	3,294
Non-current assets held for resale	15	-	400
Total current assets		43,477	36,878
Total assets		197,901	186,554
Current liabilities			
Interest-bearing loans and borrowings	16	(8,237)	(7,095)
Trade and other payables	17	(33,366)	(27,629)
Current tax payable		-	(5)
Provisions	18	(166)	(160)
Total current liabilities		(41,769)	(34,889)
Non-current liabilities			
Interest-bearing loans and borrowings	16	(88,869)	(88,457)
Provisions	18	(7,172)	(6,076)
Deferred tax liabilities	12	(1,059)	(301)
Total non-current liabilities		(97,100)	(94,834)
Total liabilities		(138,869)	(129,723)
Net assets		59,032	56,831
Equity attributable to equity holders of the parent			
Stated capital	19	62,715	61,575
Cash flow hedging reserve	19	(95)	54
Capital reserve	19	2,069	2,369
Retained earnings		(5,765)	(7,261)
Total equity attributable to equity holders of the parent		58,924	56,737
Non-controlling interests		108	94
Total equity		59,032	56,831

These financial statements were approved by the board of directors on 6 March 2012 and were signed on its behalf by:

Simon Vivian
Group Chief Executive

Ian Peters
Group Finance Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Stated capital	Cash flow hedging reserve	Capital reserve	Retained earnings	Attributable to equity holders of parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2010	13,262	-	-	(1,569)	11,693	-	11,693
Shares issued	50,000	-	-	-	50,000	-	50,000
Expenses of share issue	(1,687)	-	-	-	(1,687)	-	(1,687)
Acquisitions through business combinations	-	-	2,369	-	2,369	84	2,453
Total comprehensive income for the year	-	54	-	(5,883)	(5,829)	10	(5,819)
Credit to equity of share based payments	-	-	-	191	191	-	191
Balance at 31 December 2010	61,575	54	2,369	(7,261)	56,737	94	56,831
Shares issued	1,140	-	(300)	-	840	-	840
Dividend to non-controlling interest (note 10)	-	-	-	-	-	(60)	(60)
Disposal of non-controlling interest without a change in control	-	-	-	108	108	50	158
Total comprehensive income for the year	-	(149)	-	1,175	1,026	24	1,050
Credit to equity of share based payments	-	-	-	213	213	-	213
Balance at 31 December 2011	**62,715**	**(95)**	**2,069**	**(5,765)**	**58,924**	**108**	**59,032**

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Profit/(loss) for the year		**1,199**	(5,873)
Adjustments for:			
Depreciation and amortisation		**11,537**	3,652
Gain on bargain purchase		**(636)**	-
Financial income		**(2)**	(42)
Financial expense		**4,842**	1,601
Share of (profit)/loss of associated undertaking (net of tax)		**(659)**	22
Net gain on sale of property, plant and equipment, and asset for resale		**(853)**	(260)
Equity settled share based payment expenses		**213**	191
Change in the fair value of financial instruments		**-**	(259)
Taxation		**186**	(431)
Operating cash flow before changes in working capital and provisions		**15,827**	(1,399)
(Increase)/decrease in trade and other receivables		**(8,665)**	4,176
(Increase)/decrease in inventories		**(479)**	1,203
Increase/(decrease) in trade and other payables		**6,564**	(1,145)
Decrease in provisions		**(466)**	(60)
Cash generated from operating activities		**12,781**	2,775
Interest paid		**(2,903)**	(1,459)
Interest element of finance lease payments		**(1,687)**	(462)
Dividend paid to non-controlling interest	**10**	**(60)**	-
Income taxes (paid)/received		**(2)**	31
Net cash from operating activities		**8,129**	885
Cash flows used in investing activities			
Acquisition of businesses	**27**	**(9,770)**	(11,410)
Purchase of property, plant and equipment		**(6,711)**	(1,232)
Proceeds from sale of asset for resale		**391**	50
Proceeds from sale of property, plant and equipment		**2,609**	317
Proceeds from sale of non-controlling interest	**10**	**158**	-
Interest received		**2**	42
Dividend from associated undertaking	**11**	**937**	563
Net cash used in investing activities		**(12,384)**	(11,670)
Cash flows from financing activities			
Proceeds from the issue of shares (net)	**19**	**840**	48,313
Proceeds from new loans raised		**11,000**	4,500
Repayment of loans		**(5,522)**	(49,982)
Repayment of finance lease obligations		**(5,953)**	(1,973)
Purchase of financial instrument – derivative		-	(243)
Net cash from financing activities		**365**	615
Net decrease in cash and cash equivalents		**(3,890)**	(10,170)
Cash and cash equivalents at 1 January		**1,696**	11,866
Cash and cash equivalents at 31 December		**(2,194)**	1,696
Cash and cash equivalents		**921**	3,294
Bank overdraft	**16**	**(3,115)**	(1,598)
Cash and cash equivalents at 31 December		**(2,194)**	1,696

Notes to the financial statements

1 Accounting policies

The principal activities of the business are the quarrying of aggregates and the production of added value products, including asphalt and ready-mixed concrete, collectively known as 'aggregates', together with related activities in Great Britain and Jersey. Breedon Aggregates Limited (the "Company") is a company domiciled in Jersey. The address of the Company's registered office is Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT. The Company was incorporated on 15 August 2007.

Basis of preparation
The financial statements were authorised for issue by the Board of Directors on 6 March 2012.

These financial statements consolidate the results of the Company and its subsidiary undertakings and equity account for the Group's interest in associates (collectively "the Group"). In the preceding financial year, the results of Breedon Holdings Limited and its subsidiaries are consolidated with effect from acquisition on 6 September 2010.

The financial statements have been prepared on a going concern basis based on the assessment made by the Directors as described in the Directors' Report on page 29.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS's"). The consolidated financial statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required as set out below.

The preparation of financial statements in conformity with Adopted IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 28.

As required by IFRS 3 - Business Combinations, comparative information has been revised for adjustments to the provisional amounts recognised in respect of business combinations to reflect new information obtained about facts and circumstances existing at the acquisition date (note 27).

The accounting policies set out below have, unless otherwise stated, been applied consistently throughout the year presented in this financial information.

These financial statements are presented in pounds sterling, which is the Group's functional currency. All financial information presented in pounds sterling has been rounded to the nearest thousand.

Parent company information has not been provided in accordance with Section 105 of Companies (Jersey) Law 1991.

New IFRS standards and interpretations adopted during 2011
In 2011, the following standards had been endorsed by the EU, became effective and therefore were adopted by the Group:

- IAS 24 (revised) – Related Party Transactions;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Insurers.

The annual improvement project to IFRS's provides a vehicle for making non-urgent but necessary amendments to IFRS's. Amendments to a number of standards have been adopted.

The adoption of the above standards, amendments and interpretations has not had a material impact on the Group's financial statements.

New IFRS standards and interpretations not adopted
The IASB and IFRIC have issued an additional amendment which is effective for periods starting after the date of these financial statements. The following amendment has not yet been adopted by the Group:

- Amendments to IFRS 7 – Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after 1 July 2011).

The Group does not anticipate that the adoption of the above amendment will have a material effect on its financial statements on initial adoption.

Notes to the financial statements
(continued)

1 Accounting policies (continued)

Basis of consolidation
Subsidiary undertakings are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Ordinarily, the Group considers a company a subsidiary when it holds more than 50% of the shares and voting rights. The financial statements of subsidiary undertakings are included in the Group financial information from the date that control commences until the date that control ceases.

Associated undertakings are those entities in which the Group holds more than 20% of the shares and voting rights and has significant influence, but not control, over the financial and operating policies. The Group financial information includes the Group's share of the total comprehensive income of associated undertakings on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associated undertaking.

Financial instruments
Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

Trade receivables and trade payables
Trade receivables and trade payables are initially recognised at fair value and then are stated at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. For the purposes of the Consolidated Statement of Cash Flows, bank overdrafts are also included as they are an integral part of the Group's cash management.

Bank and other borrowings
Interest bearing bank loans and overdrafts and other loans are recognised initially at fair value less attributable transaction costs. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the Consolidated Income Statement over the period to redemption on an effective interest basis.

Derivative financial instruments
The Group uses financial instruments to manage financial risks associated with the Group's underlying business activities and the financing of those activities. The Group does not undertake any trading in financial instruments.

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. The gain or loss on the re-measurement of fair value is recognised immediately in profit or loss. However, where the derivative qualifies for hedge accounting, recognition of the resultant gain or loss depends on the nature of the item being hedged (see below).

Interest rate caps are used to hedge the Group's exposure to movements on interest rates.

The fair value of interest rate caps is the estimated amount that the Group would receive to terminate the cap at the reporting date, taking into account current interest rates and the current creditworthiness of the financial derivative counterparties.

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised in the Consolidated Statement of Comprehensive Income and in the cash flow hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Consolidated Income Statement.

Amounts recorded in the cash flow hedging reserve are subsequently reclassified to the Consolidated Income Statement when the interest expense is actually recognised.

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, at hedge inception and on an annual basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, effective in offsetting changes in fair value or cash flows of hedged items.

1 Accounting policies (continued)

Minerals reserves and resources
Mineral reserves and resources are stated at cost and are depreciated based on the physical unit-of-production method over their estimated commercial lives.

The value of mineral reserves and resources recognised as a result of business combinations is based on fair value.

Costs incurred to gain access to mineral reserves and resources are capitalised and depreciated over the life of the quarry, which is based on the estimated tonnes of raw material to be extracted from the reserves.

Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the Consolidated Income Statement on a straight-line basis over their estimated useful lives to write off the cost or deemed cost of assets. The estimated useful lives are as follows:

- Freehold buildings - 50 years
- Long leasehold land and buildings - life of the lease
- Fixtures and fittings - 10 years
- Office equipment - 3-5 years
- Fixed plant - 20 years
- Loose plant and machinery - 5-10 years
- Motor vehicles - 4-10 years

No depreciation is provided on freehold land.

