BREEDON
AGGREGATES

SUSTAINABLE VALUE

Breedon Aggregates
Annual Report 2014

WE ARE THE UK'S LEADING INDEPENDENT AGGREGATES BUSINESS. OUR OPERATIONS ARE FULLY INTEGRATED – PROCESSING STONE FROM OUR QUARRIES INTO HIGH-QUALITY CONSTRUCTION MATERIALS AND RESTORING THE LAND WE USE. WE AIM TO MAXIMISE OUR RETURNS AT EACH STAGE OF OUR OPERATIONS, IN THE KNOWLEDGE THAT OUR RESOURCES ARE BOTH SCARCE AND VALUABLE. WE ACHIEVE THIS BY WORKING AS EFFICIENTLY AND COMPETITIVELY AS POSSIBLE, WHILST RESPECTING OUR CUSTOMERS, EMPLOYEES, SUPPLIERS AND LOCAL COMMUNITIES.

For more information
→ Our Business Model **p8**
→ Our Strategy **p10**

For more information visit
www.breedonaggregates.com

Front cover: Ollie Hunt, Plant Operator, Cloud Hill quarry.

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Our focused position within an evolving market

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Revenue

£269.7m

2013: £224.5 million **+20.1%**

Managing the risks to our business

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Profit before taxation

£21.4m

2013: £11.0 million **+94.0%**

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BREEDON AGGREGATES AT A GLANCE

We are a fully-integrated aggregates company – the fifth largest in the UK and the leading independent business in the UK aggregates sector.

Over 500m tonnes

of owned or controlled mineral reserves and resources

Revenue

£269.7m

2013: £224.5 million **+20.1%**

Underlying EBITDA*

£38.5m

2013: £28.3 million **+36.2%**

Underlying EBITDA margin*

14.3%

2013: 12.6% **+1.7ppt**

Profit before taxation

£21.4m

2013: £11.0 million **+94.0%**

Underlying basic earnings per share*

1.64p

2013: 1.12p **+46.4%**

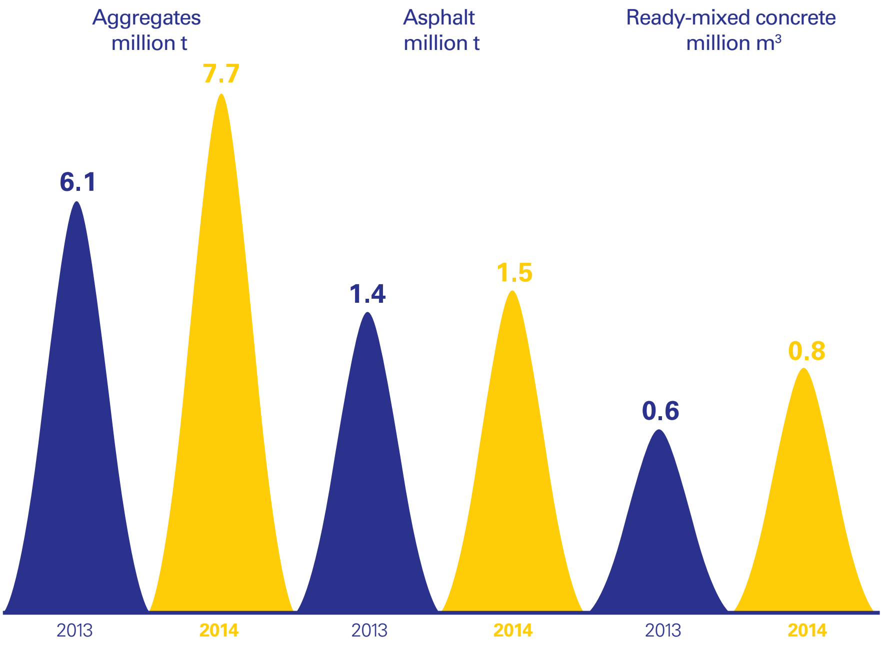
Net debt

£66.3m

2013: £54.4 million **+£11.9 million**

* underlying results are stated before acquisitions related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items. References to an underlying profit measure throughout this Annual Report are defined on this basis.

2014: Product volumes



Aggregates

The main types of aggregate are crushed rock and sand and gravel. These are used as a strengthening agent, e.g. in asphalt and concrete. We also produce a range of decorative aggregates sold loose or in bags, used typically in domestic and commercial applications, e.g. driveways and architectural landscaping.

Typical customers

- Large and small surfacing projects
- Internal use
- Consumer and special projects

Sales in 2014

7.7 million tonnes

2013: 6.1 million **+25.2%**

HOW WE ARE ORGANISED

We operate two fully-integrated autonomous businesses in England and Scotland, reflecting the localised nature of our markets and enabling us to provide high levels of customer service.

Breedon Aggregates Scotland

Headquarters: Ethiebeaton (near Dundee)
Employees: 710

Operational assets:
- 38 quarries
- 18 asphalt plants
- 37 ready-mixed concrete plants
- 2 concrete block plants
- 5 regional contract surfacing operations
- Traffic management services company (majority share of Alba Traffic Management Limited)

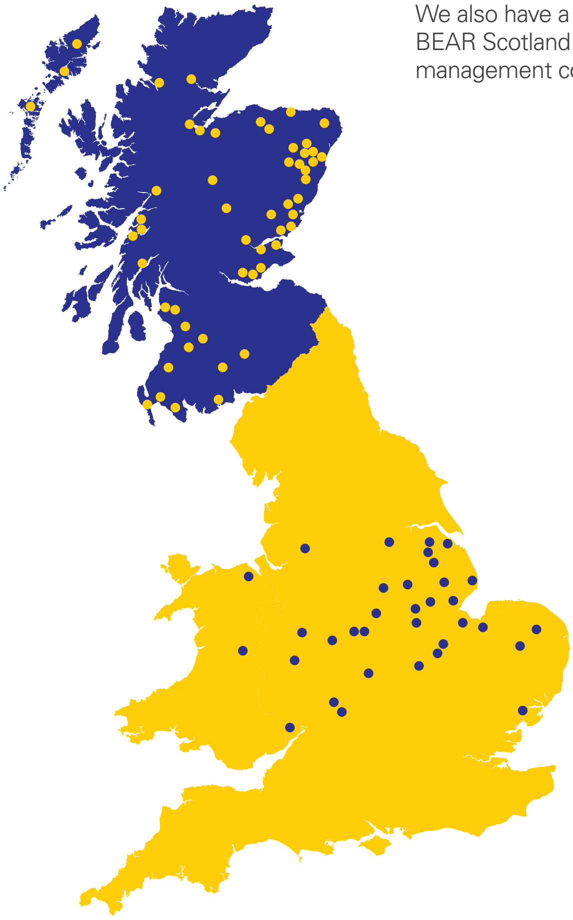
Breedon Aggregates England

Headquarters: Breedon-on-the-Hill (Derbyshire)
Employees: 510

Operational assets:
- 15 quarries
- 9 asphalt plants
- 23 ready-mixed concrete and mortar plants
- 1 concrete block plant
- 2 regional contract surfacing operations

For more information

→ Divisional performance review **p16–19**



We also have a minority shareholding in BEAR Scotland Limited, a road network management company

Group revenue

- England 54%
- Scotland 46%

Group EBITDA

- England 55%
- Scotland 45%

Asphalt

We mix aggregates with bought-in bitumen to produce a wide variety of speciality surfacing products which are used, for example, in roads, car parks and runways.

Typical customers
- Internal and external contractors
- Small businesses and households

Sales in 2014

1.5 million tonnes

2013: 1.4 million **+12.3%**

Ready-mixed concrete and mortars

Ready-mixed concrete is made from cement, aggregates and water and is the most widely used material throughout the construction sector. Mortars are generally used for laying stones and bricks (masonry mortars) and for coating walls (rendering mortars).

Typical customers
- Commercial, industrial, infrastructure and housing developers
- Homes and smaller businesses

Sales in 2014

0.8 million cubic metres

2013: 0.6 million **+22.9%**

Concrete products

We manufacture a range of concrete blocks, roofing and walling products.

Typical customers
- Industrial, commercial, infrastructure and housing
- Household customers

Contracting services

We undertake minor road surfacing projects and major infrastructure projects.

Typical customers
- Road network and infrastructure companies
- Local authorities
- Airport operators
- Housebuilders

OUR TRACK RECORD

During the last five years we have proved our ability to target and execute value-enhancing acquisitions alongside high-returning capital investment and rigorous cost control.

Market capitalisation (£million)

	2010	2011	2012	2013	2014
Acquisitions and investment	• Acquisition of Breedon Holdings • Breedon Aggregates created	• Acquisition of C&G Concrete	• Acquisition of Nottingham Readymix	• Acquisition of Aggregate Industries' Scottish operations • Acquisition of Marshalls' quarries	• Acquisition of Huntsman's Quarries • Acquisition of Barr Quarries • Investment in Breedon Bowen joint-venture
Organic growth		• Planning secured for 12 million tonne extension of Leaton quarry	• Launch of 1stMix • Launch of Mobile Concrete Solutions	• Major plant replacement programme for acquired units • Start of project to increase capacity at Norton Bottoms	• Reopening of West Deeping quarry • Reopening of Ardchronie quarry • Purchase of concrete plant at Clearwell quarry • Opening of Cannock concrete plant • Purchase of asphalt plants in Suffolk and Essex

Since the creation of Breedon Aggregates four years ago, we have grown our revenue by 87 per cent from £143.8 million to £269.7 million and our underlying EBITDA by 181 per cent from £13.7 million to £38.5 million. We have invested a total of £101.0 million in 7 acquisitions, all of which have enhanced our earnings and improved our strategic position in the UK market.

Four-year performance overview:

Share price increased by

208%

Since 31 December 2010

Growth in market capitalisation

+£390m

Since 31 December 2010

Strategic acquisitions investment

£101.0m

Since 31 December 2010

Underlying EBITDA increased from

£13.7m to £38.5m

Proforma 2010 to actual 2014

Underlying EBITDA margin raised from

9.5% to 14.3%

Proforma 2010 to actual 2014

Underlying (loss)/earnings per share increased from

(0.58p) to 1.64p

Actual 2010 to actual 2014

Net debt reduced from

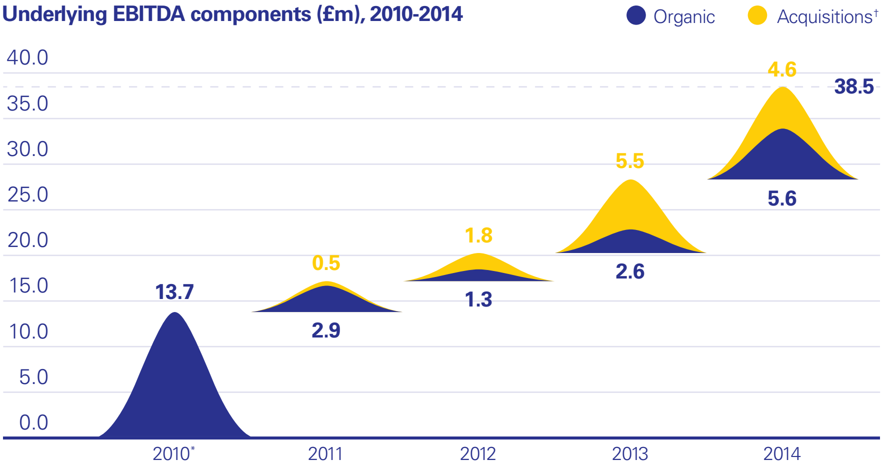
£92.3m to £66.3m

31 December 2010 to 31 December 2014

Growth by acquisition and organically

Breedon was established in response to the opportunity to create a smaller, focused independent player in a market dominated by the global cement companies. Our strategy has been to grow both organically – by providing a first-class local service – and through acquisition, consolidating the smaller end of the heavyside building materials industry.

Underlying EBITDA components (£m), 2010-2014



** 2010 proforma* *† EBITDA in respect of current and prior year acquisitions*

Eight commitments to creating value for our stakeholders

We operate our business according to eight simple 'Golden Rules' which we believe give us our strong competitive advantage.

1
Stay local
Easy to do business with at every site

2
Stay nimble
Maximise opportunities in our markets and develop new ones

3
Devolve responsibility
Allow decision-making by regional teams

4
Squeeze our assets
Maximise return from every tonne of material

5
Eliminate underperformance
If a plant is not performing, fix it

6
Keep central overhead to a minimum
Maintain a flat structure

7
Don't pay rent
Locate our offices in our quarries

8
Deliver value from acquisitions
Always enhance earnings

OUR MARKETS

Breedon Aggregates has a focused position in an evolving industry.

"The aggregates industry in the UK is an essential part of the wider construction sector, which accounted for 7 per cent of GDP in 2014 and is forecast to grow by around 10 per cent in the next two years."

An evolving competitive landscape

20 years ago there were nine listed "big name" building materials companies in the UK. As a result of consolidation over the last 15 years or so, the UK aggregates industry is now dominated by the international cement companies.

Lafarge (France), Cemex (Mexico), Holcim (Switzerland) and Heidelberg (Germany) dominate the market. Between them, these companies have a market share of 70–80 per cent in all the main product categories. Apart from Breedon Aggregates, Hope Construction Materials is the only sizeable new market entrant in the last few years, created through the purchase of assets from Lafarge Tarmac.

The cement companies have, in recent years, been divesting non-core businesses, which has created acquisition opportunities for Breedon. There are also significant opportunities at the smaller end of the heavyside building materials sector, which is highly fragmented with more than 200 independent businesses around the UK.

An industry dependent upon economic activity and political consensus

The building of houses, schools, hospitals, railways, airports and other infrastructure projects all require significant quantities of aggregates and all these projects require either committed government support or a benign economic environment. In recent years, there has been little consensus on where scarce infrastructure funding should be directed and Britain has consequently been starved of investment.

In 2012, the UK lagged behind all the major industrialised economies of Europe in terms of aggregates production per capita. Only Spain and Greece consumed less. By 2013, product volumes had declined by 35–40 per cent from their peak.

Construction sector in recovery

Following the deepest recession since the Second World War, the UK construction sector is now in recovery.

All the key macroeconomic indicators (GDP growth, inflation, unemployment and PMI) improved significantly during 2014 and industry experts are predicting a continuing steady recovery in the next few years.

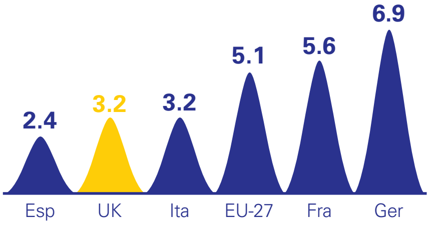
Construction sector forecast

Following a decline of 9.3 per cent in 2012 and an increase of only 0.4 per cent in 2013, construction output grew by 5.3 per cent in 2014 and the Construction Products Association (CPA) forecasts 5.3 per cent growth in construction output in 2015 and 4.2 per cent in 2016. In the four years to 2018, the CPA expects total construction output to grow by around £21 billion, a 17.9 per cent increase. Private housing starts are expected to rise 10 per cent in 2015, with roads construction and energy infrastructure growing by 52.1 per cent and 81.8 per cent respectively by 2018.