Intangible assets and goodwill
The Group measures goodwill as the fair value of the purchase consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Fair value adjustments are always considered to be provisional at the first reporting date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

The Group measures non-controlling interests at a proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

Goodwill arising on the acquisition of subsidiary undertakings is recognised as an asset in the Consolidated Statement of Financial Position and is subject to annual impairment review. Goodwill arising on the acquisition of associated undertakings is included within the carrying value of the investment. When the excess is negative, a gain on bargain purchase is recognised immediately in the Consolidated Income Statement.

Other intangible assets that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses. Cost reflects management’s judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future economic benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate discount rate. Other intangibles arising on the acquisition of associated undertakings are included within the carrying value of the investment.

Amortisation is based on the useful economic lives of the assets concerned, currently being the consumption of economic benefits over a period up to ten years.

Impairment
The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets (see separate accounting policies), are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment reviews are undertaken at the level of each significant cash generating unit, which is no larger than an operating segment as defined by IFRS 8 - Operating Segments. If any such indication exists then the asset’s recoverable amount is estimated.

Notes to the financial statements
(continued)

1 Accounting policies (continued)

***Impairment** (continued)*

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-current assets held exclusively with a view to resale

Non-current assets acquired exclusively with a view to subsequent disposal are classified as assets held for resale at the acquisition date only where all criteria set out in IFRS 5 are satisfied within a short period following the acquisition. When acquired as part of a business combination, non-current assets acquired exclusively with a view to subsequent disposal are initially measured at fair value less costs to sell. Subsequently, these non-current assets are measured at the lower of their current carrying value and current fair value less costs to sell. Subsequent gains or losses on re-measurement are recognised in the Consolidated Income Statement. Gains are not recognised in excess of any cumulative loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Retirement benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

Provisions

Restoration provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment and depreciated over the life of the site. The effect of any adjustments to the provision due to further environmental damage is recorded through operating costs over the life of the site to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows, or a change in the discount rate, are added to, or deducted from, the cost of the related asset. All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Property related provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue

Revenue from the sale of goods and services represents the amount (excluding value added and sales taxes) invoiced to third party customers, net of returns and trade discounts. Revenue is recognised by the Group when the significant risks and rewards associated with the transaction have been transferred to the customers and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. Usually transfer occurs when products have been delivered to, or picked up by, the customer or by reference to the degree of completion of short term contracts for the supply of services.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Consolidated Income Statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1 Accounting policies (continued)

***Expenses** (continued)*

Financial income and expense

Financial income and expense comprises interest payable, finance charges, finance lease charges, interest receivable on funds invested, and gains and losses on hedging instruments that are recognised in the Consolidated Income Statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided in full using the Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share based transactions

Equity-settled share based payments to Directors, key employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value is expensed, with a corresponding increase in equity, on a straight line basis over the period that the employees become unconditionally entitled to the awards. At each Consolidated Statement of Financial Position date, the Group revises the amount recognised as an expense to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Dividends

Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders.

Notes to the financial statements

(continued)

2 Segmental analysis

Segmental information is presented in respect of the Group's business segments in line with IFRS 8 Operating Segments which requires segmental information to be presented on the same basis as it is viewed internally. The Group's Board of Directors, considered as the Group's "Chief Operating Decision Maker" view the business on a geographical basis. As such, two operating segments (England and Scotland) have been identified as reportable segments. A description of the activities of each segment is included on pages 6 and 7. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, related products and services.

Income statement

	2011		2010	
	Revenue £000	**EBITDA* £000**	Revenue £000	EBITDA* £000
England	**86,158**	**9,090**	21,072	1,699
Scotland	**82,730**	**10,316**	21,607	2,977
Central administration and Group properties	**-**	**(2,343)**	-	(1,369)
Group	**168,888**	**17,063**	42,679	3,307

*EBITDA represents underlying EBITDA before share of profit/(loss) from associated undertaking.

	2011	2010
Reconciliation to reported profit/(loss)		
Segmental profit/(loss) as above	**17,063**	3,307
Depreciation	**(11,375)**	(3,574)
Non-underlying items (note 3)	**(122)**	(4,456)
Reported operating profit/(loss)	**5,566**	(4,723)
Share of profit/(loss) of associated undertaking	**659**	(22)
Net financial expense	**(4,840)**	(1,559)
Profit/(loss) before taxation	**1,385**	(6,304)
Taxation	**(186)**	431
Profit/(loss) for the year	**1,199**	(5,873)

2 Segmental analysis (continued)

Statement of financial position

	2011 Total assets £000	2011 Total liabilities £000	2010 Total assets £000	2010 Total liabilities £000
England	**103,817**	**(20,154)**	85,659	(14,795)
Scotland	**85,223**	**(15,498)**	87,521	(13,921)
Central administration and Group properties	**7,940**	**(5,052)**	10,080	(5,154)
Total operations	**196,980**	**(40,704)**	183,260	(33,870)
Deferred tax	**-**	**(1,059)**	-	(301)
Net debt	**921**	**(97,106)**	3,294	(95,552)
Total Group	**197,901**	**(138,869)**	186,554	(129,723)
Net assets		**59,032**		56,831

Scotland total assets include £792,000 (2010: £1,070,000) in respect of investments in associated undertakings.
Non-current assets held for resale of £nil (2010: £400,000) are included within the England segment.

Analysis of depletion, depreciation, amortisation and capital expenditure

	Mineral depletion £000	Depreciation £000	Amortisation of intangible assets £000	Additions to property, plant and equipment £000
2011				
England	**1,490**	**3,770**	**1**	**4,804**
Scotland	**860**	**5,243**	**161**	**2,289**
Central administration and Group properties	**-**	**12**	**-**	**-**
Total	**2,350**	**9,025**	**162**	**7,093**
2010				
England	347	1,235	-	408
Scotland	203	1,782	78	824
Central administration and Group properties	-	7	-	-
Total	550	3,024	78	1,232

Additions to property, plant and equipment and other intangible assets exclude additions in respect of business combinations (note 27).

Notes to the financial statements

(continued)

3 Non-underlying items

As required by IFRS 3 - Business Combinations, acquisition costs have been expensed as incurred. Additionally, the Group incurred redundancy costs in respect of the reorganisation of parts of the businesses. Non-underlying items also include property items, impairments, the amortisation of acquisition intangible assets, changes in the fair value of financial instruments and gains on bargain purchase.

	2011 £000	2010 £000
Included in administrative expenses:		
Redundancy costs	**(522)**	(843)
Acquisition costs	**(161)**	(3,794)
Gain on property disposals	**156**	-
Loss on disposal of asset for resale	**(69)**	-
Gain in the fair value of financial instrument	**-**	259
Amortisation of other intangible assets	**(162)**	(78)
	(758)	(4,456)
Gain on bargain purchase (note 27)	**636**	-
Total non-underlying items (pre-tax)	**(122)**	(4,456)

4 Expenses and auditor's remuneration

	2011 £000	2010 £000
Group operating profit/(loss) has been arrived at after charging/(crediting)		
Depreciation of property, plant and equipment:		
Owned assets	**7,785**	2,166
Assets held under finance lease	**3,590**	1,408
Amortisation of other intangible assets	**162**	78
Gain on sale of property	**(156)**	-
Gain on sale of plant and equipment	**(766)**	(260)
Loss on disposal of asset for resale	**69**	-
Operating lease rentals:		
Plant, equipment and vehicles	**204**	29
Other	**859**	220

Auditor's remuneration

	2011 £000	2010 £000
Audit of the Company's annual accounts	**11**	11
Audit of the Company's subsidiary undertakings	**112**	109
Services relating to corporate finance transactions	**20**	110
Tax services	**88**	66
Other services	**114**	38
	345	334

5 Remuneration of key management, staff numbers and costs

Details of the remuneration received by key management is summarised below:

	2011 £000	2010 £000
Salaries and short term employee benefits	**932**	671
Directors' fees	**462**	509
Post employment benefits	**37**	8
Equity-settled share based payments (note 20)	**14**	130
	1,445	1,318

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

	Number of employees 2011	2010
England	**346**	100
Scotland	**405**	134
Central administration	**4**	3
	755	237

The average number of persons employed in the prior year is based on the two people employed by the Group prior to the acquisition on 6 September 2010 and 706 people, being the average number of employees since acquisition.

The aggregate payroll costs of these persons were as follows:

	2011 £000	2010 £000
Wages and salaries	**23,244**	7,989
Social security costs	**2,406**	869
Other pension costs	**1,101**	265
Compensation for loss of office	**-**	843
Equity-settled share based payments (note 20)	**199**	181
	26,950	10,147

6 Financial income and expense

	2011 £000	2010 £000
Interest income – bank deposits	**2**	42
Financial income	**2**	42
Interest expense – bank loans and overdrafts	**(2,900)**	(1,031)
Amortisation of prepaid bank arrangement fee	**(123)**	(33)
Interest expense – other	**(5)**	(26)
Interest expense – finance leases	**(1,687)**	(462)
Unwinding of discount on provisions	**(127)**	(49)
Financial expense	**(4,842)**	(1,601)

Notes to the financial statements
(continued)

7 Taxation

Recognised in the Consolidated Income Statement

	2011 £000	2010 £000
Current tax expense	-	5
Adjustments in respect of prior years	(3)	-
Total current tax	(3)	5
Deferred tax expense		
Origination and reversal of temporary differences	189	(436)
Total tax charge/(credit) in the Consolidated Income Statement	186	(431)

Taxation on items taken directly to Other Comprehensive Income

	2011 £000	2010 £000
Deferred tax expense		
Relating to cash flow hedges	(52)	20

Reconciliation of effective tax rate

	2011 £000	2010 £000
Profit/(loss) before taxation	1,385	(6,304)
Tax at the Company's domestic rate of 0%	-	-
Effect of tax rates in foreign jurisdictions*	514	(719)
Expenses not deductible for tax purposes	103	279
Gain on bargain purchase not taxable	(169)	-
Capital losses utilised	-	(13)
Income from associate already taxed	(175)	6
Effect of change in rate	(84)	16
Adjustment in respect of prior years	(3)	-
Tax charge/(credit)	186	(431)

* The Company is resident in Jersey and has a zero percent tax rate. The Group has subsidiary operations in the UK which pay tax at a higher rate of 26.5% (2010: 28.0%).

On 23 March 2011, it was announced that the main rate of corporation tax in the UK would reduce to 26% from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. The legislation to reduce the tax rate to 25% from 1 April 2012 was substantively enacted on 5 July 2011. The deferred tax liability provided at 31 December 2011 has therefore been recalculated at 25% on the basis that it will materially reverse after 1 April 2012.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction to 23% by 1 April 2014, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax liability accordingly.

8 Property, plant and equipment

	Mineral reserves and resources £000	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost				
Balance at 1 January 2010	-	-	-	-
Acquisitions through business combinations (see note 27)	68,593	22,153	58,469	149,215
Additions	880	143	209	1,232
Disposals	-	-	(57)	(57)
Balance at 31 December 2010	69,473	22,296	58,621	150,390
Balance at 1 January 2011	69,473	22,296	58,621	150,390
Acquisitions through business combinations (see note 27)	5,080	5,395	2,236	12,711
Additions	557	426	6,110	7,093
Disposals	-	(1,978)	(1,604)	(3,582)
Balance at 31 December 2011	**75,110**	**26,139**	**65,363**	**166,612**
Depreciation				
Balance at 1 January 2010	-	-	-	-
Depreciation charge for the year	550	160	2,864	3,574
Balance at 31 December 2010	550	160	2,864	3,574
Balance at 1 January 2011	550	160	2,864	3,574
Depreciation charge for the year	2,350	512	8,513	11,375
Disposals	-	-	(321)	(321)
Balance at 31 December 2011	**2,900**	**672**	**11,056**	**14,628**
Net book value				
At 31 December 2010	68,923	22,136	55,757	146,816
At 31 December 2011	**72,210**	**25,467**	**54,307**	**151,984**

Leased plant and machinery

At 31 December 2011, the net carrying amount of leased plant and machinery was £22,228,000 (2010: £27,506,000). Depreciation charged on these assets in the year was £3,590,000 (2010: £1,408,000). Details of finance lease obligations are set out in note 16.

Depreciation

Depreciation is recognised in the following line items in the Consolidated Income Statement:

	2011 £000	2010 £000
Cost of sales	**11,135**	3,435
Administration expenses	**240**	139
	11,375	3,574

Security

All mineral reserves and resources, and land and buildings are pledged as security for bank loans and borrowings with Barclays Bank PLC as security agent for the Group's lenders.

Notes to the financial statements

(continued)

9 Intangible assets

	Goodwill £000	Other £000	Total £000
Cost			
At 1 January 2010	-	-	-
Acquisitions through business combinations (see note 27)	1,449	419	1,868
Balance at 31 December 2010	1,449	419	1,868
At 1 January 2011	1,449	419	1,868
Additions	-	20	20
At 31 December 2011	**1,449**	**439**	**1,888**
Amortisation			
At 1 January 2010	-	-	-
Amortisation for the year	-	78	78
Balance at 31 December 2010	-	78	78
At 1 January 2011	-	78	78
Amortisation for the year	-	162	162
At 31 December 2011	**-**	**240**	**240**
Net book value			
At 31 December 2010	1,449	341	1,790
At 31 December 2011	**1,449**	**199**	**1,648**

Other intangible assets relate to acquisition intangibles, being the fair value of certain customer lists and contracts acquired as part of the acquisitions detailed in note 27. These intangible assets are being amortised over the anticipated life of the underlying customer list or contract as appropriate, with the amortisation charge being recognised in non-underlying administrative expenses in the Consolidated Income Statement.

Impairment tests for cash-generating units containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of cash generating units according to the level at which management monitor that goodwill. At 31 December 2011, the goodwill of £1,449,000 has been allocated entirely to Scotland.

For impairment testing, the recoverable amount of goodwill attaching to cash generating units is determined using value in use calculations. These calculations use cash flow projections based on actual operating results and budgeted forecasts for 2012 extrapolated forward for a 30 year period, reflecting the long term nature of the underlying assets, assuming a 2.5% inflationary growth rate, based on management's estimate for revenue and cost growth discounted at a pre-tax rate of 10.0% and a post-tax rate of 8.5%. Directors estimate discount rates reflecting current market assessment of the time value of money and the risks specific to the cash generating units. The directors have determined that there has been no impairment.

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements and no such impairments were identified.

10 Principal Group companies

The principal undertakings in which the Group's interest at the year end was more than 20% were as follows:

	Country of incorporation	Percentage of ordinary shares held	Principal activity
Subsidiary undertakings			
Ordinary shares held directly			
Marwyn Materials Investments Limited	Jersey	100%	Holding company
Ordinary shares held indirectly			
Breedon Aggregates England Limited	England	100%	Production and sale of aggregates
Breedon Aggregates Scotland Limited	Scotland	100%	Production and sale of aggregates
Breedon Group Services Limited	England	100%	Service company
Breedon Properties Limited	England	100%	Property holding company
Breedon Holdings Limited	England	100%	Service company
Alba Traffic Management Limited	Scotland	75%	Traffic management
Associated undertaking			
Ordinary shares held indirectly			
BEAR Scotland Limited	Scotland	37.5%	Road maintenance contracting

Disposal of non-controlling interests

On 12 April 2011, the Group sold a 15% stake in Alba Traffic Management Limited ("Alba") to the management of that company for £158,000, reducing the Group's shareholding to 75%. The carrying amount of the net assets on the date of disposal was £334,000. As such, the Group has recognised an increase in non-controlling interests of £50,000 and an increase in retained earnings of £108,000. Additionally, immediately prior to disposal, a dividend was declared by Alba of which £60,000 was paid to the non-controlling interest.

11 Investment in associated undertaking

	Shares £000
Carrying value	
At 1 January 2010	-
Acquisitions through business combinations (note 27)	1,655
Share of loss of associated undertaking (net of tax)	(22)
Dividends received	(563)
At 31 December 2010	1,070
At 1 January 2011	1,070
Share of profit of associated undertaking (net of tax)	659
Dividends received	(937)
At 31 December 2011	**792**

Summary financial information on associated undertaking – 100%:

	Assets £000	Liabilities £000	Equity £000	Revenues* £000	Net profit/ (loss)* £000
2011					
BEAR Scotland Limited	**11,701**	**(9,589)**	**2,112**	**59,434**	**1,757**
2010					
BEAR Scotland Limited	17,263	(14,411)	2,852	15,437	(59)

* Prior year results represent the period from 6 September 2010 to the year end.

Notes to the financial statements

(continued)

12 Deferred tax

	1 January 2010 £000	Acquisitions (note 27) £000	Recognised in income £000	Recognised in equity £000	31 December 2010 £000
Property, plant and equipment	-	(3,707)	410	-	(3,297)
Intangible assets	-	(138)	38	-	(100)
Financial instruments – derivative	-	-	-	(20)	(20)
Working capital and provisions	-	3,101	(3)	-	3,098
Tax value of loss carry-forwards	-	27	(9)	-	18
	-	(717)	436	(20)	(301)

	1 January 2011 £000	Acquisitions (note 27) £000	Recognised in income £000	Recognised in equity £000	**31 December 2011 £000**
Property, plant and equipment	(3,297)	(621)	(1,257)	-	**(5,175)**
Intangible assets	(100)	-	55	-	**(45)**
Financial instruments – derivative	(20)	-	-	52	**32**
Working capital and provisions	3,098	-	(650)	-	**2,448**
Tax value of loss carry-forwards	18		1,663	-	**1,681**
	(301)	(621)	(189)	52	**(1,059)**

There are no unrecognised deferred tax assets (2010: £nil)

13 Inventories

	2011 £000	2010 £000
Raw materials and consumables	**3,956**	3,388
Finished goods and goods for resale	**4,045**	3,386
	8,001	6,774

Inventories (being directly attributable costs of production) of £121,729,000 (2010: £22,747,000) were expensed in the year.

14 Trade and other receivables

	2011 £000	2010 £000
Trade receivables	**31,330**	22,393
Trade receivables due from associated undertaking (note 24)	**349**	489
Other receivables and prepayments	**2,868**	2,952
Financial instruments:		
Derivative	**8**	317
Option	**-**	259
	34,555	26,410

The derivative represents the fair value of interest rate caps. The option represented the fair value of an option to acquire the entire share capital of Enneurope Holdings Limited which was exercised on 11 February 2011 (note 27).

15 Non-current assets held for resale

	2011 £000	2010 £000
Assets held for resale	**-**	400

15 Non-current assets held for resale (continued)

Assets held for resale, at 31 December 2010, represented the fair value of minerals, property, plant and equipment less associated costs of sale of the Group's site at De Lank in Cornwall, which was sold on 25 March 2011 for £365,000, before expenses.

On acquisition of Breedon Holdings Limited, assets held for resale also included £400,000 in respect of the Group's site at Wentbridge, Yorkshire. This site was sold on 13 October 2010 for £400,000, £50,000 being payable on completion and £350,000 being deferred, of which £60,000 was received in 2011.

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. Note 21 provides more information about the Group's exposure to interest rate risk.

	2011 £000	2010 £000
Non-current liabilities		
Secured bank loans	72,607	67,033
Finance lease liabilities	16,262	21,424
	88,869	88,457
Current liabilities		
Secured overdrafts	3,115	1,598
Current portion of finance lease liabilities	5,122	5,497
	8,237	7,095

The bank loans and overdrafts carry a rate of interest of 3% above LIBOR and are secured on the freehold and leasehold properties and other assets of the Company and its subsidiary undertakings and have a final repayment date of September 2015.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2011			2010		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	6,500	1,378	5,122	7,202	1,705	5,497
Between one and five years	19,126	3,344	15,782	22,783	3,132	19,651
More than five years	490	10	480	1,855	82	1,773
	26,116	4,732	21,384	31,840	4,919	26,921

Finance leases are secured on the underlying asset and are for periods of up to 6 years.