Aggregates growth linked directly to improvement in construction activity

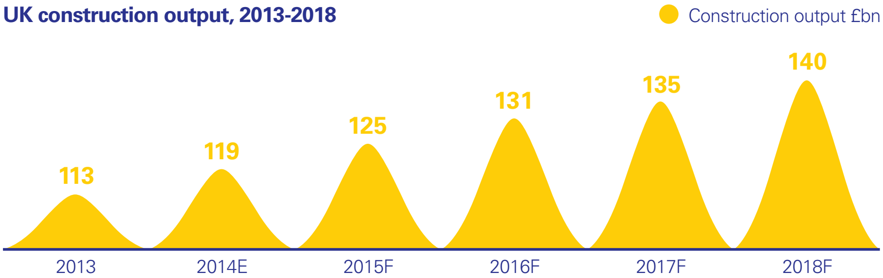
The impact of a growing construction sector on activity in Breedon's core markets is very positive. The Mineral Products Association (MPA) forecasts that aggregates volumes will grow by 4–6 per cent in 2015 and 3–5 per cent in 2016. Asphalt and ready-mixed concrete volumes are forecast to grow by 3–5 per cent in both 2015 and 2016.

Aggregates production per capita (2012, tonnes)



Source: UEPG

UK construction output, 2013-2018



Source: CPA winter 2014 forecast

	Aggregates	Asphalt	Ready-mixed concrete
Market size[1]	**119.7** million tonnes	**20.5** million tonnes	**15.7** million cubic metres
Breedon Aggregates Group Share[2]	**7%**	**8%**	**5%**
Key growth drivers	• Infrastructure investment • Commercial and industrial development • Housebuilding	• Investment in roadbuilding, repair and maintenance • Infrastructure, commercial and industrial investment • Housebuilding	• Investment in infrastructure and renewable energy • Commercial and industrial development • Housebuilding

1. Source: Minerals Products Association.
2. Source: Management estimates.

Key industry features: the investment case

- Markets are local, owing to high transport costs
- Most products travel less than 30 miles

- Barriers to entry are high, due to the difficulties of securing planning consent for new quarries
- There have been no major planning consents for new rock quarries for many years

- There is little product differentiation. Products are sold on competitive pricing and – above all – high-quality customer service
- Industry consolidation and reduced capacity mitigate price volatility during the recessions
- It is a highly capital-intensive industry, with high fixed costs and a need for ongoing investment in up-to-date plant and machinery
- The industry is highly geared: volume increases have a significant positive impact on earnings

- Under-investment in UK infrastructure is being addressed. The national infrastructure pipeline for 2016–2020 is valued at around £155 billion
- The Highways Agency budget is increasing from £1.8 billion in 2015/16 to £3.3 billion by 2020

What does this mean for Breedon?

Breedon has a very small share of a very large market. There is significant potential for us to extend the penetration of all our key products.

The market is highly fragmented and larger players are divesting non-core businesses, which is creating numerous acquisition opportunities for us.

Our business is highly cash-generative and we have very sound financial backing, which enables us to make the necessary investment in our business.

As the UK's leading independent aggregates business, we are in a strong position to benefit from the recovery in the construction sector.

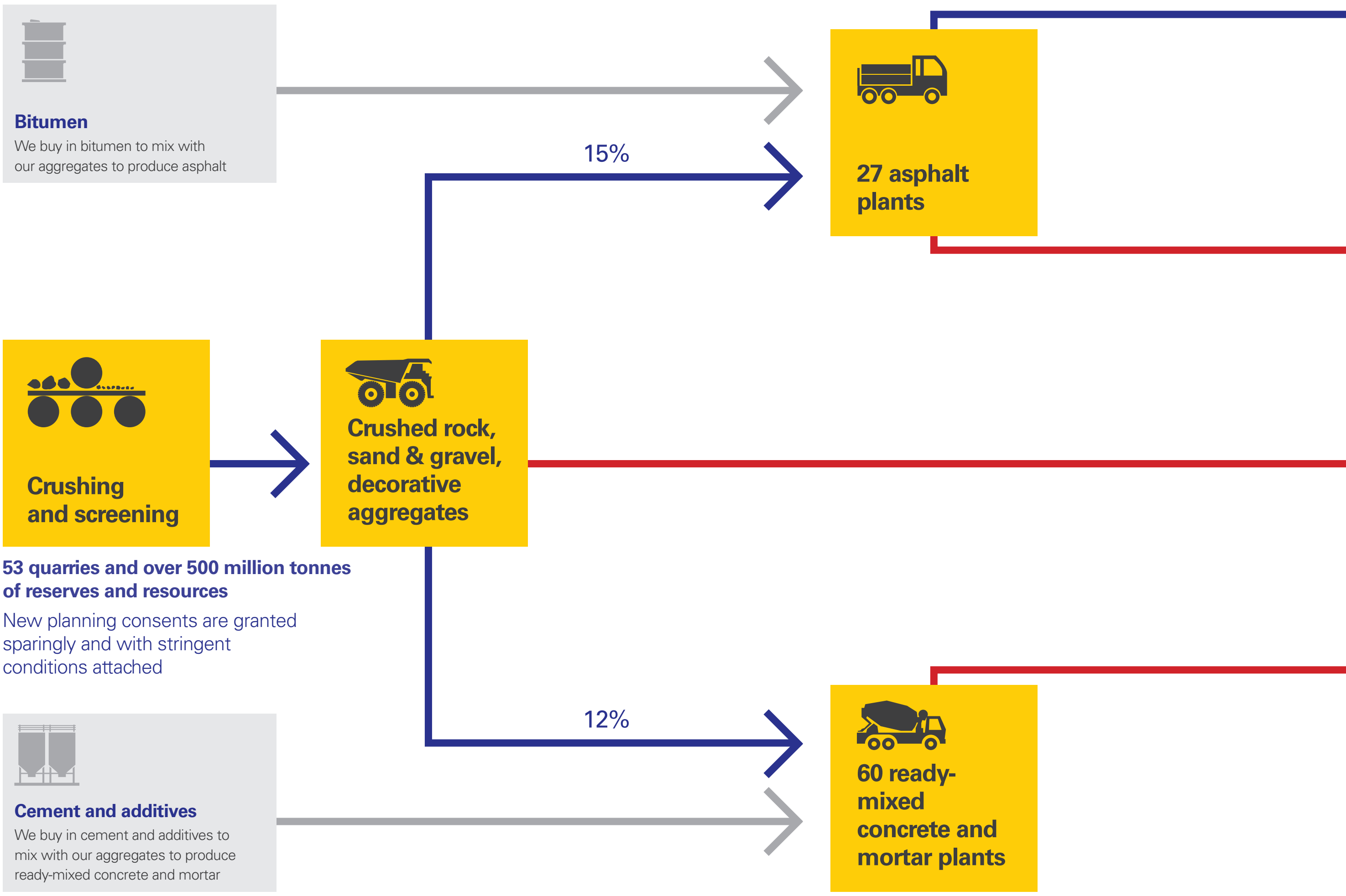
OUR BUSINESS MODEL

We add maximum value to the aggregates we extract, whilst respecting the environment and communities in which we operate.

Securing mineral supplies

Quarrying

Processing of material



Our key differentiators

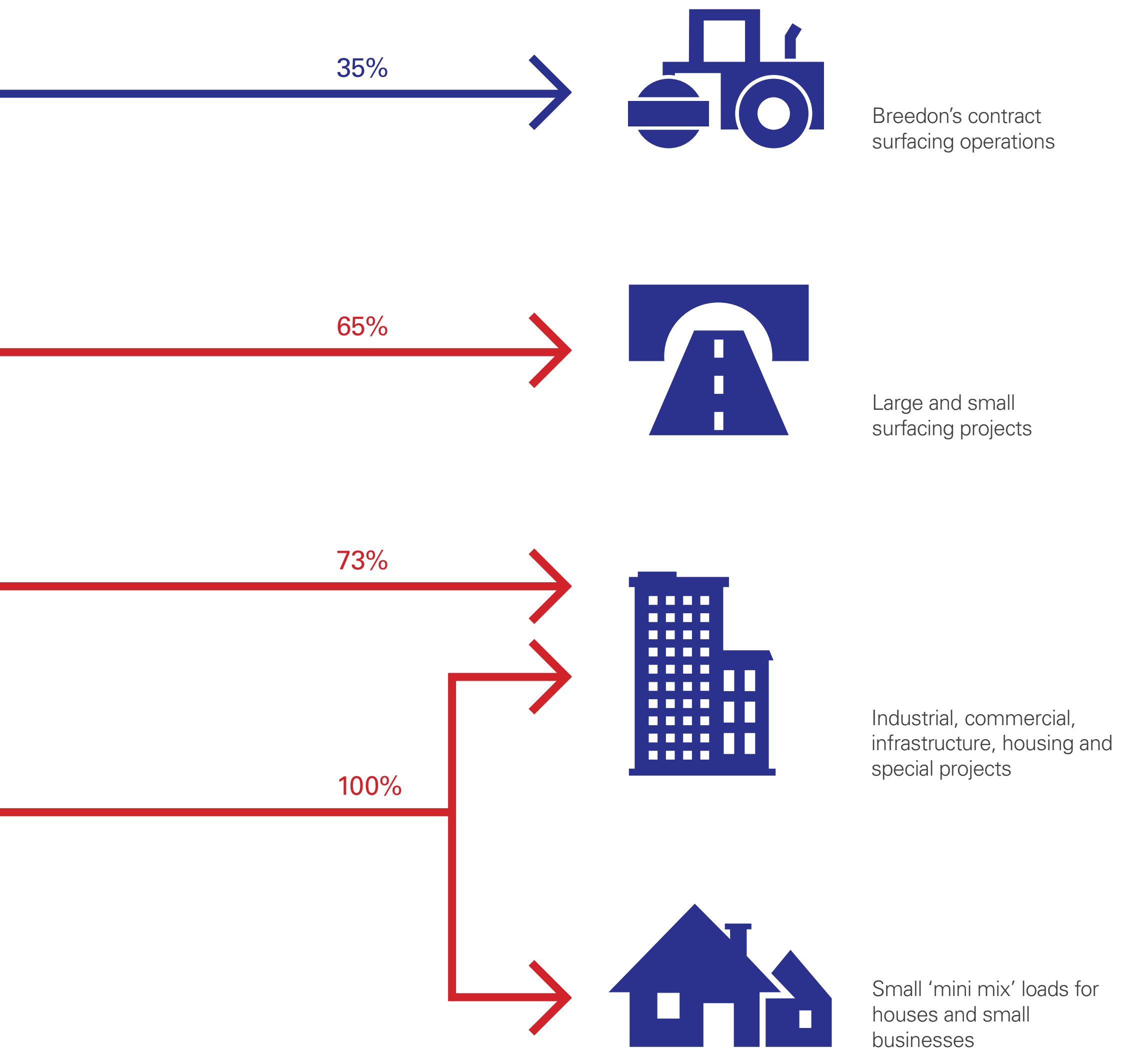
1. Adding maximum value to raw materials extracted from our quarries
2. Exercising rigorous control over our costs
3. Delivering excellent customer service




Marketing and distribution

Other services

Restoration activities



Key

- Internal use
- External use
- External input

OUR STRATEGY

Our aim: To be the most profitable producer in the UK market.

Our strategy: We'll achieve our aim by offering our customers the best service in our industry, by making our operations as efficient as possible, and by securing bolt-on acquisitions which strengthen our market positions and enhance our earnings.

We are pursuing a well-planned combination of organic growth and continuing consolidation of the smaller end of the heavyside building materials industry.

"In 2014 we continued to make good progress with our strategy of growth through consolidation."

Continuing organic growth

We continued to improve our margins in 2014 through ongoing investment in improved efficiency across our operations, careful work selection and rigorous cost-control at all levels of our business. This is a key part of our strategy to become the UK's lowest-cost producer.

Earnings-enhancing acquisitions

We invested £33.4 million in cash on acquisitions in 2014 and we are well on the way to improving the performance of all the acquired businesses as we integrate them fully into the Group.

Organic growth

Reopening of West Deeping quarry
- Self sufficient in South Lincolnshire for sand and gravel
- Relocated workshops and ready-mixed concrete plant from Stamford

Reopening of Ardchronie quarry
- Mothballed by previous owners
- Well placed for northern Scotland markets

Concrete plant at Clearwell quarry
- First ready-mixed concrete plant in the West of England
- Access to new industrial, commercial and housing markets in and around the Forest of Dean

Concrete plant at Cannock
- First ready-mixed concrete plant in Staffordshire
- Utilises aggregate from adjacent Saredon Quarry

New asphalt plants in Suffolk and Essex
- Two plants purchased from Hope Construction Materials
- Extends Breedon's market reach into Essex and Suffolk

Acquisitions and investment

Huntsman's Quarries
- Net cash consideration £14.5 million
- Access to affluent and buoyant Cotswolds market
- New presence in North Worcestershire ready-mixed concrete market
- Extends Breedon's product range

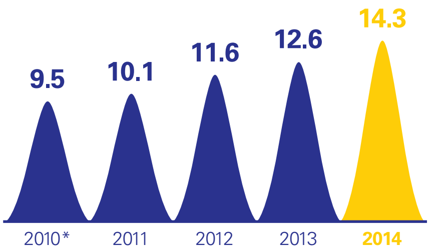
Barr Quarries
- Net cash consideration £18.9 million
- Market leader in aggregates in south-west Scotland
- Provides Breedon with 5th self-contained region in Scotland
- 11 quarries, 5 asphalt plants, 6 ready-mixed concrete plants and 57 million tonnes of mineral reserves and resources

Investment in 50 per cent of Breedon Bowen
- Access to supply of scarce high PSV aggregates to meet strong demand for heavy-duty asphalt surfacing
- Expands presence in mid-Wales

KEY PERFORMANCE INDICATORS

We use the following financial and non-financial KPIs to measure the operational and strategic performance of the business.

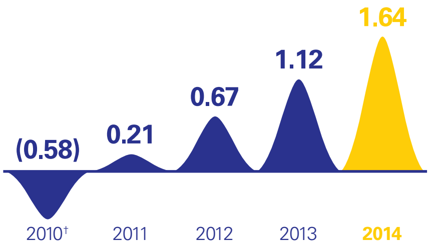
Underlying EBITDA margin %



Why we've chosen this measure:
This metric tracks improvements in the relative profitability of the Group and enables us to monitor progress against our stated objective of achieving 15% EBITDA margins.

How we've performed:
Good progress was made in 2014 and we improved EBITDA margins by 13%, or 1.7 percentage points.

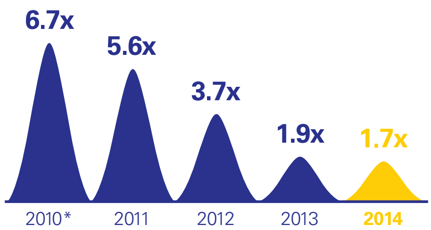
Underlying basic EPS pence



Why we've chosen this measure:
This metric tracks improvements in the underlying earnings per share for our shareholders.

How we've performed:
The 46% annual increase in our underlying basic earnings per share in 2014 reflects the improved performance of the heritage business and the positive contribution made from acquisitions.

Leverage (Net debt / Underlying EBITDA)



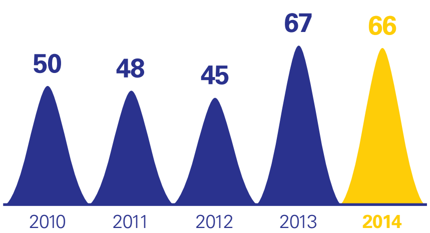
Why we've chosen this measure:
This metric tracks the ability of the Group to generate sufficient cash flows to pursue its bolt-on acquisition strategy whilst covering its contractual debt servicing obligations.

How we've performed:
We have performed very well given that the 2014 spend on acquisitions was fully funded out of cash and debt and the closing leverage is below 2x and less than at 31 December 2013.

* Based on proforma figures.

† 2010 as reported.

Reserves and resources life years



Why we've chosen this measure:
This metric tracks the ability of the Group to replenish its reserves and resources.

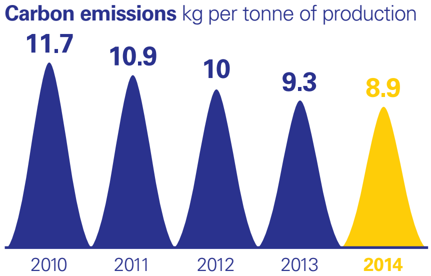
How we've performed:
Compared to an industry that in 2014 is understood to have replaced less than half of the volume of aggregates extracted we have performed well.

Long term Injury Frequency Rate ("LTIFR") (per 200,000 hours worked) hours

Why we've chosen this measure:
This metric tracks our health and safety performance and enables us to maintain a strong health and safety culture.

How we've performed:
We had only six lost time injuries in 2014 while increasing the size of our work force and our LTIFR accordingly declined by 13% over the previous year. Whilst the reduction is pleasing, we did not achieve the target we set ourselves for 2014.

Carbon emissions kg per tonne of production



Why we've chosen this measure:
This metric tracks our commitment to continuous improvement in our environmental performance.

How we've performed:
We have made further progress in 2014 and continue to strive to reduce emissions, whilst maintaining the production levels required to meet demand.

A REVIEW OF 2014

Peter Tom CBE
Executive Chairman

Introduction

We are pleased to report another year of significant progress, with results strongly ahead of 2013. These were driven by steadily improving market conditions, healthy contributions from acquisitions, the benefits of continuing capital investment and solid organic growth in the underlying business. Both England and Scotland reported improved performances.

As we enter our fifth year since the creation of Breedon Aggregates, the Group looks very different to the business we acquired in 2010. Sales revenue has nearly doubled, EBITDA has risen almost threefold, the balance sheet is strong and we have a stable, experienced management team in place. Our progress over the last five years is illustrated in our Key Performance Indicators, summarised on page 11.

The economic and market environment

We moved from 'self-help' to 'market-help' as conditions improved throughout the year in line with the recovery in the wider UK economy. However, we continue to adhere to the principles of self-help which served us well in the recessionary years, focusing on outstanding service, disciplined control of costs and judicious investment in our business.

Macroeconomic data for the UK in 2014 continued to be positive, with GDP growing by 2.6 per cent and unemployment and inflation falling. Construction output grew by 5.3 per cent, driven primarily by housing, which increased by 18 per cent – although new orders have recently started to decline, suggesting that growth is likely to be nearer 10 per cent in 2015. Industrial and commercial building also performed well, although infrastructure declined slightly.

The Mineral Products Association (MPA) estimates that product volumes grew by 11.0 per cent for aggregates, 8.6 per cent for asphalt and 1.7 per cent for ready-mixed concrete in 2014. As usual, there were significant regional differences, with the Midlands and South of England showing the highest growth.

Our trading performance

Good progress was made on all fronts: sales revenue increased by 20.1 per cent to £269.7 million, underlying EBITDA by 36.2 per cent to £38.5 million and profit before tax by 94.0 per cent to £21.4 million. The Group underlying EBITDA margin improved from 12.6 per cent to 14.3 per cent, with both England and Scotland ahead of the prior year, and it is now approaching our medium-term target of 15 per cent.

The year began and finished strongly, with favourable weather conditions allowing higher than usual activity levels in January and December. In England, the busiest day of the year for asphalt deliveries was 15 December – unheard of in our experience!

Market conditions in England were strong, with good demand from housing, commercial, industrial and agricultural customers. Scotland was more subdued, undoubtedly affected by the independence vote in September, and there seems to be less visibility on government spending plans than there is south of the border. The performances of both businesses are reviewed in more detail by their respective Chief Executives on pages 16 to 19.

Major contracts supplied

We supplied a number of major contracts in the year, although, as we have said previously, most of our business is with smaller customers with whom we have longstanding relationships developed over many years. Our priority has been and always will be to meet their requirements before considering larger one-off contracts, which tend to be supplied by larger companies at lower prices.

Key contracts supplied during the year included:

- Dualling of the A453: 65,000 tonnes of aggregates and 13,000 cubic metres of concrete
- Nottingham Tram: 51,000 tonnes of asphalt
- Birmingham Airport: 13,000 tonnes of asphalt
- Invergordon Harbour: 133,000 tonnes of aggregates
- Stornoway Harbour: 30,000 tonnes of aggregates and 3,500 tonnes of asphalt
- Dundee Waterfront: 10,000 tonnes of asphalt

For more information
→ Our Track Record **p4**
→ Our Markets **p6**

Simon Vivian
Group Chief Executive

Our health and safety record

We are very proud of the fact that our accident rates have fallen significantly since 2010, as this has been a major area of focus for us following a number of serious accidents in prior years. Caring for the wellbeing of our employees has always been one of Breedon's most cherished values.

Lost Time Injury Frequency Rate (LTIFR) is the industry's key measure of performance. It records those accidents which result in an employee having to take time off work, divided by the number of average hours worked. Breedon had only six lost time injuries in 2014, fortunately none of them particularly serious, and our LTIFR accordingly declined by 13 per cent over the previous year. Our key objective is to reduce the LTIFR every year, with a hard-target annual reduction of 30 per cent. Our performance to date is shown in the KPI summary on page 11.

Our safety culture is based on strong leadership, backed by a strict reporting regime in which any dangerous occurrence is rigorously investigated and preventative measures put in place. The rigour of our approach is reflected in the fact that Breedon's LTIFR is now close to the MPA industry average, after having been one of the worst performers in 2010. We plan to improve further in 2015.

Investment in our business

We continued to invest significantly in the business through a combination of acquisitions, greenfield development and organic capital expenditure. In 2014 we spent cash of £33.4 million on acquisitions, £3.5 million on an investment and £11.9 million on other capital projects. This expenditure represents an investment in the future and will generate additional revenues, reduce costs and improve productivity in the years ahead.

Two sizeable acquisitions were completed in the year: Huntsmans Quarries in June, which extended our presence in the Gloucestershire and Worcestershire markets; and Barr Quarries at the end of October, which gave us a strong new market position in south-west Scotland. These both represent tremendous additions to Breedon's portfolio.

Other important investments in the year included:

- Opening of West Deeping quarry in south Lincolnshire
- Opening of Ardchronie quarry in the Highlands
- Purchase of Clearwell concrete plant in Gloucestershire
- Construction of a new concrete plant at Cannock in Staffordshire
- Purchase of two asphalt plants from Hope Construction Materials in Suffolk and Essex
- Investment in a joint venture, Breedon Bowen, at its quarry in mid-Wales

We also continued our capital investment programme with upgrades at Craigenlow, Norton Bottoms and Astley Moss quarries and the acquisition of significant new plant for our Scottish contract surfacing business.

We anticipate continuing investment in 2015 to increase capacity, improve efficiency and further develop our business. Most notably, we have plans to replace, improve or upgrade a number of asphalt and concrete plants in 2015 and we would expect to continue with our acquisition programme.

For more information
→ Our Strategy **p10**
→ Our KPIs **p11**

Our people

The success we have achieved over the last four years is the result of a committed team effort and we thank every one of our employees for their contribution to Breedon's progress. More than half our employees have joined us since the formation of Breedon Aggregates in 2010, reflecting the many acquisitions we have made, but they have all quickly embraced the enthusiasm and values which we believe differentiate Breedon Aggregates from other larger companies in our sector. We look forward to continuing to work together for many years to come.

The outlook for Breedon

The economic outlook is the most favourable for our industry since the end of the recession. Construction output and demand for our products are expected to increase over the next three years and infrastructure in particular is expected to grow strongly in 2015-18 on the back of recently-announced public spending plans. The MPA is forecasting further increases in product volumes in 2015.

Uncertainties regarding the general election in May are likely to be temporary, as all major political parties seem to recognise that infrastructure investment and capital spending have an important part to play in delivering continued economic recovery in the UK.

Of course, there remain concerns about the size of the deficit and the future direction of the Eurozone. However, the lower oil price will continue to have a positive effect on costs and should help to accelerate the recovery of margins in our industry, which still remain below pre-recession levels and in some cases below the cost of capital.

We continue to see many opportunities to grow and improve our business and we are confident that we will make further progress in 2015.

Peter Tom CBE,
Executive Chairman

Simon Vivian,
Group Chief Executive

BREEDON AGGREGATES GROUP

54%

46%

Group revenue split

England 54%

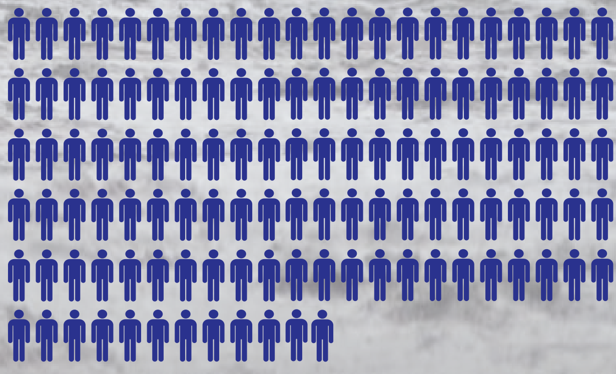
Scotland 46%

£270m

Our revenues have almost doubled since our creation nearly five years ago.

1,200+

Our work force has nearly doubled over the last four years as we have expanded the Group organically and through acquisition.



BREEDON AGGREGATES ENGLAND

15
quarries

9
asphalt plants

23
ready-mixed concrete and mortar plants

1
concrete block plant

2
regional contract surfacing operations

Revenue

54%
of Group revenue

EBITDA

55%
of Group EBITDA

OPERATIONAL REVIEW

Tim Hall
Chief Executive of Breedon Aggregates England

Trading summary

We experienced strong demand in all our regional operating areas during the year, with improvements in all key segments of the market: housing, infrastructure, local authorities and agriculture. Demand improved as the year progressed and resulted in a more stable pricing environment.

Newly-acquired Huntsmans and our other recently opened new sites all performed in line with our expectations.

We continued to invest in all our operations, focusing on operational efficiency and improving customer service levels, simplifying our processes and making ourselves easy to do business with.

Major investments

We continued to invest in training and capital projects to improve our health and safety performance, with the aim of achieving zero harm.

£1.3 million was invested at Norton Bottoms in upgrading the sand and gravel processing plant, improving volume throughput and operational efficiency. This significantly enhanced our production profile and allowed us to take on additional fixed outlets.

We further strengthened our operations in Lincolnshire by reopening the West Deeping sand and gravel pit. This allowed us to close our Stamford operation and relocate our ready-mixed concrete plant and in-house workshop to the West Deeping site, where maintenance of our Lincolnshire mixer fleet will now be carried out. This has created a single consolidated footprint for our operations in this region and enabled us to become self-sufficient in South Lincolnshire for sand and gravel supplies to our concrete plants.

In March we purchased the concrete plant from Aggregate Industries which was located within our own Clearwell quarry in Gloucestershire. This gave us full control over the site, enabling us to improve health and safety around vehicle movements and allowing the business to offer package deals of aggregates and ready-mixed concrete to our customers.

In June we completed the construction of Cannock concrete plant. This gave us a presence for the first time in the Staffordshire market and volumes started strongly. Cannock also provides a back-up to our neighbouring concrete plant at Leaton quarry, near Telford, enabling us to service larger jobs in the area.

In October we purchased two asphalt plants from Hope Construction Materials. The plants, at Cavenham in Suffolk and Wivenhoe in Essex, enhance our geographical footprint in the east of England and, together with our current asphalt plants at Corby and Longwater, we now have broad coverage of Norfolk, Cambridge, Suffolk and Essex. Wivenhoe was already operational and we are pleased with the start this plant has made under our ownership. Cavenham was previously mothballed and, following necessary investment, we reopened the plant in January 2015.

Acquisitions/progress on integration

The acquisition of Huntsmans gave us a broader geographical footprint in Gloucestershire and Worcestershire, augmenting our existing operations at Clearwell and Leinthall. We were pleased to find an enthusiastic and welcoming workforce, who have readily embraced change and are helping to accelerate the ongoing development of this operation.

We have begun embedding Breedon's safety culture in the business and have restructured the management within the quarry, ensuring greater accountability across four distinct operating areas.

Since acquisition we have analysed the profile of the fixed and mobile plant and have begun a programme of change and investment which we expect to continue throughout 2015.

Our investment in a 50 per cent share of Breedon Bowen Limited in September secured our access to scarce high PSV aggregates.

Business developments

We continue to seek bolt-on acquisitions and organic growth opportunities to enhance our customer offering and secure our routes to market. During 2015 we plan to increase capacity in both asphalt and concrete, with new plants coming on stream subject to appropriate planning consents.

We have submitted a major planning application at Clearwell quarry in Gloucestershire to increase the reserve base of this unit, which should be determined towards the end of 2015.

Corporate social responsibility

We continued to work towards maximising the use of alternatives to primary fuels in all of our asphalt plants.

During the year Naunton quarry began using solar power, securing 25 per cent of its usage from this renewable source. We continue to encourage the use of solar power wherever possible within our quarries and we are currently undertaking operational reviews with external consultants to map out a plan for this. When new plant is ordered, we embrace the latest control technologies and try to use the most energy efficient systems available such as inverters or variable speed drives.

We continually engage local stakeholders around our operations to ensure that Breedon operates in a responsible way, recognising that this is vital to maintaining our licences to operate.

Outlook

We are optimistic about the outlook for 2015 and expect to see growth in several sectors, the only note of caution being a possible slowdown in the rate of growth of housing. This growth, coupled with our investment plan, will lead us to further improve our business across all products as we continue to focus on customer service and on-time delivery.

Tim Hall
Chief Executive of Breedon Aggregates England

BREEDON AGGREGATES SCOTLAND

38
quarries

18
asphalt plants

37
ready-mixed concrete and mortar plants

2
concrete block plants

5
regional contract surfacing operations

1
traffic management services company

Revenue

46%
of Group revenue

EBITDA

45%
of Group EBITDA

Alan Mackenzie
Chief Executive of Breedon Aggregates Scotland

Trading summary

It was another year of encouraging growth for Breedon in Scotland with strong pricing and margins, despite the market remaining relatively flat and uncertainty around the independence referendum vote resulting in many projects being delayed.

The picture varied from region to region, with major projects few and far between. Generally speaking, reduced expenditure by local authorities was offset by growth in private commercial activities, coupled with an improvement in the housing market which has continued into the current year. The Aberdeen area grew particularly strongly following the go-ahead for construction of the Aberdeen Western Peripheral Route (AWPR).

Major investments

Capital expenditure was focused on projects which offered strong returns and long-term benefits to the business. We invested in new lime sheds at Bonawe and Ethiebeaton quarries and a new crusher for our mobile crushing team which allows us to process and use recycled asphalt planings (RAP) in asphalt mixes. This brings both cost-savings and environmental benefits.

We also invested in mobile plant and machinery around the business, including our Contracting operations, replacing ageing, high-cost, high-fuel-usage and long-term hired machines with modern lower-cost equipment. A new recycling train, working around the business, allowed us to reprocess waste stocks into saleable, high-value products.

Improved housekeeping and safety awareness led to a dramatic increase in proactive reporting and identification of issues and our Lost Time Injury Frequency Rate reduced significantly year-on-year. At the beginning of this year we again invested in dramatised behavioural training for the whole workforce.