Net debt

	2011 £000	2010 £000
Net debt comprises the following items:		
Cash and cash equivalents	921	3,294
Current borrowings	(8,237)	(7,095)
Non-current borrowings	(88,869)	(88,457)
	(96,185)	(92,258)

Notes to the financial statements
(continued)

17 Trade and other payables

	2011 £000	2010 £000
Trade payables	**18,172**	10,443
Other payables and accrued expenses	**10,249**	13,164
Other taxation and social security costs	**4,945**	4,022
	33,366	27,629

18 Provisions

	Restoration £000	Other £000	Total £000
At 1 January 2010	-	-	-
Amounts arising from business combinations (note 27)	3,901	2,346	6,247
Utilised during the year	(42)	(18)	(60)
Unwinding of discount	49	-	49
At 31 December 2010	3,908	2,328	6,236
At 1 January 2011	3,908	2,328	6,236
Amounts arising from business combinations (note 27)	802	639	1,441
Utilised during the year	(67)	(399)	(466)
Unwinding of discount	127	-	127
At 31 December 2011	**4,770**	**2,568**	**7,338**

Included in provisions is £166,000 (2010: £160,000) in respect of current amounts and £7,172,000 (2010: £6,076,000) in respect of non-current amounts.

Restoration provisions, which are all non-current, 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 is calculated on a site by site basis and is regularly reviewed to ensure it is adequate. The obligation has been discounted and will be settled through to the end of the production lives of the related quarries which is not anticipated to result in a cash outflow within the next 12 months.

Other provisions comprise provisions for continued obligations for dilapidations, environmental and planning requirements and onerous leases. These obligations will be settled within the normal operating cycle.

19 Capital and reserves

Stated capital

	Number of ordinary shares 2011	2010
Issued ordinary shares at beginning of year	**554,003,167**	136,000,000
Issued in connection with:		
Acquisition	**-**	417,666,667
Employee bonus issue	**-**	336,500
Exercise of warrants	**7,002,287**	-
	561,005,454	554,003,167

The Company has no limit to the number of shares which may be issued. The ordinary shares have no par value. All issued shares are fully paid.

19 Capital and reserves (continued)

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

On 2 June 2011, the Company issued 7,002,287 ordinary shares of no par value at 12.0 pence per share in settlement of the exercise of certain warrants issued in September 2010 as part of the reverse takeover of Breedon Holdings Limited.

On 9 November 2010, the Company issued 336,500 ordinary shares at a fair value of 15.25 pence per share in connection with a bonus issue to all employees of the Group.

On 6 September 2010, the Company placed 416,666,667 ordinary shares at 12.0 pence per share raising a total of £50 million before expenses in connection with the acquisition of Breedon Holdings Limited. Additionally, on the same date, a total of 1,000,000 ordinary shares were issued at a fair value of 12.0 pence per share to Simon Vivian and Ian Peters as part of their deal bonus on completion of the acquisition.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net charge in the fair value of cash flow hedged instruments related to hedged transactions which have not yet occurred.

Capital reserve

The capital reserve comprises the fair value of warrants to subscribe for 55,266,667 ordinary shares in the Company at 12.0 pence per share, issued on 6 September 2010 as part of the consideration for the acquisition of Breedon Holdings Limited (note 27). These warrants were valued at fair value at acquisition using a modified Black-Scholes model at a value of £2,369,000. They are exercisable at any time until 2 September 2017. During 2011, warrants over 7,002,287 ordinary shares were exercised and, accordingly, £300,000 was transferred to stated capital.

20 Employee benefits

Pension plans

In the prior year and in the period to 5 April 2011, the Group contributed to a trust based defined contribution scheme, the Ennstone Group Pension Scheme (the "Ennstone Scheme"). This Scheme was closed on 5 April 2011 and since that date the Group has contributed to the Breedon Aggregates Group Personal Pension Plan (the "Breedon Scheme") which is a contract based defined contribution scheme.

The pension costs charged during the year were £181,000 (2010: £265,000) in respect of the Ennstone Scheme and £920,000 (2010: £nil) in respect of the Breedon Scheme.

Contributions outstanding to the Breedon Scheme at 31 December 2011 amounting to £110,000 (2010: Ennstone Scheme £109,000) are included in payables.

Share based payments

	2011 £000	2010 £000
Equity settled deal bonus	**-**	120
Equity settled bonus to all employees	**-**	51
Management participation shares	**14**	10
Performance share plan shares	**142**	-
Share options	**43**	-
Employee share based payments (note 5)	**199**	181
Marwyn participation shares	**14**	10
Total share based payments	**213**	191

Equity settled bonuses

There were no equity settled bonuses in the year ended 31 December 2011. In the prior year, as set out in note 19, the Company issued a total of 1,000,000 ordinary shares at 12.0 pence each to Simon Vivian and Ian Peters as part of their deal bonus on completion of the acquisition of Breedon Holdings Limited. Additionally, the Company issued 336,500 ordinary shares at 15.25 pence per share in connection with a bonus issue to all employees of the Group. There were no performance or vesting conditions associated with these settlements and the market price on the date of issue is deemed to be their fair value.

Notes to the financial statements
(continued)

20 Employee benefits (continued)

Participation Shares
Under share based payment arrangements established by the Group to incentivise Directors, key employees and others providing similar services, Participation Shares were issued in 2008, via the Company's subsidiary, Marwyn Materials Investments Limited, to Directors and key employees ("Management Participation Shares") and Marwyn Management Partners LP, a related party ("Marwyn Participation Shares"); together "the Participation Shares".

On being offered, the Company may purchase the Participation Shares either for cash or for the issue of new ordinary shares at its discretion. The Company's intention is to settle these through the issue of new ordinary shares. The value of the Participation Shares is discussed below. The Participation Shares may only be sold on this basis if both the Growth and Vesting Conditions have been satisfied. If these conditions have not been satisfied the Participation Shares must be sold to the Company for a nominal amount.

Details of the Participation Shares issued during and outstanding at the year end are shown below. None of the Participation Shares were forfeited, exercised or expired during the year.

Growth Condition
The Growth Condition is that the compound annual growth of the Company's equity value must be at least 12.5% per annum. The Growth Condition takes into account new shares issued, dividends and capital returned to Shareholders.

Vesting Condition
The Participation Shares are subject to a vesting period ending on 6 September 2013. If however, the Growth Condition is not met on 6 September 2013, it will be extended to 6 September 2015, or if earlier, when the Growth Condition is met. The vesting period will also end on the sale or change of control of the Company.

Value
Subject to the provisions detailed above, the Management Participation Shares and Marwyn Participation Shares can each be sold to the Company for an aggregate value equivalent to 10% of the increase in "Shareholder Value" in the Company. Shareholder Value is broadly defined as the increase in market capitalisation of all ordinary shares of the Company issued up to the date of sale, allowing for any dividends and other capital movements.

Management Participation Shares
Under a management incentive scheme, 10,000 Management Participation Shares have been created and Directors and key employees have been allotted and purchased a number of those shares, as shown in the table below.

Management Participation Shares issued to employees:

	Participation in increase in Shareholder Value	Issue Price	Number of Participation Shares	Nominal Value of Participation Shares
Peter Tom	4%	£0.50	2,000	£1,000
Simon Vivian	4%	£0.50	2,000	£1,000
Ian Peters	2%	£0.50	1,000	£500
			5,000	£2,500

Marwyn Participation Shares

The Group has entered into a performance participation agreement with Marwyn Management Partners LP ("Marwyn") under which Marwyn has agreed to assist the Company in meeting its business strategy. In exchange, the Group has issued Participation Shares to Marwyn, a related party, as shown in the table below:

	Participation in increase in Shareholder Value	Issue Price	Number of Participation Shares	Nominal Value of Participation Shares
Marwyn Management Partners LP	10%	£0.10	10,000	£1,000

20 Employee benefits (continued)

Valuation of Participation Shares

When the Participation Shares were issued, the Company was an unlisted shell-company and had not entered into any transactions up to that date other than the issue of 2 ordinary shares for £2. The fair value estimation placed on the Participation Shares took into account the lack of trading history of the Company and the absence of any deals or transactions to date. The total amount paid for the Participation Shares, being the nominal value of £3,500, was considered to be the best estimation of the fair value. On modification, in 2010, the fair value of the Participation Shares was calculated using a binomial valuation model both immediately prior to and immediately after the modification. The increase in the fair value amounted to £93,000 which will be recognised over the period to 6 September 2013. In the current year, £28,000 (2010: £20,000) has been recognised as an expense in the Consolidated Income Statement in respect of Participation Shares.

The binomial valuation model uses the following assumptions:

Date of modification	April 2010
Share price at modification date	15 pence
Exercise price	Nil
Hurdle rate	12.5%
Expected volatility	16.3%
Risk free rate	1.0%

Performance Share Plan

On 23 May 2011, the Group adopted the Breedon Aggregates Performance Share Plan (the “PSP”) as a means of attracting, rewarding, motivating and retaining certain key senior employees. 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 granted conditional awards over 6,979,451 shares under the PSP (the “Initial Award”). No PSP awards were forfeited, exercised or expired during the year.

Performance Condition

The Performance Condition applicable to the Initial Award is that the average annual growth in the Company’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 binominal valuation model which valued the awards at £730,635 which will be recognised over the period to 6 September 2013. In the current year, £142,000 has been recognised as an expense in the Consolidated Income Statement in respect of PSP awards.

The binominal valuation model uses the following assumptions:

Date of grant	May 2011
Share price at date of grant	16.13 pence
Total shares under award	6,979,451
Expected volatility	40%
Risk-free rate	2.41%
Expected term	3.65 years

Notes to the financial statements
(continued)

20 Employee benefits (continued)

Sharesave Scheme
During the year, the Group adopted a saving 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 1 January 2010 and 1 January 2011	-	-
Granted during the year	15.7p	5,306,968
Lapsed during the year	15.7p	(190,880)
At 31 December 2011	**15.7p**	**5,116,088**

Details of share options outstanding at 31 December were as follows:

	Number **2011**	Number 2010	Exercise Price	Exercise period
Breedon Sharesave Scheme	**2,430,107**	-	16.4p	1 May 2014 to 31 October 2014
Breedon Sharesave Scheme	**2,685,981**	-	15.0p	1 May 2016 to 31 October 2016
	5,116,088	-		

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

	3 year options	5 year options
Fair value at measurement date	3.2p	5.3p
Share price at date of grant	17.5p	17.5p
Exercise price	16.4p	15.0p
Expected volatility	18.69%	18.69%
Option life	3 years	5 years
Expected dividend yield	0%	0%
Risk free interest rate	1.80%	1.80%

21 Financial instruments

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing these risks.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

Treasury activities are managed on a Group basis under policies and procedures approved and monitored by the Board. These are designed to reduce the financial risks faced by the Group which primarily relate to movements in interest rates. Where appropriate, the Group uses financial instruments to manage these risks. No speculative use of derivatives, currency or other instruments is permitted.

21 Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents, derivative financial instruments and, principally, from the Group's receivables from customers.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Group has credit insurance covering the majority of its customers. At the reporting date, there were no significant concentrations of credit risk.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2011	2010
	£000	£000
Receivables	**34,547**	25,834
Financial instruments:		
Derivatives	**8**	317
Option	**-**	259
Cash and cash equivalents	**921**	3,294
	35,476	29,704

Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high quality credit ratings. Accordingly, the Group's associated credit risk is limited.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region, being reportable segments, was:

	Carrying amount	
	2011	2010
	£000	£000
England	**17,088**	10,265
Scotland	**14,242**	12,128
	31,330	22,393

Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding. The Group has no individually significant customers. The majority of the Group's customers are end-user customers. The Group credit insurance covers the majority of its UK trade receivables subject to an aggregate first loss. The Group has fully provided for all its doubful debt exposure. The credit risk is therefore considered to be low.

The ageing of trade receivables at the reporting date was:

	2011		2010	
	Gross	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	**27,516**	**-**	17,416	(157)
Past due 0-30 days	**2,217**	**-**	3,379	-
Past due 31-60 days	**558**	**-**	1,337	(225)
Past due more than 60 days	**1,970**	**(931)**	1,256	(613)
	32,261	**(931)**	23,388	(995)

Notes to the financial statements
(continued)

21 Financial instruments (continued)

The movement in provisions for impairments of trade receivables are as follows:

	2011 £000	2010 £000
At 1 January	**995**	-
Arising from business combinations	**-**	1,264
Charged to the Consolidated Income Statement during the year	**281**	85
Utilised during the year	**(345)**	(354)
At 31 December	**931**	995

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecasts and cash flows and negotiating appropriate facilities. The Group uses term and revolving facilities and sufficient headroom is maintained above peak requirements to meet unforeseen events.

The following are the contractual maturities of financial liabilities, including estimated interest payments at current rates:

31 December 2011

	Carrying amount £000	**Contractual cash flows £000**	**Within one year £000**	**One to five years £000**	**More than five years £000**
Non-derivative financial liabilities					
UK secured bank loans	**72,607**	**84,105**	**2,807**	**81,298**	**-**
Finance lease liabilities	**21,384**	**26,116**	**6,500**	**19,126**	**490**
Other liabilities	**28,421**	**28,421**	**28,421**	**-**	**-**
UK secured overdrafts	**3,115**	**3,115**	**3,115**	**-**	**-**
	125,527	**141,757**	**40,843**	**100,424**	**490**

31 December 2010

	Carrying amount £000	Contractual cash flows £000	Within one year £000	One to five years £000	More than five years £000
Non-derivative financial liabilities					
UK secured bank loans	67,033	78,840	2,430	76,410	-
Finance lease liabilities	26,921	31,840	7,202	22,783	1,855
Other liabilities	23,607	23,607	23,607	-	-
UK secured overdrafts	1,598	1,598	1,598	-	-
	119,159	135,885	34,837	99,193	1,855

The capital element of the UK secured bank loans are repayable in September 2015.

Market risk

The Group's activities expose it to the financial risk of changes in interest rates. The Group operations trade entirely in their functional currency and accordingly, no translation exposures arise in trade receivables or trade payables.

21 Financial instruments (continued)

Interest rate risk

The Group currently borrows at floating and fixed interest rates. The Group uses an interest rate cap to manage its exposure to changes in floating interest rates. This cap matures in March 2013 and caps interest rates (excluding margin) at 2.0% until 28 September 2012 and 2.5% until 31 March 2013. At 31 December 2011, the Group had an interest rate cap with a notional contract amount of £64,500,000 (2010: £64,500,000).

The Group classifies interest rate caps as cash flow hedges and states them at fair value. The fair value of the cap at 31 December 2011 was an asset of £8,000 (2010: £317,000). This amount was recognised as a fair value derivative and the effective portion of the fair value is recognised in the cash flow hedge reserve.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Carrying amount

	2011 £000	2010 £000
Fixed rate instruments		
Financial liabilities	**(21,384)**	(26,921)
Variable rate instruments		
Financial liabilities*	**(75,722)**	(68,631)
Financial assets	**921**	3,294
	(96,185)	(92,258)

*variable rate financial liabilities include £64,500,000 (2010: £64,500,000) of notional debt subject to an interest rate cap (see above)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate caps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates in respect of variable rate instruments at the reporting date would have decreased equity and income and expenditure for a full year by £770,000 (2010: £626,000). A decrease of 100 basis points would have increased equity and income and expenditure for a full year by £616,000 (2010: £415,000). These analyses assume that all other variables remain constant.

Fair values versus carrying amounts

Derivative financial instruments, which are held for trading, are carried at fair value, calculated using quoted market prices relevant for the term, currency and instrument. The directors consider that the carrying amounts recorded in the financial information in respect of other financial assets and liabilities, which are carried at amortised cost, approximates their fair values.

The following table analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices
- Level 3 – inputs for the asset or liability that are not based on observable market data

Notes to the financial statements

(continued)

21 Financial instruments (continued)

Fair values versus carrying amounts (continued)

	2011 Level 1 £000	2011 Level 2 £000	2011 Level 3 £000	2011 Total £000
Derivative financial asset	**-**	**8**	**-**	**8**

	2010 Level 1 £000	2010 Level 2 £000	2010 Level 3 £000	2010 Total £000
Derivative financial asset	-	317	259	576

The level 3 financial asset was in respect of the option to acquire the entire share capital of Enneurope Holdings Limited which was acquired at nil value on the acquisition of Breedon Holdings Limited. It was valued at 31 December 2010 with the increase in value being taken through non-underlying administrative expenses.

At 31 December 2011, the Group did not have any assets or liabilities classified at Level 1 in the fair value hierarchy (2010: £Nil). There have been no transfers in any direction in the year.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board closely monitors the shareholder base and earnings per share.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

There are financial covenants associated with the Group's borrowings which are minimum underlying EBITDA, interest cover and cash flow cover. The Group complied with covenants at 31 December 2011 and 31 December 2010.

22 Operating leases

Total non-cancellable operating lease rentals are payable as follows:

	2011 Land and buildings £000	**2011 Other £000**	2010 Land and buildings £000	2010 Other £000
Less than one year	**873**	**317**	877	88
Between one and five years	**2,995**	**763**	2,827	219
More than five years	**6,103**	**-**	8,475	-
	9,971	**1,080**	12,179	307

The Group leases properties, vehicles and plant for operational purposes. Property leases vary in length up to a maximum of 25 years. Vehicle leases typically run for a period of up to 7 years.

23 Capital commitments

During the year ended 31 December 2011, the Group entered into contracts to purchase property, plant and equipment for £225,000 (2010: £173,000). These commitments are expected to be settled in the following financial year.

24 Related parties

During the year, the Group supplied services and materials to, and purchased services and materials from, its associated undertaking on an arm's length basis. It had the following transactions with this related party during the year:

	Revenue £000	Purchases £000	Receivables £000	Payables £000
2011				
BEAR Scotland Limited	**8,201**	**54**	**349**	**-**
2010				
BEAR Scotland Limited	2,344	47	489	-

During the year, the Group also supplied services to, and purchased services from, its 75% owned subsidiary undertaking on an arm's length basis. It had the following transactions with this related party during the year, which have been fully eliminated on consolidation:

	Revenue £000	Purchases £000	Receivables £000	Payables £000
2011				
Alba Traffic Management Limited	**1,056**	**461**	**163**	**95**
2010				
Alba Traffic Management Limited	1,097	754	82	47

Additionally, during the year the Group sold a 15% stake in Alba Traffic Management Limited to the management of that company as detailed in note 10.

Parent and ultimate controlling party
The Company is listed on AIM and, as such, there is no controlling party.

Marwyn Investment Management LLP is the investment manager to Marwyn Value Investors LP which has a significant shareholding in the Company. James Corsellis (a non-executive director until 22 July 2011) is a partner in Marwyn Investment Management LLP and a director of various Marwyn Group companies. The following Marwyn companies are, therefore, deemed to be related parties of the Group:

Marwyn Partners Limited
Marwyn Management Partners LP
Marwyn Capital LLP
Marwyn Value Investors LP

Marwyn Partners Limited was paid £26,000 (2010: £60,000) (excluding VAT) in respect of office accommodation and Marwyn Capital LLP was paid £105,000 (2010: £180,000) in respect of corporate finance and administrative services in the period to 31 July 2011. In addition, in 2010, Marwyn Capital LLP was paid £800,000 in respect of corporate finance fees in respect of the acquisition of Breedon Holdings Limited. Marwyn Capital LLP was also paid £10,417 (2010: £14,626) in respect of the services of James Corsellis as a non-executive director. At the year end, Marwyn Partners Limited and Marwyn Capital LLP were owed an amount of £nil (2010: £12,751) and £nil (2010: £36,834) respectively in respect of services supplied during the year.