Acquisitions/progress on integration

Our most significant investment in 2014 was the acquisition of Barr Quarries in south-west Scotland. This business created a new fifth region for Breedon in Scotland and gave us access to exciting new markets. Integration of these operations continues and they will require capital investment during their first year in our ownership. Once we have completed this expenditure and delivered other anticipated efficiencies, we are confident that this business, now rebranded as Breedon Aggregates, will deliver a healthy return on our investment.

We were finally given the go-ahead by the Competition and Markets Authority to integrate the former Aggregate Industries business acquired in 2013. We were required to divest two units and these disposals have been completed. We have already achieved significant savings, particularly through optimisation of material supply in the Aberdeen area, and we are very happy with the overall returns that this acquisition has delivered.

Business development

We continue to pursue growth both organically and through bolt-on acquisitions, to further strengthen our ability to satisfy market demand and to provide the highest levels of customer service.

Corporate social responsibility

We have made excellent progress in the use of recycled fuels around the business and we continue to invest in new capital equipment to ensure the best possible whole-life costing. The latest batch of mobile plant on order will offer significant fuel savings and efficiencies over the items they are replacing and a major focus in the current year will be a further increase in RAP usage in our asphalt plants.

We continue to sponsor the Highland League Football Cup, a tournament involving teams from the local communities which we serve. The vast majority of the teams are based within 10 miles of our units and it is pleasing to be able to put something tangible back into the communities where we operate.

Outlook

The market was slow to recover following the referendum in September, but we expect both public and private sector investment to improve steadily in the current year, with major projects coming on stream including the AWPR, Forth Crossing and the first section of the A9 dualling project. These projects should present strong opportunities for us, including collateral investment around the AWPR in the Aberdeen area. In particular, we expect housing to continue to grow strongly as a result of better connectivity brought about by the by-pass.

Our hope is also that, post-referendum, the Scottish Government will start to invest more in maintenance of the existing trunk road network, which has been subdued for several years now.

In our new South West region there are some very sizeable wind-farm projects in the pipeline, which we are well placed to support. We also see strong demand for premium stone from our Ayrshire quarries both in Scotland and in England.

We have allocated significant capital expenditure in 2015, focusing in particular on further cost-savings and improvements to customer service, and we remain optimistic about the outlook for the year.

Alan Mackenzie

Alan Mackenzie
Chief Executive of Breedon Aggregates Scotland

OUR RISKS

The Group's principal risks and uncertainties, together with examples of mitigants, are set out below. They do not comprise all of the risks associated with the Group and are not in any order of priority. Additional risks not presently known or currently deemed to be less material may also have an adverse effect on the Group's business in the future.

Market conditions	• Changes in the UK macro-economic environment (and Government policy) expose the Group to changes in the level of activity and therefore the demand for the Group's products. • In the short term adverse weather can also impact the demand for the Group's products. • Difficult economic conditions also increase the Group's exposure to credit risk among its customers.
Competition & margins	• Increased competition could reduce the Group's volumes and margins. • The Group is heavily reliant on energy and fuel oil to produce its products and to get them to market and increases in those costs could reduce the Group's margins.
Acquisitions	• The Group could overpay for an acquisition. • The Group could fail to integrate an acquisition. • The Group could fail to deliver the expected returns from an acquisition.
Liquidity	• The Group does not have sufficient financial resources to meet its obligations as they fall due. • The Group does not have sufficient financial resources to continue to consolidate the smaller end of the heavyside building materials industry.
Legal and regulatory	• A breach of law or regulation could result in a disruption of the Group's business and potential reputational damage. • Planning restrictions could prevent the Group from operating facilities or extracting its mineral reserves. • The Group could be prevented from consolidating the smaller end of the heavyside building materials industry by regulatory authorities.
Health & safety and environment	• Failure to manage these risks could expose the Group to significant potential liabilities and reputational damage.
People	• Failure to recruit and retain the right people could have an adverse impact on the Group's ability to deliver on its strategic objectives.
IT	• Disruption to the IT environment could affect the Group's ability to conduct its ongoing operations. • Disruption could lead to an adverse effect on the Group's performance.

Risk Management

Risk is an inherent and accepted element of doing business and effective risk management is fundamental to how we run our business. The Group's approach to risk management is to identify key risks and then to develop actions or processes within the business to eliminate or mitigate those risks to an acceptable level.

Change from last year

↗ Increased

→ No change

↘ Reduced

- The Group regularly reviews available indicators of market activity including market data and economic forecasts.
- The Group maintains regular communication with key suppliers and customers.
- The Group maintains a broad exposure to various end-uses for its products.
- The Group maintains credit insurance cover over the majority of its private sector customers.

→

- The Group supplies a diverse customer base and focuses on providing a high level of customer service.
- The Board approve all major contracts.
- The Group operates a strategic purchasing plan to address energy and fuel oil risk.
- EBITDA margin is considered to be a Key Performance Indicator by the Group.

→

- The Group uses specialist advisers and undertakes extensive due diligence.
- The Board approve all major acquisitions.
- Acquisitions are supported by detailed integration plans.
- The Group has a strong acquisition track record.

→

- The Group manages liquidity risk by continuously monitoring forecasts and cash flows.
- Following the refinancing in 2014 the Group has committed facilities in place until 2018 and significant headroom.
- The Group maintains strong relationships with its key banks and shareholders.
- EBITDA Leverage is considered to be a Key Performance Indicator by the Group.

↘

- The Group monitors and responds to legal and regulatory developments and benefits through its membership of the Mineral Products Association.
- The Group involves stakeholders in early consultation and meets with communities in areas where they are impacted by its operations.
- The Group has a good understanding of potential competition authority concerns.

→

- The Group considers health & safety a priority and targets zero harm.
- The Group employs experienced health and safety advisers who promote a strong safety culture and related training.
- Lost Time Injury Frequency Rate is considered to be a Key Performance Indicator by the Group.
- Management, training and control systems are in place across the Group to minimise and prevent environmental incidents.

→

- The Board reviews and agrees the Group's HR policies.
- The Group has a formal appraisal process.
- Appropriate remuneration and incentive packages are in place to assist in the attraction and retention of key employees.
- The Remuneration Committee reviews all key aspects of executive remuneration.

→

- The Group employs dedicated internal IT support teams, together with external support service providers.
- All IT system development projects are actively and carefully planned with defined governance and control procedures.
- The Group maintains disaster recovery plans and procedures.
- To support future growth the Group is undertaking a review of its IT systems.

↗

OUR FINANCIAL REVIEW

Rob Wood
Group Finance Director

"We delivered strong earnings growth in 2014 and, even after significant expenditure on acquisitions, maintained net debt at less than 2x EBITDA."

Revenue & underlying operating profit

During the year we delivered strong organic growth, particularly in England, and completed two sizeable acquisitions: firstly Huntsman's Quarries Limited ("Huntsmans"), a long-established aggregates company based in the North Cotswolds and secondly Barr Quarries Limited ("Barr Quarries"), the market-leader in aggregates in south-west Scotland.

For the 12 months as a whole, Group aggregates volumes were up 25.2 per cent at 7.7 million tonnes, asphalt volumes were up 12.3 per cent at 1.5 million tonnes and ready-mixed concrete volumes were up 22.9 per cent at 0.8 million cubic metres. Excluding the volume from acquisitions, aggregates, asphalt and ready-mixed concrete volumes were up 19.6 per cent, 11.4 per cent and 16.9 per cent respectively.

Revenue for the year at £269.7 million was 20.1 per cent ahead of 2013 (2013: £224.5 million). Excluding revenue from acquisitions, revenue would have been £260.3 million (2013: £224.5 million).

Underlying earnings before our share of associate and joint venture, interest, tax, depreciation and amortisation ("EBITDA") were £38.5 million and were 36.2 per cent ahead of 2013 (2013: £28.3 million). Of this, EBITDA of £1.5 million was generated by acquisitions. Underlying results are stated before acquisition related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

EBITDA margins across the business in England and Scotland were improved year-on-year. Overall the EBITDA margin for the Group increased to 14.3 per cent from 12.6 per cent in 2013. Underlying Group operating profit was £23.1 million and was 58.3 per cent ahead of 2013 (2013: £14.6 million).

Associate and joint venture

Share of profit from associate and joint venture (net of tax) included BEAR Scotland Limited and a contribution from our 50 per cent investment in Breedon Bowen ("Bowen"), the owner and operator of Tan-y-Foel quarry near Welshpool.

	2014 £million	2013 £million	Variance
Revenue			
England	**145.0**	114.9	26.2%
Scotland	**124.7**	109.6	13.7%
Total	**269.7**	224.5	20.1%
Underlying EBITDA			
England	**23.7**	15.8	50.5%
Scotland	**19.2**	15.9	21.1%
Head Office	**(4.4)**	(3.4)	(31.6)%
Total	**38.5**	28.3	36.2%
Margin	**14.3%**	12.6%	

Interest

Net finance costs in the year totalled £3.3 million (2013: £3.6 million) and included interest on the Group's bank facilities, amortisation of bank arrangement fees and interest on finance leases. The lower costs in 2014 reflect the level of borrowings and finance leases and the lower cost of the new bank facility put in place in July 2014 (see 'Bank facilities').

Tax

An underlying tax charge of £4.3 million (2013: £2.7 million) was recorded in the year, resulting in an underlying effective tax rate for the full year of 20.5 per cent, influenced by the effects of the beneficial impact of the reducing UK corporation tax rate, income from associates already being taxed and of costs in Jersey for which no tax relief can be obtained.

The Group's tax strategy is to comply with all relevant regulations whilst managing the total tax burden and seeking to maintain a stable effective tax rate. The Group seeks to achieve this through operating a simple Group structure.

The Group endeavours to structure its affairs in a tax-efficient manner where there is commercial benefit in doing so, with the aim of supporting investment in the business and its capital expenditure programmes. This takes into account utilisation of capital allowances and any historic losses in the business which can be offset against current year profits. The Group seeks to ensure that its actions do not adversely impact its reputation as a responsible tax payer in the following ways:

- It takes appropriate tax advice and support from reputable professional firms and the parameters which govern its approach are set by the Board, which regularly reviews the Group's tax strategy.
- It is open and transparent in its dealings with HM Revenue & Customs and deals with any queries in a timely and open manner and, in particular, responds to any tax queries quickly and on a full disclosure basis.
- Any tax affairs are administered in a lawful and responsible manner.
- All of its tax liabilities arise in the subsidiary companies in the UK and in terms of the UK corporation tax position all years up to 2012 are agreed.

Non-underlying items

Non-underlying items in the year were a net pre-tax income of £0.3 million (2013: cost of £1.4 million) and included a gain on the sale of property of £2.1 million and acquisition-related costs of £1.3 million. In addition, non-underlying items include a tax credit of £0.1 million (2013: £1.1 million) in respect of the agreement of prior year items.

Earnings per share

Basic earnings per share ("EPS") for the year were 1.68 pence (2013: 1.08 pence), struck after the non-underlying items mentioned above. Underlying basic EPS for the year totalled 1.64 pence (2013: 1.12 pence).

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, for now the main focus of the Group will be on delivering capital growth for shareholders.

Statement of financial position

Net assets at 31 December 2014 were £167.2 million (2013: £149.0 million).

Assets acquired through acquisition in the year have been valued at fair value as at the date of acquisition by the Directors, guided by third party valuations where appropriate.

The net assets are underpinned by the mineral, land and building assets of the Group, which at the end of December 2014 had a book value of £136.7 million (2013: £122.1 million).

Cash flow

Cash generated from operating activities was £40.6 million (2013: £24.9 million).

In addition to delivering short-term earnings growth, we are positioning the Group for the longer term and, as part of that, we are investing in the business, adding acquisitions where these make sense both strategically and financially and investing further in plant and equipment.

During 2014 the Group spent £33.4 million on acquisitions (2013: £54.0 million), and recorded a cash spend on capital expenditure projects of £11.9 million (2013: £12.5 million). The acquisitions included Huntsmans and Barr Quarries. In addition, the Group invested £3.5 million in a new joint venture, Breedon Bowen. Further details of these and the investment in capital expenditure can be found in the Operational Reviews on pages 16 to 19.

Proceeds from the sale of property, plant and equipment totalled £6.0 million in 2014 (2013: £4.6 million) and included the sale of the 60-acre Doseley site near Telford in Shropshire for £11.0 million. The land is on the site of a former concrete products plant and has outline planning consent for 460 homes. At 31 December 2014 we had received proceeds of £2.8 million in respect of Doseley and the remaining proceeds will be received over the next three years.

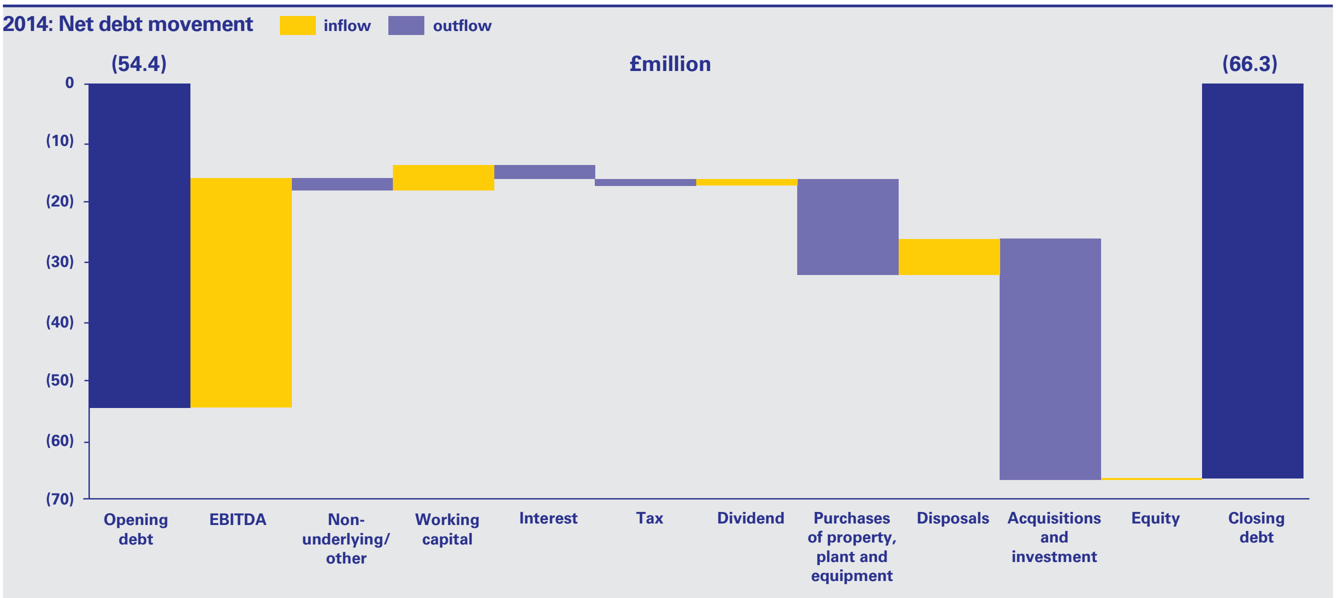
Net debt

Net debt at 31 December 2014 was £66.3 million (2013: £54.4 million).

Key movements in net debt are shown in the graph overleaf and include EBITDA of £38.5 million (2013: £28.3 million), purchase of property, plant and equipment of £16.1 million (2013: £13.2 million) which includes £4.2 million (2013: £0.7 million) financed by way of new finance leases; and £40.1 million (2013: £54.0 million) spent on acquisitions and investments which includes £3.2 million (2013: £nil) of loans and finance leases acquired with subsidiaries.