At the year end, Marwyn Value Investors LP held 146,223,698 (2010: 146,223,698) ordinary shares in Breedon Aggregates Limited. Marwyn Management Partners LP held Marwyn Participation Shares in the Group, details of which are disclosed in note 20.

Transactions with Directors and Directors' shareholdings
Details of transactions with Directors and Directors' shareholdings are given in the Directors' Report and the Directors' Remuneration Report on pages 28 and 29 and 32 to 34 respectively.

Notes to the financial statements

(continued)

25 Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders of £1,175,000 (2010: loss £5,883,000) and on the weighted average number of ordinary shares in issue during the year of 557,935,958 (2010: 268,785,839).

The calculation of underlying earnings per share is based on the profit for the year attributable to ordinary shareholders, adjusted to add back the non-underlying items, of £1,167,000 (2010: loss £1,571,000) and on the weighted average number of ordinary shares in issue during the year as above.

Diluted earnings per ordinary share is based on 574,578,561 (2010: 272,242,248) shares and reflects the effect of all dilutive potential ordinary shares.

26 Contingent liabilities

The Group has guaranteed the hire purchase liabilities in respect of vehicles operating under the Group's owner driver scheme. The maximum contingent liability in respect of these guarantees amounts to £149,000 (2010: £412,000).

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 2011 amounted to £1,800,000 (2010: £1,800,000).

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

27 Acquisitions

Enneurope Holding Limited

On 11 February 2011, the Group acquired the entire issued share capital of Enneurope Holdings Limited. This transaction has been accounted for as an asset acquisition. Since acquisition, this company has not traded and has had no effect on the trading results of the Group but provided an immediate cash benefit.

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
Cash	1,027	-	1,027
Trade and other current payables	(6)	(123)	(129)
Provisions	-	(639)	(639)
Total	1,021	(762)	259
Consideration			
Cash		-	
Fair value of option		259	
Total			259
Goodwill arising			-

The fair value adjustments comprise adjustments to reflect contractual liabilities and environmental and planning requirements.

27 Acquisitions (continued)

C&G Concrete

On 22 July 2011, the Group acquired the trade and certain assets of C&G Concrete Limited. This transaction has been accounted for as a business combination.

Since acquisition, this business has contributed revenues of £7,182,000 and underlying EBITDA of £462,000 to the Group's results. If this acquisition had occurred on 1 January 2011, the results of the Group would have shown revenue of £176,580,000, underlying EBITDA, before share of profit of associated undertaking, of £17,464,000 and underlying operating profit for the year of £5,452,000.

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
Mineral reserves and resources	4,580	500	5,080
Land and building	3,772	1,623	5,395
Plant and equipment	2,025	211	2,236
Intangibles – other	20	-	20
Inventories	1,157	(409)	748
Trade and other current payables	(140)	(450)	(590)
Other interest bearing loans –current liabilities	(33)	-	(33)
Provisions:			
Restoration	-	(802)	(802)
Deferred tax liabilities	-	(621)	(621)
Total	11,381	52	11,433
Consideration			
Cash			10,797
Gain on bargain purchase			(636)

The provisional fair value adjustments comprise adjustments to:

- revalue certain minerals, land and buildings, and plant and equipment to reflect fair value at the date of acquisition;
- inventories to reflect fair/net realisable value;
- trade and other current liabilities to reflect contractual liabilities;
- provisions to reflect restoration costs to comply with environmental, planning and other legislation;
- deferred tax balances.

The Group incurred acquisition related costs of £161,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative expenses.

Cash flow effect

The cash flow effect of the above two acquisitions can be summarised as follows:

	£000
Enneurope: Cash acquired	1,027
C&G Concrete: Cash consideration	(10,797)
Net cash consideration shown in the Consolidated Statement of Cash Flows	(9,770)

Notes to the financial statements
(continued)

27 Acquisitions (continued)

Prior year acquisitions

On 6 September 2010, the Group acquired the entire issued share capital of Breedon Holdings Limited. This transaction has been accounted for as a business combination.

All of the prior year underlying trading results of the Group are attributable to the above acquisition (with the exception of £978,000 of administration expenses in respect of the Company); these results are set out in note 2, segmental analysis. If this acquisition had occurred on 1 January 2010, the results of the Group for the year ended 31 December 2010 would have shown revenue of £143,831,000, underlying EBITDA, before share of loss from associated undertaking, of £13,725,000 and underlying operating profit for the year of £1,441,000.

As required by IFRS 3 - Business Combinations, the provisional amounts recognised in respect of business combinations have been revised during 2011 to reflect new information about fact and circumstances existing at the acquisition date. The adjustments made, and their effect on goodwill arising, are summarised below:

	£000	£000
Goodwill as previously stated		3,738
Adjustment to:		
Mineral reserves and resources	(2,092)	
Land and buildings	(1,517)	
Plant and equipment	218	
Trade and other receivables	(112)	
Trade and other current payables	743	
Other provisions	562	
Deferred tax liabilities	4,487	
	2,289	
Reduction in goodwill recognised		(2,289)
Revised goodwill		1,449

These adjustments have had no effect on the reported profit in either the current or prior years.

27 Acquisitions (continued)

Prior year acquisitions (continued)

The fair value of the consideration paid and the revised consolidated net assets acquired, together with the goodwill arising in respect of this acquisition, is as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	82,882	(14,289)	68,593
Land and building	23,915	(1,762)	22,153
Plant and equipment	63,601	(5,132)	58,469
Intangibles – other	-	419	419
Investment in associates	1,598	57	1,655
Inventories	7,644	333	7,977
Trade and other receivables	29,573	111	29,684
Non-current asset for resale	-	800	800
Cash and bank overdrafts	(9,160)	-	(9,160)
Trade and other current payables	(29,312)	316	(28,996)
Other interest bearing loans – current liabilities	(5,686)	-	(5,686)
Other interest bearing loans – non-current liabilities	(135,507)	(183)	(135,690)
Provisions:			
Restoration	(3,978)	77	(3,901)
Other	(2,381)	35	(2,346)
Deferred tax liabilities	(3,000)	2,283	(717)
Non-controlling interests	(84)	-	(84)
Total	20,105	(16,935)	3,170
Consideration:			
Cash		2,250	
Fair value of warrants issued (note 19)		2,369	
			4,619
Goodwill			1,449

Cash flow effect:

	£000
Cash consideration	(2,250)
Net cash and bank overdrafts acquired	(9,160)
Net cash consideration shown in the Consolidated Statement of Cash Flows	(11,410)

The fair value adjustments comprise adjustments to:

- revalue certain minerals and land and buildings to reflect fair value at the date of acquisition, based on a valuation by the Directors, taking into account an external third party valuation performed by Gerald Eve LLP, Chartered Surveyors, as at 9 March 2009;
- impair certain minerals, land and buildings and plant and machinery to reflect its fair value at the date of acquisition;
- reflect the fair value of intangibles acquired, all of which have a finite life;
- reflect the fair value of the investment in associates;
- inventories to reflect fair value/net realisable value;
- trade and other receivables to reflect recoverable amounts;
- recognise assets held for resale at the date of acquisition;
- trade and other current liabilities to reflect contractual liabilities;
- provisions to reflect restoration costs to comply with environmental, planning and other legislation and to make provision for lease costs in respect of sites no longer being utilised;
- deferred tax balances.

The goodwill arising represents the geographic location of the assets acquired and the skills of the existing workforce.

Notes to the financial statements
(continued)

27 Acquisitions (continued)

Prior year acquisitions (continued)

The Group incurred acquisition related costs of £3,794,000 principally relating to external professional fees and due diligence costs which have been included as non-underlying administrative expenses.

At acquisition, Breedon Holdings Limited was party to a put and call option with Enneurope Holdings Limited. The Directors consider that the fair value of this option at 6 September 2010 was £nil as, under the terms of the option agreement, neither the put nor the call was exercisable.

28 Accounting estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described below:

Impairment of goodwill

The determination of whether goodwill and other indefinite life intangible assets should be impaired requires the estimation of future cash flows and growth factors adopted by each cash generating unit. Furthermore, discount rates applied to these cash flows determined by reference to the markets in which they operate and are risk adjusted to reflect risks and opportunities existing for each cash generating unit. These factors are all affected by prevailing market and economic factors outside the Group's control. Further information is included in note 9.

Mineral reserves and resources

A number of key assumptions have been made in determining the annual depletion charge. These assumptions include the amount of consented and unconsented reserves available for extraction; the estimated residual value; extraction rates; and the gaining of additional planning consents.

Fair values of assets on business combinations

In determining the fair valuation of assets acquired under business combinations, including the valuation of other intangibles, a number of estimates are made. These include the market value of minerals, property, plant and equipment, associated liabilities for contractual restoration provisions and the valuation of intangible assets, including customer lists and contracts. The reasons for any residual excess of consideration over the net asset value, being goodwill arising, are then identified.

Restoration provisions

Estimated restoration costs have been derived on the basis of the most recent assessments of the likely cost. Certain factors concerning these costs are outside the Group's control. In making this assessment, the Group has sought the aid of independent experts where appropriate.

Property provisions

Estimated onerous lease, environmental and dilapidation costs have been derived on the basis of the most recent assessments of the likely cost. Certain factors concerning these costs are outside the Group's control. In making this assessment the Group has sought the aid of independent experts where appropriate. Further information is included in note 18.

Share based payments

In valuing the share based payments charged in the Group's financial statements, the Company has used a binomial model, which makes various assumptions about factors outside the Group's control, such as share price volatility and risk free interest rates. Details of the options and assumptions used in deriving the share based payments are disclosed in note 20.

Deferred taxation

Deferred taxation has been estimated using the best information available, including seeking the opinion of independent experts where applicable (note 12).