The ratio of net debt to EBITDA reduced to 1.7x at 31 December 2014, down from 1.9x at the end of 2013.

OUR FINANCIAL REVIEW CONTINUED



Bank facilities

In July we signed a new four-year £100 million committed revolving credit facility, which includes an additional £50 million accordion option. The agreement refinanced the Group's existing facility, which was due to mature in September 2015. The new facility is at a lower cost with greater flexibility to support our bolt-on acquisition strategy.

The Group's facility is subject to a floating interest rate based on LIBOR plus margin. At 31 December 2014, the total undrawn facility available to the Group amounted to £29.0 million. The Group's new bank facility is subject to covenants which are tested half-yearly. These covenants are: Group leverage and Group interest cover. At 31 December 2014, the Group comfortably complied with the two 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 which mitigates the risk of interest rate rises on the Group's bank loans (see note 20 to the financial statements).

Rob Wood
Group Finance Director

CORPORATE & SOCIAL RESPONSIBILITY

"For our business to be sustainable we must not only return value to our shareholders but also be a good corporate citizen, mindful of the needs of all of our key stakeholders."

Peter Tom CBE
Executive Chairman

Our key stakeholders	Our commitments
Customers	Same high standards no matter what size the job, minimal distance between our people and those buying our products
Employees	Health and safety, employee engagement and career development
Suppliers	Health and safety, using local suppliers where possible
Investors	Returning value through our strategy and asset portfolio, timely and transparent communication
Communities	Listening to their needs, tackling local issues, supporting local causes and respecting the environment

HEALTH AND SAFETY

Our number one priority is the safety of all our employees, contractors, customers and general public who visit our sites.

Our commitment

We are committed to maintaining a safe environment at all of our operations. We therefore seek to:

- comply with all relevant health and safety legislation;
- protect the health of our employees with suitable, specific, work-based strategies;
- 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 reporting and review process.

Our targets and aims

In 2010 we set ourselves the goal of achieving Zero Harm across our entire business. We ensure a constant reminder of our goal through the prominent display of the Zero Harm logo throughout our sites and literature.

How we measure and monitor

- We monitor and review our safety record centrally and a comprehensive health and safety report is produced for the Board;
- 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;
- we also report monthly on the number of near misses reported in our business, as we firmly believe that today's near miss is tomorrow's preventable incident; and
- our Health and Safety Committee's principal objective is to ensure a co-ordinated approach to the Group's management of all Health, Safety and Environmental ("HSE") issues.

Performance

The Group's LTIFR continued to improve in 2014 but we missed our 50 per cent year-on-year reduction target with an LTIFR of 0.53 in 2014 compared with 0.61 in 2013 (a 13 per cent reduction). The principal reason for missing the target was the behaviour of individuals.

The major drivers of these improvements have been:

- extensive use of near miss analysis to identify areas of concern and proactively manage them;
- revising and clearly defining the standards of behaviour expected from all employees; and
- increasing employees' accountability for behaviours and standards.

We have continued our success in near miss reporting with an increase of some 35 per cent in the number of near miss cards raised compared to 2013.

Key initiatives in 2014

- Launch of our Stop & Think campaign. Every employee has pledged that they will:
  - stop and think before commencing any task, identify any potential hazards and try to eliminate or reduce the risks involved;
  - be responsible for their own safety and that of others, including colleagues, contractors and visitors;
  - report incidents and near misses immediately;
  - take action to prevent any unsafe act or condition becoming an injury incident; and
  - always behave appropriately in the workplace.
- Continuation of our Visible Felt Leadership ("VFL") and Behavioural Safety programme to engage employees in dialogue about safer working. During 2014 there was a 38 per cent increase in VFL visits to sites throughout the Group compared to the previous year; and
- promotion of Breedon Basics, a series of non-negotiable safety rules with which every employee in the Group has signed up to.

Introducing the Breedon Safety Parrot

To raise awareness of the importance of everyone in our business taking personal responsibility for their own and others' safety, last year we launched our high-profile '*Stop & Think!*' campaign. The centrepiece of the campaign is the Breedon Safety Parrot – chosen because it's repetitive and a bit of a nag, which is exactly how we want our approach to health and safety to be. We want everyone in our business to constantly remind themselves and their colleagues to keep safe. Every employee has signed up to a set of five safety commitments, which they carry with them at all times and are expected to live by every day.

MY SAFETY COMMITMENTS

As an employee of Breedon Aggregates, I will:

STOP & THINK before commencing my task, identify any potential hazards and try to eliminate or reduce the risks involved

BE RESPONSIBLE for my own safety and do my best to ensure that my colleagues, contractors and visitors are safe too

REPORT INCIDENTS AND NEAR MISSES immediately and share any information that will help prevent them becoming tomorrow's accidents

TAKE ACTION to prevent any unsafe act or condition that I see – "What I walk past is what I accept"

ALWAYS behave appropriately in the workplace

2015 focus areas

- We are focusing health and safety improvements on continuing to change the culture and behaviour of individuals;
- we will complete the roll out of a new health and safety database to improve the recording of safety-related site data and enable more rigorous implementation of corrective actions; and
- we will further implement safety leadership and root cause analysis to create a long-term strategy against which progress can be measured as more businesses are integrated within Breedon.

ENVIRONMENTAL

1 2 3 4 5

Continuous improvement in our environmental performance is critical to ensuring that our activities comply fully with environmental standards and legislation.

Achieving high standards

- In 2013, all Breedon sites had achieved the environmental standard BS EN ISO 14001 accreditation and we are working to ensure the acquisitions made during 2014 achieve this standard at the earliest opportunity; and
- Breedon England's concrete and mortar operations have achieved BES 6001 sustainability accreditation and inspections started early in 2015 to secure the same accreditation for its other products. It is our aim that, during 2015, Breedon England's operations will have achieved accreditation to Issue 3 of the BES 6001 Framework that was published in May 2014 and brings additional requirements, particularly in Energy Management, Ecotoxicity and Business Ethics.

Carbon and energy reduction

- Effective Carbon Management Policy in place
- existing Carbon Management Plan to be revised to become a wider-ranging Energy Management Plan that will include water usage monitoring and reduction;
- carbon emissions reduced in 2014 by 4.5 per cent;
- target set for a further 10% reduction in emissions between 2013 and 2016;
- almost all asphalt plants now converted to waste oil burning;
- further storage sheds built, reducing energy needed for materials drying;
- promotion of energy usage measurement KPIs to identify opportunities for further improvements.

Energy Savings Opportunity Scheme

This EU Directive mandates large companies to undertake comprehensive assessments of energy use and energy efficiency opportunities at least once every four years. By 5 December 2015 we will;

- audit our energy usage;
- identify significant areas of energy consumption;
- identify cost-effective energy efficiency recommendations; and
- report compliance to the Environment Agency.

Recycling

- With feed systems installed, we use up to 20 per cent of RAP (Reclaimed Asphalt Pavement), depending on availability, in base and binder course materials;
- we are increasing the number of sites with dedicated storage areas so we can further increase our use of RAP;
- asphalt planings from contracting sites are recycled into type 1 sub-base; and
- incinerator bottom ash is recycled as aggregate.

Wildlife

We have continued our commitment to encouraging biodiversity in and around our sites. During 2014 we have:

- partnered with North Wales Wildlife Trust (NWWT) to help conserve 24 hectares of woodland next to our Fron Haul Quarry at Nannerch, near Mold in Flintshire; and
- worked with Kemnay Community Council in Aberdeenshire to provide access to a wildlife site at the former Kemnay Quarry.

Protecting ancient woodland

In partnership with the North Wales Wildlife Trust, we have helped to conserve 24 hectares of ancient woodland next to our Fron Haul quarry at Nannerch, near Mold in Flintshire. This is the first step in an ambitious programme of woodland management within the NWWT's Alun and Chwiler Living Landscape Area, a landscape-scale scheme in which conservation work is undertaken in partnership with other organisations and private landowners.

EMPLOYEE ENGAGEMENT

Our employees are encouraged to continually suggest ways in which we can improve the safety and efficiency of our business.

Best of Breedon

One of our most successful initiatives has been our Best of Breedon scheme, which encourages our employees to put forward their ideas. Since the scheme was launched in 2010 we have received more than 380 suggestions, the majority of which have been of great practical value to the Group. The most outstanding suggestions have received Best of Breedon awards and prizes and their suggestions have been 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.

During 2014, winning Best of Breedon scheme suggestions included:

- further installation of dust suppression technology at quarries to increase visibility and safety during truck loading operations;
- the wearing of flashing LEDs by those working at night or in bad weather conditions;
- increased efforts to segregate work areas at multi-function sites; and
- an ingenious method of reducing vibrations in drying drums.

More ideas and innovation

Submissions in 2014 to the Mineral Product Association's Health and Safety Awards scheme that have been developed by our employees included:

- a simple and effective platform to improve safety when changing primary crusher jaws;
- a conveyor belt snow plough costing just £77 for parts and labour; and
- improvements to the safety of chipping machine operation.

GoodQuarry scheme

Our Breedon GoodQuarry scheme, launched in 2011, continues to raise operational standards across the Group, identifying best practice and highlighting underperforming units. During 2014, a further three of our business units matched the exacting standards of the scheme, joining the 16 units that had already achieved the status. Improvement plans have been put in place for others in preparation for future audits.

GoodContracting scheme

Following the success of our Breedon GoodQuarry scheme we developed a Breedon GoodContracting scheme to help ensure excellence across all of our surfacing operations. The new scheme was trailed in Scotland with 11 audits taking place in 2014. When re-audited in 2015, those surfacing operations showing clear improvement and excellent standards will be awarded the GoodContracting Standard. The scheme will also be rolled out in England during 2015.

Communication

All of our employees are kept up-to-date through our internal newsletters.

- *From the Rock Face*
  - business performance news;
  - major developments such as acquisitions and new planning consents;
  - significant HSE initiatives; and
  - charitable and sporting activities of colleagues.
- *The Pit Stop*
  - vehicle and pedestrian safety;
  - vehicle legislation; and
  - advice and tips for bad weather driving.

Best of Breedon in action

Two employees from Ethiebeaton quarry won a Best of Breedon award for their innovative solution to the problem of vibration damage to the running ring of a drying drum. They designed a frame to hold grinding stones against the running ring, which smooths out indentations in the ring as the dryer turns, so lengthening its life and reducing maintenance. This solution cost just a few hundred pounds, compared to the many thousands of pounds quoted by an external supplier, and has now been implemented across our business.

BEST OF BREEDON AGGREGATES WINNER

EDUCATION AND TRAINING

Our people are the cornerstone on which our business is built and we recognise the importance of investing in their education and training.

Successes in 2014

- A Loading Shovel Driver at our Cloud Hill Quarry, was one of the first four people in the country to gain the new MPQC Operators (Gold Card) qualification. When an operator demonstrates exceptional capability by working to the very high standard of this new qualification, they are operating the machine in a safe way. It also makes for greater efficiency and product yield by using less fuel; and
- we continued towards our goal of ensuring that all our employees gain relevant vocational competency qualifications. By the end of 2014, all our quarry staff had been through competency training and assessment. It is our aim to extend that to all non-quarry staff by the end of 2015.

Apprentices

We recognise the need to foster young talent.

- during 2014 we had nine apprentices in the business, including two at Barr Quarries, acquired by Breedon during the year, which demonstrates this belief in fostering young talent; and
- we have continued to work with the Mineral Products Qualification Council to secure Government funding for industry-wide apprenticeships under the Trailblazer scheme.

COMMUNITY ENGAGEMENT

We recognise the potential that our operations have to impact on the communities in which we operate and we actively seek to engage with them to ensure that we are a good neighbour.

Through our community liaison groups we:

- encourage dialogue between our businesses and the communities in which they operate;
- tackle planning and development issues;
- discuss transport and road usage; and
- consider how we can support communities.

Open doors

We encourage supervised visits to our sites both by adults and schoolchildren.

- at Craigenlow Quarry, visitors were bussed in from Aberdeen in June for the annual open day; and
- 81 children visited Powmyre Quarry where they learned how the quarry operates and why it is important not to enter quarries unsupervised. They also planted bee-friendly wildflower seeds at the quarry entrance.

Making a real and lasting difference

In 2014 we:

- donated 100 tonnes of stone for the construction of a sensory garden at a Nottingham school for pupils with moderate learning difficulties;
- supplied concrete to create a garden for a five-year-old girl suffering from Spinal Muscular Atrophy with Respiratory Distress type 1;
- agreed to continue our successful sponsorship of the Highland League Cup, a high-profile football tournament played across our Scottish heartlands;
- supported other local and regional sporting organisations and events; and
- supplied the concrete plinths for the Wild in Art project, in which Aberdeen hosted life-sized sculptures of dolphins.

Sowing seeds of knowledge at Powmyre quarry

Breedon works with many schools around the country, helping pupils understand how aggregates benefit our economy and the great lengths we go to in protecting our environment. For example, nearly 100 children from Glamis and Eassie primary schools in Angus, Scotland, visited our quarry at Powmyre last year, to see how our gravel is excavated and graded. During their visit they were shown where sand martins are nesting on the site and planted bee-friendly wildflower seeds at the entrance to the quarry.

CORPORATE GOVERNANCE

"Good corporate governance is at the heart of every successful business. It is essential that our stakeholders can be confident in the way that we manage ourselves."

Board committees

The Board is supported by an Audit Committee and a Remuneration Committee whose members have the necessary skills and knowledge to effectively discharge their duties and responsibilities.

REMUNERATION COMMITTEE
Chair
David Williams

AUDIT COMMITTEE
Chair
David Warr

For more information
→ Audit Committee report **p34**
→ Remuneration Committee report **p36**

As an AIM listed company we are not required to comply with the UK Corporate Governance Code and it has not voluntarily elected to do so. The Directors however recognise the value of strong corporate governance and the Company has therefore sought to comply, as far as it is appropriate to do so, with the Corporate Governance Code for Small and Mid-size Quoted Companies published by the Quoted Companies Alliance in 2013 (the "QCA Code"), in respect of the accounting year ended 31 December 2014.

The purpose of this statement is to describe our approach to corporate governance and, in particular, to explain how we have applied the QCA Code.

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. Susie Farnon is the Company's Senior Independent Director.

Biographical details of the Directors are set out on pages 32 and 33.

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 which is available to view on the Group's website, 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 evaluates its performance and considers the tenure and independence of each Director on an annual basis.

In 2014 the Board engaged an independent, external provider to facilitate this evaluation. Each director received a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires were designed to develop both quantitative and qualitative analysis of the strengths and weaknesses of the Board, its committees and its members. Once completed, the responses were analysed by the provider who then prepared a summary of the results which was then considered by the Board. For the evaluation of the Chairman, the results were discussed with the Senior Independent Director who then discussed them with the Chairman prior to further distribution to the remaining Directors.

The evaluation of the performance of the Board and the Chairman concluded that the Board members and the Chairman are contributing to the overall effectiveness of the Board with a focus on accountability, strong governance and effective management of risk in the delivery of our overall strategy. It did not identify any areas of concern.

The Directors explain their responsibilities for preparing the financial statements on page 42 and the Report of the Independent Auditor on page 43 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. David Williams, David Warr and Susie Farnon served on the Remuneration Committee throughout the year. David 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 36 to 38 and are available on the Group's website.

Audit Committee

David Warr and Susie Farnon served on the Audit Committee throughout the year. David Warr is chairman of the Committee. Written terms of reference have been agreed for the Audit Committee and these are available on the Group's website, and further details of the activities of the Committee are given in the Audit Committee Report on pages 34 and 35.

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.

Meeting attendance

The Board met formally 6 times during the year and the attendance of the Directors, who held office at 31 December 2014, at each meeting together with attendance at committee meetings, is set out in the table below. This table shows only those meetings which each director attended as a member rather than as an invitee.

Risk Management Process and Internal Control

Risk management processes are embedded throughout the organisation and assist management in identifying and understanding the risks they face in delivering business objectives and the key controls they have in place to manage those risks.

	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	–	–	–	–
Rob Wood	5	5	–	–	–	–
Susie Farnon	5	6	3	3	4	4
David Warr	6	6	3	3	3	4
David Williams	6	6	–	–	4	4

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.

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.

David Williams and David Warr, as chairmen of the Remuneration and Audit Committees respectively, and Susie Farnon, as Senior Independent Director, 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 Board is responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. The Audit Committee reviews the suitability and effectiveness of risk management processes and controls on behalf of the Board.

The Group Finance Director provides a twice-yearly update to the Board on the key risks and controls within the Group, highlighting the roles and responsibilities of key management in managing those risks.

The Board has 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. It has concluded that the Group maintains sound risk management and internal control systems throughout the year. However, such systems are 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.

Peter Tom CBE
Executive Chairman
3 March 2015

DIRECTORS

Our board comprises an executive leadership team with extensive experience of the international aggregates industry, supported by experienced non-executives who bring strong governance disciplines and a valuable external perspective to our business.

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 served as non-executive Chairman of Aggregate Industries until his resignation in December 2007. He has been Executive Chairman of Breedon Aggregates Limited since its formation in 2010 through the reverse acquisition of Breedon Holdings by Marwyn Materials, the AIM-listed company he co-founded with Simon Vivian in 2008 to consolidate the smaller end of the heavyside building materials industry. Peter has been Chairman of Leicester Rugby Football Club (Leicester Tigers) since 1997. He is also Chairman of Jacksons (CI) Ltd.

Simon Vivian
Group Chief Executive

Simon has over 25 years' experience in the aggregates and construction industries. He worked in a number of roles with Hanson PLC between 1987 and 2003, ultimately as a main board director and Chief Executive of the European Building Materials business. He oversaw operations in eight European countries, employing over 8,000 people with revenues of over £1.5 billion. Whilst with Hanson, he executed and integrated a number of acquisitions including the £1.6 billion purchase of Pioneer International and had global responsibility for Safety and Environmental matters.

From 2004 to 2006 Simon was Chief Executive of Mowlem PLC, where he led an organisation with over 25,000 employees, generating revenues of £2.2 billion from operations in the UK, USA and Australia. Following the agreed sale of Mowlem to Carillion PLC in 2006 he spent some time working with private equity group CVC Partners looking at opportunities in the sector.

He has been Group Chief Executive of Breedon Aggregates Limited since its formation in 2010 through the reverse acquisition of Breedon Holdings by Marwyn Materials, the AIM-listed company he co-founded with Peter Tom in 2008.

Rob Wood
Group Finance Director

Rob has over 10 years' experience in the international building materials industry. Rob qualified as a Chartered Accountant with Ernst & Young and subsequently joined Hanson PLC where he held a number of senior positions including Finance Director Brick continental Europe, Finance Director Building Products UK and Chief Financial Officer Australia & Asia Pacific. Following the acquisition of Hanson PLC by HeidelbergCement AG Rob returned to the UK and joined Drax Group plc as Group Financial Controller. During his time at Drax Group plc he also spent a period of time as Head of M&A.

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. David founded Marwyn, a business bringing talented management teams to AIM. During his 10 years as Chairman of Marwyn, more than £1 billion was raised for its investee companies. One of them, Marwyn Materials, went on to become Breedon Aggregates.

David Warr ① ②
Non-executive Director

David is a Chartered Accountant and a Fellow of the Institute of Charted Accountants in England and Wales. He became a partner of Reads & Co, a Guernsey based practice of Chartered Accountants in 1981 and helped develop it into a broadly based financial services business which was sold in 1999. David currently holds a number of non-executive directorships including Threadneedle UK Select Trust Limited, Schroders Real Estate Investment Trust Limited, Acorn Income Fund Limited, Mid Europa Fund Management Limited and The Guernsey Community Foundation LBG.

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 is a former Commissioner of the Guernsey Financial Services Commission. She is a non-executive director of a number of listed and unlisted companies. Susie was appointed to the Board of Breedon Aggregates Limited in 2010 and became the Senior Independent Director in January 2012.

Key

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

AUDIT COMMITTEE REPORT

David Warr
Non-Executive Director, Chair of the Audit Committee

"The Audit Committee operated effectively and efficiently during the year and maintained a regular dialogue with the external auditor in respect of key accounting issues and internal financial controls."

The role of the Audit Committee is broadly to monitor the integrity of the Group's Financial statements and to be assured that the principles and policies adopted in those Financial statements comply with statutory requirements and with best practice.

The Audit Committee reviews the effectiveness of the internal financial controls, the internal control and risk management systems and the compliance environment operating within the Group.

The Audit Committee make recommendations to the Board in respect of the appointment of the external auditor, reviews and monitors its independence and objectivity and approves their remuneration. The Audit Committee consults with the external auditors on the scope of their work and reviews all major points arising from the audit

The Audit Committee was chaired by David Warr throughout the year and comprised David Warr and Susie Farnon. Both members of the Audit Committee have relevant and recent financial experience at a senior level. The Audit Committee met three times formally in 2014.

The principal activities of the Audit Committee in respect of the year ended 31 December 2014, and the manner in which it discharged its responsibilities, were as follows:

Financial statements

The Audit Committee reviewed and agreed the external auditor's strategy and approach in advance of its audit for the year ended 31 December 2014, reviewed the reports from the external auditor on the outcome of its audits and reviewed the 2014 preliminary results announcement and the 2014 Annual Report.

The Audit Committee also reviewed the 2014 interim results announcement and the 2014 Interim Report.

Significant accounting matters

During the year, the Audit Committee considered key accounting issues, judgements and disclosures in relation to the Group's Financial statements relating to:

- *Fair value accounting on acquisition of businesses:* The Audit Committee considered the accounting treatment, the fair values assigned to and the resultant goodwill arising in respect of the acquisition of Huntsman's Quarries Limited and Barr Quarries Limited as more fully set out in note 26 to the financial statements and concluded that they were appropriate.
- *Valuation of mineral reserves and resources:* The Audit Committee considered the valuation of mineral reserves and resources in its review of the financial statements and noted that there were no material issues identified in the report it received from the external auditor.
- *Impairment of goodwill:* The Audit Committee received communications from management and the external auditor and reviewed the disclosure in note 9 to the financial statements and agreed that no impairment of goodwill was necessary.
- *Going concern:* The Audit Committee critically reviewed the report from management prepared to support the going concern assumption and, taking into account the external auditors review of this report, concluded that the managements recommendation to prepare the accounts on a going concern basis was appropriate.

The Audit Committee also received communications from management and from the external auditor on a number of other accounting matters including the adequacy of restoration provisions, the accounting treatment in respect of share based payments and deferred taxation.

External Auditor

The external auditor, KPMG Channel Islands Limited, attends meetings of the Audit Committee. The Audit Committee has the opportunity to meet with the external auditor without the Executive Directors being present to provide a forum to raise any matters of concern in confidence.

The Audit Committee discusses and agrees the scope of the audit plan for the full year with the auditor. The external auditor reports at each Audit Committee meeting on the control environment in the Group, key accounting matters and mandatory communications.

The Audit Committee also receives a report from the external auditor setting out to its satisfaction how its independence and objectivity is safeguarded when providing non-audit services. During the year, the value of non-audit services provided by KPMG amounted to £299,000 (2013: £156,000) principally in respect of tax compliance and advisory services, pension advisory services and transaction related services. During the year there were no circumstances where KPMG was engaged to provide services which might have led to a conflict of interest.

KPMG have acted as auditor to the Group since its formation in 2008 and the lead audit partner rotates every five years to assure independence. The current lead audit partner's five year term will end after the audit of the Financial statements for the year ending 31 December 2015. The Audit Committee notes the new requirement of the revised Corporate Governance Code, although not mandatory for AIM listed companies, that the external audit contract be put out to tender at least every ten years. The Audit Committee continues to be satisfied with the work of KPMG and that they continue to remain objective and independent. The Audit Committee has therefore recommended to the Board that a resolution be put to the shareholders for the re-appointment of the auditor at the Annual General Meeting of the Company.

Internal Audit

The Group does not have an internal audit function. The Audit Committee presently consider this is appropriate given the size of the Group and the close involvement of the 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 by the Audit Committee on behalf of the Board.

David Warr
Chairman, Audit Committee
3 March 2015

DIRECTORS' REMUNERATION REPORT

David Williams
Non-Executive Director, Chair of the Remuneration Committee

The responsibility for establishing the Group's 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 Committee met 4 times formally in 2014.

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.

A review of executive remuneration was carried out in 2013 and, in light of the outcome of that review, the approach that we have adopted since 2014 is set out in the table below.

The Group's non-executive directors do not participate in any incentive scheme, share scheme or pension arrangement other than as set out below. 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.

David Williams, by reason of his previous role at Marwyn Management Partners LP, is a holder of 1,073 Marwyn Participation Shares as more fully described in note 19 to the financial statements.

Elements	Purpose & Link to Strategy	Operation	Maximum Opportunity	Performance Conditions
Basic salary	To provide a competitive base salary reflective of the particular skills and experience of an individual.	Reviewed annually or on a significant change of responsibilities. Salaries are determined by reference to the skills and personal performance of the individual. The Remuneration Committee also takes into account external market data and pay and employment conditions elsewhere in the Group when considering increases to base salary levels.	Following a review of remuneration in 2013, the Committee determined the following salaries/fees for Executive Directors with effect from 1 January 2014: • £319,000 for the Executive Chairman • £440,000 for the Group Chief Executive • £220,000 for the Group Finance Director	None
Annual cash bonus	To incentivise the delivery of annual financial, strategic and safety objectives.	Executive Directors may participate in the annual bonus scheme. Performance measures and targets are set by the Remuneration Committee at the start of the financial year and, based on performance, bonuses are paid in cash shortly after the determination of the annual results.	For Executive Directors, the maximum opportunity is 125% of salary. This level of incentive opportunity reflects the Committee's desire to retain a high proportion of remuneration on variable pay and to reflect the fact that no long term incentives can vest until the next PSP award vests in 2017 as we move to a rolling programme of long term incentive grants. Bonuses are not pensionable.	Performance is based on a sliding scale of demanding EBITDA targets. A moderator may also be applied to increase or decrease the outturn dependent on average capital employed performance against targets subject to the 125% of salary limit. In addition, the bonus may also be reduced or eliminated if safety performance or accident records reach unacceptable levels.

Elements	Purpose & Link to Strategy	Operation	Maximum Opportunity	Performance Conditions
Performance Share Plans ('PSP')	To drive superior performance of the Group, delivery of the Group's long-term objectives, aid retention and to align Directors' interests with those of the Company's shareholders.	Annual share based awards with a three year performance period.	From 2014, in line with best and market practice, it is intended that rolling annual awards will be made. The maximum award limit in any financial year under the scheme rules is 250% of base salary. In 2014 awards with a face value of 100% of salary were made to Executive Directors and it is expected that a similar level of awards will be made in 2015. Certain other members of the Group's senior executive management team also participate in the PSP. Further details of the awards made under the PSP are set out in note 19 to the financial statements.	The 2014 awards are subject to underlying EPS targets over the three year period ending 31 December 2016. It is expected that the 2015 awards will be subject to similar targets measured over the three year period ending 31 December 2017.
Pension	To aid recruitment and retention by allowing the Directors to make provision for long-term retirement benefits comparable with similar roles in similar companies.	A salary supplement equivalent to the contribution that would otherwise be made to a defined contribution pension plan.	The Group Chief Executive and the Group Finance Director receive a salary supplement of 17.5% of their base salary in lieu of a pension contribution. The Executive Chairman does not receive a contribution towards his pension.	None
Other benefits	To provide market competitive cost-effective benefits.	Other benefits may include private medical insurance, a company car allowance and the reimbursement of certain travel costs.	Based on costs determined by third party providers	None

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 £30,000 per annum and are entitled to be reimbursed all reasonable expenses, properly incurred in the course of performing their duties. In addition, Susie Farnon receives £5,000 per annum in recognition of her additional responsibilities as Senior Independent Director, David Warr receives £5,000 per annum in recognition of his responsibilities as Chairman of the Audit Committee and David Williams receives £5,000 per annum in recognition of his responsibilities as Chairman of the Remuneration Committee. 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 Executive 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

DIRECTORS' REMUNERATION REPORT CONTINUED

Mr Tom. 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 Channel Islands 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. 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.

Rob Wood

On 27 February 2014, the Company entered into a service agreement with Rob Wood 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 Wood. Mr Wood 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 Wood. 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 Code 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 2014 was as shown in the table below.

David Williams
Chairman, Remuneration Committee
3 March 2015

2014	Salary	Bonus (Note 1)	Fees (Note 2)	Benefits (Note 3)	Total
Peter Tom CBE	**–**	**–**	**717,750**	**–**	**717,750**
Simon Vivian	**534,111**	**550,000**	**–**	**4,221**	**1,088,332**
Ian Peters	**86,043**	**–**	**–**	**938**	**86,981**
Rob Wood	**224,859**	**275,000**	**–**	**3,750**	**503,609**
Susie Farnon	**–**	**–**	**32,500**	**–**	**32,500**
David Warr	**–**	**–**	**32,500**	**–**	**32,500**
David Williams	**–**	**–**	**30,000**	**–**	**30,000**
	845,013	**825,000**	**812,750**	**8,909**	**2,491,672**

2013	Salary	Bonus (Note 1)	Fees (Note 2)	Benefits (Note 3)	Total
Peter Tom CBE	–	–	585,400	–	585,400
Simon Vivian	486,759	494,000	–	3,667	984,426
Ian Peters	243,364	225,575	–	4,143	473,082
Rob Wood	–	–	–	–	–
Susie Farnon	–	–	30,000	–	30,000
David Warr	–	–	27,917	–	27,917
David Williams	–	–	25,000	–	25,000
	730,123	719,575	668,317	7,810	2,125,825

Notes
1. The bonuses paid and payable to Messrs Vivian, Wood 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 £319,000 (2013: £290,000) in respect of services provided by Rise Rocks Limited, a company in which Mr Tom has a beneficial interest, and the sum of £398,750 (2013: £295,400) 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 Messrs Vivian, Wood and Peters comprise the provision of private medical insurance and the reimbursement of certain travel costs.

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements, for the year ended 31 December 2014.

Principal Activity & 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 and Chief Executive's Review and the Operational Reviews on pages 12 to 19.

Risk Management

The Board is responsible for the Group's system of risk management and continues to develop policies and procedures that reflect the nature and scale of the Group's business. Further details of the key areas of risk to the business identified by the Group are included on pages 20 and 21. Details of the Group's operational key performance indicators are shown on page 11.