29 Subsequent events

On 16 January 2012, the Group acquired the entire issued share capital of Nottingham Ready Mix Limited for a consideration of £867,000. This transaction will be accounted for as a business combination. The provisional fair value of the net assets acquired can be summarised as follows:

	Fair value on acquisition £000
Property, plant and equipment	344
Current assets	495
Current liabilities	(658)
Total	181
Consideration	867
Goodwill	686

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given pursuant to the articles of association of Breedon Aggregates Limited (the "Company") that the Annual General Meeting of the Company will take place in the Victor Hugo Suite, St Pierre Park Hotel, Rohais, St. Peter Port, Guernsey GY1 1FD on Friday, 20 April 2012 at 2.00pm, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 6 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 7 to 10 (inclusive) will be proposed as Special Resolutions:-

ORDINARY BUSINESS

Ordinary Resolutions

1. THAT the financial statements of the Company for the year ended 31 December 2011, together with the reports of the Directors and Auditor thereon be received and adopted.

2. THAT KPMG Channel Islands Limited, who have indicated their willingness to continue in office be and are hereby re-appointed as the Auditor of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company.

3. THAT the Directors of the Company be and are hereby authorised to determine the fee payable to the Auditor in respect of the year ending 31 December 2012.

4. THAT Simon Vivian be re-appointed as a director of the Company.

5. THAT David Warr be re-appointed as a director of the Company.

SPECIAL BUSINESS

Ordinary Resolution

6. THAT, in substitution for the subsisting authorities granted by Resolution 1(a)(v) passed by the shareholders of the Company on 1 September 2010 to the extent unused (for the avoidance of doubt, the remaining authorities granted by said Resolution 1(a) will remain in full force and effect), the Directors be and they are hereby generally and unconditionally authorised in accordance with Article 6.2 of the Company's articles of association (the "Articles") to exercise all the powers of the Company to allot relevant securities (as defined in Article 6.2 of the Articles) in the Company, including, but not limited to, ordinary shares in the Company, and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company up to a maximum of 105,000,000 ordinary shares. The authority conferred on the Directors under this Resolution 6 shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require ordinary shares to be allotted or rights to subscribe for, or to convert any security into, ordinary shares to be granted after such expiry and the Directors may allot ordinary shares or grant rights to subscribe for, or to convert any security into, ordinary shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

7. THAT, in substitution for all subsisting authorities granted by Resolution 1(c)(iv) passed by the shareholders of the Company on 1 September 2010 to the extent unused (for the avoidance of doubt, the remaining authorities granted by said Resolution 1(c) will remain in full force and effect), the Directors be and they are hereby empowered pursuant to Article 6.7 of the Articles to allot equity securities (within the meaning of Article 6.6 of the Articles) for cash or otherwise pursuant to the authority conferred by Resolution 6 above, as if Article 6.3 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities consisting of, or the right to subscribe for, or convert any security into shares in the Company, up to a maximum of 91,390,475 ordinary shares in the Company. The authority conferred on the Directors under this Resolution 7 shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require ordinary shares to be allotted or rights to subscribe for, or to convert any security into, ordinary shares to be granted after such expiry and the Directors may allot ordinary shares or grant rights to subscribe for, or to convert any security into, ordinary shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

8. THAT the Company be and is hereby generally and unconditionally authorised to make one or more market purchases of ordinary shares in the capital of the Company pursuant to Article 57 of the Companies (Jersey) Law 1991 as amended (the "Law") provided that:

   (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 28,050,272 (being 5% of the share capital of the Company in issue as at 16 March 2012);
   (b) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 1.0 pence;
   (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is an amount equal to 105% of the average middle market quotation of an ordinary share taken from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which any ordinary share is contracted to be purchased by the Company;
   (d) the Directors of the Company can, prior to each such purchase, make the solvency statement required by the Law and fulfil all other requirements of the Law in relation to purchases of a company's own shares;
   (e) this authority will expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this Resolution is passed or, if earlier, 18 months after that date;
   (f) this authority shall only be capable of variation, revocation or renewal by Special Resolution of the Company; and
   (g) the Company may make a contract or contracts to purchase ordinary shares under this authority before this authority expires which will or may be executed and completed wholly or partly after its or their expiration and may make a purchase of ordinary shares in pursuance of any such contract or contracts after its or their expiration.

9. THAT, subject to Resolution 10 being passed, the Company be authorised, subject to and in accordance with the provisions of its articles of association, to send or supply all documents, notices and information to members by electronic means including, for the avoidance of doubt, by means of a website and in all electronic forms.

10. THAT the Company's articles of association be amended by deletion of the existing article 165.5 and the insertion of new articles 165.5 to 165.22 immediately following the existing article 165.4, as set out in the Appendix to this Notice of Annual General Meeting.

By order of the Board

Breedon Aggregates Limited
16 March 2012

NOTICE OF ANNUAL GENERAL MEETING

(continued)

Notes

1. Under Jersey law a special resolution requires a two thirds rather than three quarters majority of those voting at the Meeting in person or by proxy to vote in favour of the resolution.
2. Every member who is present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder.
3. A Form of Proxy is enclosed. To be valid, this Form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must reach the Registrar at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than forty-eight hours before the time appointed for holding the Annual General Meeting or adjournment or the taking of a poll at which the person named in the Proxy Form proposes to vote.
4. A member entitled to attend and vote at the meeting convened by this notice is also entitled to appoint one or more proxies. If a proxy other than the Chairman is desired, strike out "the Chairman of the AGM or" and insert the name or names preferred and initial the alteration. A proxy need not be a member of the Company but must attend the meeting in person.
5. If a member wishes his proxy to speak on his behalf at the meeting, he or she will need to appoint his own choice of proxy (which is not the Chairman) and give instructions directly to the proxy. The completion and return of a form of proxy will enable you to vote at the meeting without having to be present at the meeting, but will not preclude you from attending the meeting and voting in person if you should subsequently decide to do so.
6. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If you wish to appoint the Chairman as one of your multiple proxies, leave the words "Chairman of the AGM" on the relevant proxy card.
7. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly (under CREST participant ID RA10) authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by the latest time(s) for receipt of proxy appointments by 2.00 pm on 18 April 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised. In the case of an individual, the form of proxy must be signed by the individual or his or her attorney duly authorised.
11. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy will be accepted to the exclusion of the votes of any other joint holders and for this purpose seniority will be determined by the order in which the names are recorded in the Register of Members.
12. The Directors of the Company will interpret any ambiguous proxy appointments. The Chairman of the meeting will, in his capacity as proxy, interpret any voting instructions he receives. Their respective determinations shall be final.
13. Any alterations made to the Form of Proxy must be initialled by the person who signs it.
14. The Company, pursuant to Article 40 of the Companies Uncertificated Securities (Jersey) Order 1999, specifies that only those members registered in the register of members of the Company 48 hours before the time of the Meeting (being the register of members as at 2.00pm on 18 April 2012 or, in the event that the Meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting(s), shall be entitled to attend or vote at the Meeting or any adjournment thereof in respect of the number of shares registered in their name at that time. Changes to the register of members after these times will be disregarded in determining the rights of any person to attend or vote at the Meeting or any adjournment thereof.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

Subject to the passing of Resolution 10 as set out in the attached Notice of Annual General Meeting, the following shall be inserted into the Articles of Association of Breedon Aggregates Limited in substitution for the existing Article 165.5:

"165.5 The Board may from time to time issue, endorse or adopt terms and conditions relating to the use of electronic means for the sending of notices, other documents and proxy appointments by the Company to members or persons entitled by transmission and by members or persons entitled by transmission to the Company.

165.6 A document or information may be sent or supplied by the Company to the person or persons entitled by transmission to a share by sending it in any manner the Company may choose authorised by these Articles for the sending of a document or information to a member, addressed to them by name, or by the title of representative of the deceased, or trustee of the bankrupt or by any similar description at the address (if any) as may be supplied for that purpose by or on behalf of the person or persons claiming to be so entitled. Until such an address has been supplied, a document or information may be sent in any manner in which it might have been sent if the death or bankruptcy or other event giving rise to the transmission had not occurred.

165.7 Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register, has been sent to a person from whom he derives his title, provided that no person who becomes entitled by transmission to a share shall be bound by any notice sent under these Articles to a person from whom he derives his title.

165.8 Proof that a document or information was properly addressed, prepaid and posted shall be conclusive evidence that the document or information was sent. Proof that a document or information sent or supplied by electronic means was properly addressed shall be conclusive evidence that the document or information was sent or supplied. A document or information sent by the Company to a member by post shall be deemed to have been received:

(a) if sent by first class post or special delivery post or equivalent from an address in one country to another address in the same country, on the day following that on which the document or information was posted;
(b) if delivered personally to a member's registered postal address, on the day on which the document or information was delivered;
(c) if sent by second class mail, on the second day following that on which the document or information was posted;
(d) if sent by airmail from an address in a country to an address outside that country, on the second day following that on which the document or information was posted;
(e) if sent by the Company's internal post system, on the day following that on which the document or information was posted;
(f) if sent by some other method agreed between the Company and the member, when the agreed arrangements have been completed; and
(g) in any other case, on the second day following that on which the document or information was posted.

165.9 A document or information sent or supplied by the Company to a member in electronic form shall be deemed to have been received by the member at the time it is sent. Such a document or information shall be deemed received by the member at that time notwithstanding that the Company becomes aware that the member has failed to receive the relevant document or information for any reason and notwithstanding that the Company subsequently sends a hard copy of such document or information by post to the member.

165.10 A document or information sent or supplied by the Company to a member by means of a website shall be deemed to have been received by the member:

(a) when the document or information was first made available on the website; or
(b) if later, when the member is deemed by Article 165.8 or 165.9 to have received notice of the fact that the document or information was available on the website. Such a document or information shall be deemed received by the member on that day notwithstanding that the Company becomes aware that the member has failed to receive the relevant document or information for any reason and notwithstanding that the Company subsequently sends a hard copy of such document or information by post to the member.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

(continued)

165.11 Subject to the Law, if at any time the Company is unable effectively to convene a general meeting by notices sent through the post as a result of the suspension or curtailment of postal services, notice of general meeting may be sufficiently given by local advertisement. Any notice given by advertisement for the purpose of this Article shall be advertised in at least one newspaper having a national circulation. If advertised in more than one newspaper, the advertisements shall appear on the same date. Such notice shall be deemed to have been sent to all persons who are entitled to have notice of meetings sent to them on the day when the advertisement appears. In any such case, the Company shall send confirmatory copies of the notice by post, if at least seven days before the meeting the posting of notices again becomes practicable.