Results & Dividends

For the year to 31 December 2014, the Group's profit before tax was £21.4 million (2013: £11.0 million) and after tax was a profit of £17.2 million (2013: £9.4 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 18 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 (Resigned 10 March 2014)
Rob Wood	Group Finance Director (Appointed 3 March 2014)
Susie Farnon	Independent Non-executive Director
David Warr	Independent Non-executive Director
David Williams	Non-executive Director

Biographical details of the Directors can be found on pages 32 and 33 and details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 36 to 38.

Directors' Interests

The Directors in office at 31 December 2014 had interests in the issued share capital of the Company as shown in the table below.

	Ordinary Shares	
	31 December 2014	31 December 2013*
Peter Tom CBE (and family)	**48,291,867**	47,741,867
Simon Vivian	**16,509,371**	16,259,371
Rob Wood	**100,000**	–
Susie Farnon	**1,914,365**	1,714,365
David Warr	**5,555,556**	5,055,556
David Williams	**15,479,342**	13,712,133

* or date of appointment if later

DIRECTORS' REPORT CONTINUED

In addition, the following Directors had an interest in the shares set against their names in the table below in accordance with the rules of the Group's share based incentive schemes:

	Non-employee Performance Share Plan		Performance Share Plan		Savings Related Share Option Scheme	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013	**31 December 2014**	31 December 2013
Peter Tom CBE	**701,098**	–	**–**	–	–	–
Simon Vivian	**–**	–	**967,033**	–	–	–
Rob Wood	**–**	–	**483,516**	–	**79,365**	–

The savings related share options held by Mr Wood are exercisable at a price of 37.8p and are normally exercisable between 1 June 2019 and 30 November 2019.

Further details of the above schemes are set out in note 19 to the Financial Statements.

All the interests are beneficial, unless indicated otherwise. Except as disclosed in note 19 to the financial statements, 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 2015 and 3 March 2015.

Substantial Shareholdings

The Company is aware that, as at 18 February 2015, other than the Directors, the interests of shareholders holding 3% or more of the issued share capital of the Company was as shown in the table below.

	Ordinary Shares	
Beneficial Holder	**Number**	%
Invesco Asset Management	**280,477,992**	27.06
Woodford Investment Management	**137,922,139**	13.31
AXA Framlington	**102,901,667**	9.93
Threadneedle Asset Management	**82,538,874**	7.96
Ravenscroft Limited	**69,598,550**	6.71
Lansdowne Partners	**35,833,333**	3.46

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.

Political Contributions

The Group did not make any contributions to political parties during either the current or the previous year.

Annual General Meeting

Shareholders are being asked at the forthcoming Annual General Meeting to grant the Directors authority to allot up to 350,000,000 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 107,187,500 ordinary shares, which is approximately 10% 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 2016 or within 12 months from the date of approval of the authority, whichever shall be the earlier.

Going Concern

The Group meets its day-to-day working capital and other funding requirements through its banking facility, which includes an overdraft facility, which expires in July 2018. Further details of the Group's bank facilities are given on page 24.

The Group actively manages its financial risks as set out in note 20 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
3 March 2015

Simon Vivian
Group Chief Executive

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

We have audited the consolidated financial statements (the "Financial Statements") of Breedon Aggregates Limited (the "Group") for the year ended 31 December 2014 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 42, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 parent 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
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants
St Helier, Jersey
3 March 2015

Notes:

- The maintenance and integrity of the Breedon Aggregates website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2014

	Note	2014 Underlying £000	2014 Non-underlying* (note 3) £000	2014 Total £000	2013 Underlying £000	2013 Non-underlying* (note 3) £000	2013 Total £000
Revenue	1,2	**269,657**	**–**	**269,657**	224,546	–	224,546
Cost of sales		**(189,098)**	**–**	**(189,098)**	(163,808)	–	(163,808)
Gross profit		**80,559**	**–**	**80,559**	60,738	–	60,738
Distribution expenses		**(35,584)**	**–**	**(35,584)**	(30,234)	–	(30,234)
Administrative expenses		**(21,827)**	**347**	**(21,480)**	(15,883)	(1,386)	(17,269)
Group operating profit	2	**23,148**	**347**	**23,495**	14,621	(1,386)	13,235
Share of profit of associate and joint venture (net of tax)	11	**1,147**	**–**	**1,147**	1,383	–	1,383
Profit from operations		**24,295**	**347**	**24,642**	16,004	(1,386)	14,618
Financial income	6	**39**	**–**	**39**	43	–	43
Financial expense	6	**(3,319)**	**–**	**(3,319)**	(3,649)	–	(3,649)
Profit before taxation		**21,015**	**347**	**21,362**	12,398	(1,386)	11,012
Taxation	7	**(4,312)**	**100**	**(4,212)**	(2,705)	1,083	(1,622)
Profit for the year		**16,703**	**447**	**17,150**	9,693	(303)	9,390
Attributable to:							
Equity holders of the parent		**16,622**	**447**	**17,069**	9,651	(303)	9,348
Non-controlling interests		**81**	**–**	**81**	42	–	42
Profit for the year		**16,703**	**447**	**17,150**	9,693	(303)	9,390
Basic earnings per ordinary share	24	**1.64p**		**1.68p**	1.12p		1.08p
Diluted earnings per ordinary share	24	**1.52p**		**1.56p**	1.02p		0.99p

* Non-underlying items represent acquisition related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Profit for the year		**17,150**	9,390
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Effective portion of changes in fair value of cash flow hedges		**135**	(1)
Taxation on items taken directly to other comprehensive income	7	**(14)**	–
Other comprehensive income for the year		**121**	(1)
Total comprehensive income for the year		**17,271**	9,389
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		**17,190**	9,347
Non-controlling interests		**81**	42
		17,271	9,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	2014 £000	2013 £000
Non-current assets			
Property, plant and equipment	8	**207,604**	183,542
Intangible assets	9	**22,583**	15,076
Trade and other receivables	14	**2,750**	–
Investment in associate and joint venture	11	**4,825**	1,332
Total non-current assets		**237,762**	199,950
Current assets			
Inventories	13	**13,027**	11,231
Trade and other receivables	14	**62,907**	49,233
Cash and cash equivalents		**15,785**	17,450
Total current assets		**91,719**	77,914
Total assets		**329,481**	277,864
Current liabilities			
Interest-bearing loans and borrowings	15	**(5,317)**	(4,330)
Trade and other payables	16	**(59,066)**	(43,400)
Current tax payable		**(2,636)**	(215)
Provisions	17	**(210)**	(103)
Total current liabilities		**(67,229)**	(48,048)
Non-current liabilities			
Interest-bearing loans and borrowings	15	**(76,814)**	(67,534)
Provisions	17	**(11,050)**	(9,316)
Deferred tax liabilities	12	**(7,216)**	(3,973)
Total non-current liabilities		**(95,080)**	(80,823)
Total liabilities		**(162,309)**	(128,871)
Net assets		**167,172**	148,993
Equity attributable to equity holders of the parent			
Stated capital	18	**139,139**	138,005
Cash flow hedging reserve	18	**(51)**	(172)
Capital reserve	18	**1,516**	1,516
Retained earnings		**26,406**	9,513
Total equity attributable to equity holders of the parent		**167,010**	148,862
Non-controlling interests		**162**	131
Total equity		**167,172**	148,993

These financial statements were approved by the Board of Directors on 3 March 2015 and were signed on its behalf by:

Simon Vivian
Group Chief Executive

Rob Wood
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2013	77,586	(171)	1,945	(150)	79,210	139	79,349
Shares issued	62,699	–	(429)	(63)	62,207	–	62,207
Expenses of share issue	(2,280)	–	–	–	(2,280)	–	(2,280)
Dividend to non-controlling interests	–	–	–	–	–	(50)	(50)
Total comprehensive income for the year	–	(1)	–	9,348	9,347	42	9,389
Credit to equity of share based payments	–	–	–	378	378	–	378
Balance at 31 December 2013	138,005	(172)	1,516	9,513	148,862	131	148,993
Shares issued	1,134	–	–	(803)	331	–	331
Expenses of share issue	–	–	–	–	–	–	–
Dividend to non-controlling interests	–	–	–	–	–	(50)	(50)
Total comprehensive income for the year	–	121	–	17,069	17,190	81	17,271
Credit to equity of share based payments	–	–	–	627	627	–	627
Balance at 31 December 2014	**139,139**	**(51)**	**1,516**	**26,406**	**167,010**	**162**	**167,172**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities			
Profit for the year		**17,150**	9,390
Adjustments for:			
Depreciation and amortisation		**15,395**	13,679
Financial income		**(39)**	(43)
Financial expense		**3,319**	3,649
Share of profit of associate and joint venture (net of tax)		**(1,147)**	(1,383)
Net gain on sale of property, plant and equipment		**(2,779)**	(1,647)
Equity settled share based payment expenses		**627**	378
Taxation		**4,212**	1,622
Operating cash flow before changes in working capital and provisions		**36,738**	25,645
Increase in trade and other receivables		**(4,708)**	(12,478)
Decrease in inventories		**71**	309
Increase in trade and other payables		**9,031**	12,479
Decrease in provisions		**(537)**	(1,020)
Cash generated from operating activities		**40,595**	24,935
Interest paid		**(1,688)**	(2,476)
Interest element of finance lease payments		**(694)**	(939)
Dividend paid to non-controlling interest	10	**(50)**	(50)
Income taxes paid		**(1,171)**	–
Net cash from operating activities		**36,992**	21,470
Cash flows used in investing activities			
Acquisition of businesses	26	**(33,429)**	(53,990)
Purchase of interest in joint venture		**(3,471)**	–
Purchase of property, plant and equipment		**(11,851)**	(12,542)
Proceeds from sale of property, plant and equipment		**6,027**	4,644
Interest received		**39**	43
Dividend from associate	11	**1,125**	938
Net cash used in investing activities		**(41,560)**	(60,907)
Cash flows from financing activities			
Proceeds from the issue of shares (net)	18	**331**	59,927
Proceeds from new loans raised		**79,675**	–
Repayment of loans		**(71,024)**	(3,089)
Repayment of finance lease obligations		**(6,079)**	(4,999)
Net cash from financing activities		**2,903**	51,839
Net (decrease)/increase in cash and cash equivalents		**(1,665)**	12,402
Cash and cash equivalents at 1 January		**17,450**	5,048
Cash and cash equivalents at 31 December		**15,785**	17,450
Cash and cash equivalents		**15,785**	17,450
Bank overdraft	15	**–**	–
Cash and cash equivalents at 31 December		**15,785**	17,450

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 3 March 2015.

These financial statements consolidate the results of the Company and its subsidiary undertakings and equity account for the Group's interest in its associate and its joint venture (collectively "the Group").

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 41.

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 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 Article 105 (11) of Companies (Jersey) Law 1991.

New IFRS standards and interpretations adopted during 2014

In 2014, the following standards and amendments have been endorsed by the EU, became effective and therefore were adopted by the Group:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 28 – Investments in Associates and Joint Ventures
- Amendments to IAS 36 – Impairment of Assets
- Amendments to IFRS 2 – Share Based Payments
- Amendments to IFRS 3 – Business Combinations

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, other then certain additional disclosures.

New IFRS standards and interpretations not adopted

The IASB and IFRIC have issued additional standards and amendments which are effective for periods starting after the date of these financial statements. The following standards and amendments have not yet been adopted by the Group:

Effective date 1 February 2015

- Amendments to IFRS 2 – Share Based Payments
- Amendments to IFRS 3 – Business Combinations
- Amendments to IFRS 8 – Operating Segments
- Amendments to IFRS 13 – Fair Value Measurement
- Amendments to IAS 16 – Property, Plant and Equipment
- Amendments to IAS 38 – Intangible Assets
- Amendments to IAS 24 – Related Party Disclosures

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

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

Basis of consolidation

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to effect those returns through its power over the investee. 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 per cent 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.

Associates are those entities in which the Group holds more than 20 per cent of the shares and voting rights and has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, requiring unanimous consent for strategic financial and operating decisions. The Group financial information includes the Group's share of the total comprehensive income of associate and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate or joint venture, 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 associate or joint venture.

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.

Cash flow hedges continued
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.

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 – 30 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 twenty years.

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

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.

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 initial cost of creating a provision on commencement of the exploitation of the raw materials 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 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 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.

Other provisions
A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation in respect of dilapidations, environmental and planning requirements and onerous leases 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 for the supply of contracting 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.

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 includes 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.

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

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 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.

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" views 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 16 to 19. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, related products and services.

	2014		2013	
Income statement	**Revenue £000**	**EBITDA* £000**	Revenue £000	EBITDA* £000
England	**144,949**	**23,714**	114,886	15,760
Scotland	**124,708**	**19,213**	109,660	15,868
Central administration and Group properties	**–**	**(4,422)**	–	(3,361)
Group	**269,657**	**38,505**	224,546	28,267

*EBITDA represents underlying EBITDA before share of profit from associate and joint venture.

	2014	2013
Reconciliation to reported profit		
Group profit as above	**38,505**	28,267
Depreciation	**(15,357)**	(13,646)
Underlying operating profit		
England	**16,022**	8,969
Scotland	**11,552**	9,013
Central administration and Group properties	**(4,426)**	(3,361)
	23,148	14,621
Non-underlying items (note 3)	**347**	(1,386)
Group operating profit	**23,495**	13,235
Share of profit of associate and joint venture	**1,147**	1,383
Net financial expense	**(3,280)**	(3,606)
Profit before taxation	**21,362**	11,012
Taxation	**(4,212)**	(1,622)
Profit for the year	**17,150**	9,390

2 Segmental analysis continued

Statement of financial position	2014 Total assets £000	2014 Total liabilities £000	2013 Total assets £000	2013 Total liabilities £000
England	**154,183**	**(32,964)**	124,482	(24,150)
Scotland	**153,889**	**(31,144)**	127,850	(23,322)
Central administration and Group properties	**5,624**	**(6,218)**	7,777	(5,347)
Total operations	**313,696**	**(70,326)**	260,109	(52,819)
Current tax	**–**	**(2,636)**	305	(215)
Deferred tax	**–**	**(7,216)**	–	(3,973)
Net debt	**15,785**	**(82,131)**	17,450	(71,864)
Total Group	**329,481**	**(162,309)**	277,864	(128,871)
Net assets		**167,172**		148,993

England total assets include £3,483,000 (2013: £Nil) and Scotland total assets include £1,342,000 (2013: £1,332,000) in respect of investments in a joint venture and an associate respectively.

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
2014				
England	**2,663**	**5,029**	**2**	**9,026**
Scotland	**998**	**6,663**	**36**	**7,006**
Central administration and Group properties	**–**	**4**	**–**	**40**
Total	**3,661**	**11,696**	**38**	**16,072**
2013				
England	2,375	4,416	2	5,865
Scotland	891	5,964	31	7,423
Central administration and Group properties	–	–	–	–
Total	3,266	10,380	33	13,288

Additions to property, plant and equipment exclude additions in respect of business combinations (note 26).

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 business. Non-underlying items also include property items, the amortisation of acquisition intangible assets and related tax items.

	2014 £000	2013 £000
Included in administrative expenses:		
Redundancy costs	**(455)**	(275)
Acquisition costs	**(1,271)**	(1,251)
Competition authority referral	**–**	(1,148)
Gain on property disposals	**2,085**	524
Net refinancing costs	**26**	–
Release of provision for environmental and planning	**–**	797
Amortisation of other intangible assets	**(38)**	(33)
Total non-underlying items (pre-tax)	**347**	(1,386)
Non-underlying taxation	**100**	1,083
Total non-underlying items (after tax)	**447**	(303)

The 2014 and 2013 credit in respect of non-underlying taxation principally comprises adjustments in respect of the agreement of prior year items.