165.12 A notice, document or other information may be served, sent or supplied by the Company in electronic form to a member who has agreed or who has previously agreed with the Company or any member of the Company's group, at a time that member was a holder of shares in the Company or the relevant member of the Company's group (generally or specifically) that notices, documents or information can be sent or supplied to them in that form and has not revoked such agreement.

165.13 Where the notice, document or other information is served, sent or supplied by electronic means, it may only be served, sent or supplied to an address specified for that purpose by the intended recipient (generally or specifically). Where the notice, document or other information is sent or supplied in electronic form by hand or by post, it must be handed to the recipient or sent or supplied to an address to which it could be validly sent if it were in hard copy form.

165.14 A notice, document or other information may be served, sent or supplied by the Company to a member who has agreed (generally or specifically) or who has previously agreed with the Company or any member of the Company's group, at a time that member was a holder of shares in the Company or the relevant member of the Company's group, by being made available on a website, or pursuant to Article 165.15 below is deemed to have agreed, that notice, document or information can be sent or supplied to the member in that form and has not revoked such agreement.

165.15 If a member has been asked individually by the Company (or previously by any member of the Company's group as applicable) to agree that the Company may serve, send or supply notices, documents or other information generally, or specific notices, documents or other information to them by means of a website and the Company does not (or, as applicable, any member of the Company's group did not) receive a response within a period of 28 days beginning with the date on which the Company's (or any member of the Company's group) request was sent (or such longer period as the directors may specify (or, as the case may be, the directors of any member of the Company's group may have specified)), such member will be deemed to have agreed to receive such notice, documents or other information by means of a website in accordance with Article 165.14 (save in respect of any notices, documents or information that are required to be sent in hard copy form pursuant to the Law). A member can revoke any such deemed election in accordance with Article 165.19.

165.16 A notice, document or other information served, sent or supplied by means of a website must be made available in a form, and by a means, that the Company reasonably considers will enable the recipient: (i) to read it, and (ii) to retain a copy of it. For this purpose, a notice, document or other information can be read only if: (i) it can be read with the naked eye; or (ii) to the extent that it consists of images (for example photographs, pictures, maps, plans or drawings), it can be seen with the naked eye.

165.17 If a notice, document or other information is served, sent or supplied by means of a website, the Company must notify the intended recipient of: (i) the presence of the notice, document or other information on the website; (ii) the address of the website; (iii) place on the website where it may be accessed; and (iv) how to access the notice, document or information. The document or information is taken to be sent on the date on which the notification required by this Article 165.17 is sent or if later, the date on which the document or information first appeared on the website after that notification is sent.

165.18 Any notice, document or other information made available on a website will be maintained on the website for the period of at least 28 days beginning with the date on which notification is received or deemed received under Article 165.10 above, or such shorter period as may be required by law or any regulation or rule to which the Company is subject. A failure to make a notice, document or other information available on a website throughout the period mentioned in this Article 165.18 shall be disregarded if: (i) it is made available on the website for part of that period; and (ii) the failure to make it available throughout that period is wholly attributable to circumstances that it would not be reasonable for the Company to prevent or avoid.

165.19 Any amendment or revocation of a notification given to the Company or agreement (or deemed agreement) under Articles 165.12 to 165.18 shall only take effect if in writing, signed (or authenticated by electronic means) by the member and on actual receipt by the Company thereof.

169.20 Communications sent to the Company by electronic means shall not be treated as received by the Company if it is rejected by computer virus protection arrangements.

165.21 Where these Articles require or permit a notice or other document to be authenticated by a person by electronic means, to be valid it must incorporate the electronic signature or personal identification details of that person, in such form as the directors may approve, or be accompanied by such other evidence as the directors may require to satisfy themselves that the document is genuine.

165.22 Where a member of the Company has received a document or information from the Company otherwise than in hard copy form, he is entitled to require the Company to send to him a version of the document or information in hard copy form within 21 days of the Company receiving the request.”

ADVISORS & COMPANY INFORMATION

Company Secretary
JTC Management Limited
Elizabeth House
9 Castle Street
St Helier
Jersey
JE2 3RT

Registered Office
Elizabeth House
9 Castle Street
St Helier
Jersey
JE2 3RT

Registered in Jersey
Company number 98465

Independent Auditor
KPMG Channel Islands Limited
PO Box 453
St Helier
Jersey
JE4 8WQ

Nominated Adviser
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Legal Adviser
Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD

SHAREHOLDER INFORMATION

REGISTRAR AND TRANSFER OFFICE

The Company's Registrar is Capita Registars (Jersey) Limited. The address of the Company's Registrar, to which all enquires concerning shareholdings should be addressed, is Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Shareholder enquiries can also be made to 0871 664 0300. Calls cost 10p per minute plus network extras. Lines are open 8.30am to 5.30pm, Mondays to Fridays. Enquiries from outside the UK should be made to +44 208 639 3399.

Email: shareholderservices@capitaregistrars.com
Website: www.capitaregistrars.com

CONTACT

If you require information regarding Breedon Aggregates, please contact:

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Breedon Quarry
Breedon-on-the-Hill
Derby DE73 8AP

Tel: 01332 694010
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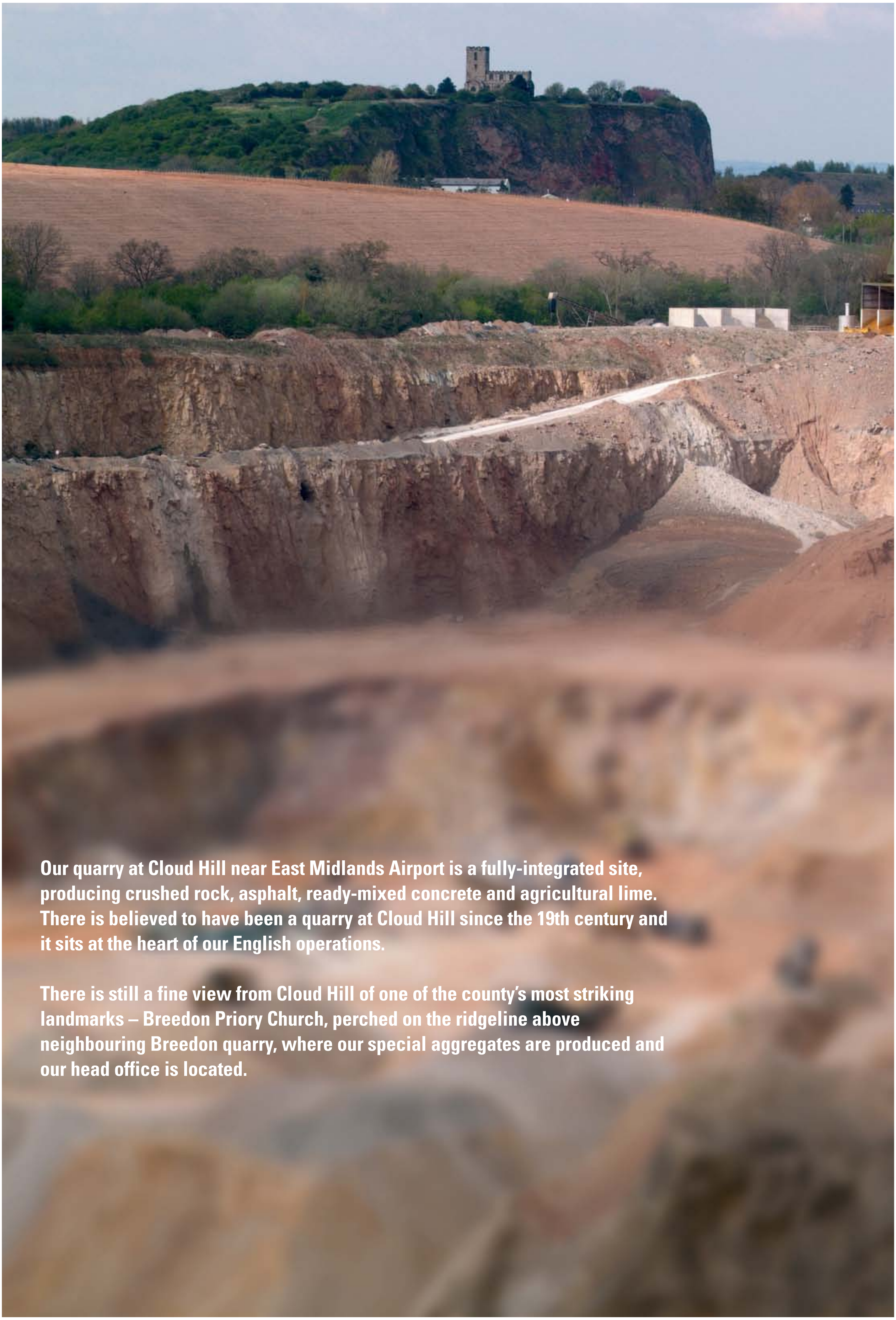

Our quarry at Cloud Hill near East Midlands Airport is a fully-integrated site, producing crushed rock, asphalt, ready-mixed concrete and agricultural lime. There is believed to have been a quarry at Cloud Hill since the 19th century and it sits at the heart of our English operations.

There is still a fine view from Cloud Hill of one of the county's most striking landmarks – Breedon Priory Church, perched on the ridgeline above neighbouring Breedon quarry, where our special aggregates are produced and our head office is located.

BREEDON
AGGREGATES

Quality and Service. Delivered.

Breedon Aggregates Limited
Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT

Email: info@breedonaggregates.com
Website: www.breedonaggregates.com