4 Expenses and auditor's remuneration

	2014 £000	2013 £000
Group operating profit has been arrived at after charging/(crediting)		
Depreciation of property, plant and equipment:		
Owned assets	**13,003**	11,056
Assets held under finance lease	**2,354**	2,590
Amortisation of other intangible assets	**38**	33
Gain on sale of property	**(2,085)**	(524)
Gain on sale of plant and equipment	**(694)**	(1,123)
Operating lease rentals:		
Plant, equipment and vehicles	**2,012**	1,330
Other	**2,287**	1,567
Auditor's remuneration		
Audit of the Company's annual accounts	**11**	11
Audit of the Company's subsidiary undertakings	**130**	128
Services relating to corporate finance transactions	**155**	21
Taxation compliance services	**53**	63
Taxation advisory services	**71**	37
Other non-audit services	**20**	35
	440	295

5 Remuneration of Directors, staff numbers and costs

Details of the remuneration received by Directors is summarised below:

	2014 £000	2013 £000
Salaries and short term employee benefits	**1,679**	1,458
Directors' fees	**813**	668
Equity-settled share based payments (note 19)	**125**	9
	2,617	2,135

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

	Number of employees	
	2014	2013
England	**489**	412
Scotland	**612**	536
Central administration	**5**	4
	1,106	952

The aggregate payroll costs of these persons (including Directors) were as follows:

	2014 £000	2013 £000
Wages and salaries	**38,035**	31,700
Social security costs	**4,014**	3,342
Other pension costs	**1,715**	1,366
Equity-settled share based payments (note 19)	**627**	369
	44,391	36,777

6 Financial income and expense

	2014 £000	2013 £000
Interest income		
Bank deposits	**39**	22
Other	**–**	21
Financial income	**39**	43
Interest expense – bank loans and overdrafts	**(2,112)**	(2,315)
Amortisation of prepaid bank arrangement fee	**(203)**	(129)
Interest expense – other	**–**	(18)
Interest expense – finance leases	**(694)**	(939)
Unwinding of discount on provisions	**(310)**	(248)
Financial expense	**(3,319)**	(3,649)

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

7 Taxation

	2014 £000	2013 £000
Recognised in the Consolidated Income Statement		
Current tax expense	**3,365**	215
Adjustments in respect of prior years	**(322)**	(305)
Total current tax	**3,043**	(90)
Deferred tax expense		
Origination and reversal of temporary differences		
Current year	**1,050**	2,579
Prior year	**119**	(867)
Total deferred tax	**1,169**	1,712
Total tax charge in the Consolidated Income Statement	**4,212**	1,622

	2014 £000	2013 £000
Taxation on items taken directly to Other Comprehensive Income		
Deferred tax expense		
Relating to cash flow hedges	**14**	–

	2014 £000	2013 £000
Reconciliation of effective tax rate		
Profit before taxation	**21,362**	11,012
Tax at the Company's domestic rate of 0%*	**–**	–
Effect of tax in UK at UK rate*	**4,868**	2,814
Expenses not deductible for tax purposes	**743**	814
Property sales	**(133)**	–
Unrecognised temporary differences utilised	**(757)**	–
Income from associate and joint venture already taxed	**(246)**	(321)
Effect of change in rate	**(60)**	(513)
Adjustment in respect of prior years	**(203)**	(1,172)
Tax charge	**4,212**	1,622

* 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 21.5 per cent (2013: 23.25 per cent).

A reduction in the UK corporation tax rate from 24 per cent to 23 per cent (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21 per cent (effective from 1 April 2014) and 20 per cent (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2014 and 31 December 2013 has been calculated based on the rate of 20 per cent substantively enacted at the balance sheet date.

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 2013	77,047	22,758	69,529	169,334
Acquisitions through business combinations (see note 26)	25,530	7,253	9,219	42,002
Additions	1,714	169	11,405	13,288
Disposals	(199)	(2,286)	(1,654)	(4,139)
Balance at 31 December 2013	104,092	27,894	88,499	220,485
Balance at 1 January 2014	104,092	27,894	88,499	220,485
Acquisitions through business combinations (see note 26)	25,491	879	5,535	31,905
Additions	268	287	15,517	16,072
Disposals	–	(7,974)	(1,886)	(9,860)
Balance at 31 December 2014	**129,851**	**21,086**	**107,665**	**258,602**
Depreciation				
Balance at 1 January 2013	5,052	916	18,471	24,439
Depreciation charge for the year	3,266	658	9,722	13,646
Disposals	–	(53)	(1,089)	(1,142)
Balance at 31 December 2013	8,318	1,521	27,104	36,943
Balance at 1 January 2014	8,318	1,521	27,104	36,943
Depreciation charge for the year	3,661	732	10,964	15,357
Disposals	–	(8)	(1,294)	(1,302)
Balance at 31 December 2014	**11,979**	**2,245**	**36,774**	**50,998**
Net book value				
At 31 December 2013	95,774	26,373	61,395	183,542
At 31 December 2014	**117,872**	**18,841**	**70,891**	**207,604**

Leased plant and machinery

At 31 December 2014, the net carrying amount of leased plant and machinery was £17,123,000 (2013: £14,483,000). Depreciation charged on these assets in the year was £2,354,000 (2013: £2,590,000). Details of finance lease obligations are set out in note 15.

Depreciation

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

	2014 £000	2013 £000
Cost of sales	**14,753**	13,073
Administration expenses	**604**	573
	15,357	13,646

Security

All mineral reserves and resources, and land and buildings are subject to a floating charge 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 2013	2,143	439	2,582
Additions	12,509	305	12,814
At 31 December 2013	14,652	744	15,396
At 1 January 2014	14,652	744	15,396
Additions	7,545	–	7,545
At 31 December 2014	**22,197**	**744**	**22,941**
Amortisation			
At 1 January 2013	–	287	287
Amortisation for the year	–	33	33
At 31 December 2013	–	320	320
At 1 January 2014	–	320	320
Amortisation for the year	–	38	38
At 31 December 2014	–	**358**	**358**
Net book value			
At 31 December 2013	14,652	424	15,076
At 31 December 2014	**22,197**	**386**	**22,583**

Other intangible assets relate to acquisition intangibles, being the fair value of certain customer lists, contracts and trade names acquired as part of acquisitions. These intangible assets are being amortised over the anticipated life of the underlying asset 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 2014, goodwill of £8,310,000 (2013: £7,499,000) has been allocated to Scotland and £13,887,000 (2013: £7,153,000) has been allocated to England.

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 2015 extrapolated forward for a 30 year period, being an appropriate period reflecting the long term nature of the underlying assets, assuming a 2.0 per cent (2013: 2.0 per cent) annual growth rate, based on management's estimate of the industry's revenue and cost growth discounted at a pre-tax rate of 9.1 per cent (2013: 9.4 per cent) and a post-tax rate of 8.9 per cent (2013: 9.1 per cent). Directors estimate discount rates reflecting current market assessment of the time value of money and the risks specific to the cash generating units "CGU". As each CGU is considered to have similar risks, the same discount rate has been applied. 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 end of the current year was more than 20 per cent 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 Aggregates SW Limited	Scotland	100%	Production and sale of aggregates
Huntsman's Quarries Limited	England	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
Joint venture			
Ordinary Shares held indirectly			
Breedon Bowen Limited	England	50%	Production and sale of aggregates

During the year the Group acquired the entire share capital of Huntsman's Quarries Limited and Breedon Aggregates SW Limited (formerly Barr Quarries Limited) (see note 26) and a 50 per cent interest in the share capital of Breedon Bowen Limited (formerly HV Bowen & Son (Holdings) Limited) (see note 11).

The Consolidated Statement of Financial Position includes total assets of £1,166,000 (2013: £924,000) and total liabilities of £430,000 (2013: £341,000) in respect of Alba Traffic Management Limited, the Group's 75 per cent subsidiary undertaking.

11 Investment in associate and joint venture

The Group equity accounts for its investments in its associate (BEAR Scotland Limited) and in its joint venture (Breedon Bowen Limited).

	Associate £000	Joint venture £000	Total £000
Carrying value			
At 1 January 2013	887	–	887
Share of profit of associate (net of tax)	1,383	–	1,383
Dividends received	(938)	–	(938)
At 31 December 2013	1,332	–	1,332
At 1 January 2014	1,332	–	1,332
Addition	–	3,471	3,471
Share of profit of associate and joint venture (net of tax)	1,135	12	1,147
Dividends received	(1,125)	–	(1,125)
At 31 December 2014	**1,342**	**3,483**	**4,825**

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

11 Investment in associate and joint venture continued

Summary financial information on associate and joint venture – 100 per cent:

	2014 BEAR Scotland £000	2014 Breedon Bowen £000	2013 BEAR Scotland £000
Non-current assets	**8,605**	**5,141**	10,355
Current assets	**13,754**	**2,076**	17,374
Current liabilities	**(14,270)**	**(1,266)**	(18,830)
Non-current liabilities	**(4,510)**	**(1,449)**	(5,347)
Net assets	**3,579**	**4,502**	3,552
Revenue	**89,685**	**1,439**	75,786
Net profit	**3,027**	**24**	3,688

The Group's share of net assets of Breedon Bowen Limited amounts to £2,251,000. In addition the Group has made a loan to Breedon Bowen Limited of £570,000 and recognised goodwill of £662,000.

12 Deferred tax

	1 January 2013 £000	Acquisitions (note 26) £000	Recognised in income £000	Recognised in equity £000	31 December 2013 £000
Property, plant and equipment	(5,695)	(660)	497	–	(5,858)
Intangible assets	(31)	(61)	8	–	(84)
Financial instruments – derivatives	63	–	(38)	–	25
Working capital and provisions	2,805	–	(1,070)	–	1,735
Tax value of loss carry-forwards	1,318	–	(1,109)	–	209
	(1,540)	(721)	(1,712)	–	(3,973)

	1 January 2014 £000	Acquisitions (note 26) £000	Recognised in income £000	Recognised in equity £000	31 December 2014 £000
Property, plant and equipment	(5,858)	(2,382)	(1,398)	–	**(9,638)**
Intangible assets	(84)	–	7	–	**(77)**
Financial instruments – derivatives	25	–	2	(14)	**13**
Working capital and provisions	1,735	322	424	–	**2,481**
Tax value of loss carry-forwards	209	–	(204)	–	**5**
	(3,973)	(2,060)	(1,169)	(14)	**(7,216)**

There are no unrecognised deferred tax assets *(2013: £Nil)*.

13 Inventories

	2014 £000	2013 £000
Raw materials and consumables	**5,701**	5,144
Finished goods and goods for resale	**7,326**	6,087
	13,027	11,231

Inventories (being directly attributable costs of production) of £172,609,000 *(2013: £150,836,000)* were expensed in the year.

14 Trade and other receivables

	2014 £000	2013 £000
Trade receivables	51,822	41,624
Trade receivables due from associated undertaking (note 23)	3,410	3,611
Other receivables and prepayments	10,425	3,669
Tax recoverable	–	305
Financial instruments – derivatives	–	24
	65,657	49,233
Non-current	2,750	–
Current	62,907	49,233
	65,657	49,233

The derivatives represent the fair value of interest rate caps.

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. Note 20 provides more information about the Group's exposure to interest rate risk.

	2014 £000	2013 £000
Non-current liabilities		
Secured bank loans	69,103	59,833
Finance lease liabilities	7,711	7,701
	76,814	67,534
Current liabilities		
Secured overdrafts	–	–
Current portion of finance lease liabilities	5,317	4,330
	5,317	4,330

During the year the Group refinanced its bank loans and overdrafts. The bank loans and overdrafts carried a rate of interest of 3.0 per cent above LIBOR prior to the refinancing. Since July 2014 they have carried a rate of interest of 1.7 per cent above LIBOR and are secured by a floating charge over the assets of the Company and its subsidiary undertakings and have a final repayment date of 11 July 2018.

Finance lease liabilities

	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	5,907	590	5,317	5,041	711	4,330
Between one and five years	8,042	331	7,711	8,230	529	7,701
More than five years	–	–	–	–	–	–
	13,949	921	13,028	13,271	1,240	12,031

Finance leases are secured on the underlying asset and are for periods of up to 5 years.

Net debt

	2014 £000	2013 £000
Net debt comprises the following items:		
Cash and cash equivalents	15,785	17,450
Current borrowings	(5,317)	(4,330)
Non-current borrowings	(76,814)	(67,534)
	(66,346)	(54,414)

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

16 Trade and other payables

	2014 £000	2013 £000
Trade payables	**38,200**	26,367
Other payables and accrued expenses	**11,422**	9,113
Other taxation and social security costs	**9,444**	7,920
	59,066	43,400

17 Provisions

	Restoration £000	Other £000	Total £000
At 1 January 2013	4,821	1,773	6,594
Amounts arising from business combinations (note 26)	3,597	–	3,597
Utilised during the year	(110)	(113)	(223)
Released to income statement	–	(797)	(797)
Unwinding of discount	248	–	248
At 31 December 2013	8,556	863	9,419
At 1 January 2014	8,556	863	9,419
Amounts arising from business combinations (note 26)	1,591	370	1,961
Utilised during the year	(302)	(139)	(441)
Charged to income statement	11	–	11
Unwinding of discount	310	–	310
At 31 December 2014	**10,166**	**1,094**	**11,260**

Included in provisions is £210,000 *(2013: £103,000)* in respect of current amounts and £11,050,000 *(2013: £9,316,000)* 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.

18 Capital and reserves

Stated capital

	Number of Ordinary Shares	
	2014 £000	2013 £000
Issued Ordinary Shares at beginning of year	**1,006,766,588**	647,270,914
Issued in connection with:		
Placing	**–**	290,476,190
Exercise of savings related share options	**2,027,313**	45,798
Vesting of Performance Share Plan awards	**6,979,451**	–
Exercise of warrants	**–**	10,002,287
Purchase of Participation Shares	**6,767,209**	58,971,399
	1,022,540,561	1,006,766,588

18 Capital and reserves continued

Stated capital continued

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.

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 3 June 2014, the Company issued 6,979,451 Ordinary Shares of no par value in connection with the vesting of awards under the Performance Share Plan (see note 19).

On 24 October 2014, the Company issued 6,767,209 Ordinary Shares of no par value in connection with the purchase of certain Marwyn Participation Shares (see note 19).

During 2014, the Company issued 2,027,313 Ordinary Shares of no par value, raising £331,000, in connection with the exercise of certain savings related share options.

On 7 January 2013, the Company issued 3,000,000 Ordinary Shares of no par value at 12.0 pence per share, raising £360,000, in settlement of the exercise of certain warrants issued in September 2010 as part of the reverse takeover of Breedon Holdings Limited.

On 29 April 2013, the Company issued 290,476,190 Ordinary Shares of no par value at 21.0 pence per share wholly for cash, raising a total of £61,000,000 before expenses and £58,720,000 after expenses.

On 23 May 2013, the Company issued 7,002,287 Ordinary Shares of no par value at 12.0 pence per share, raising £840,000, in settlement of the exercise of certain warrants issued in September 2010 as part of the reverse takeover of Breedon Holdings Limited.

On 30 September 2013, the Company issued 58,971,399 Ordinary Shares of no par value in connection with the purchase of certain Management and Marwyn Participation Shares (see note 19).

During 2013, the Company issued 45,798 Ordinary Shares of no par value, raising £7,000, in connection with the exercise of certain savings related share options.

Cash flow hedging reserve

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

Capital reserve

The capital reserve at 31 December 2014 comprised the fair value of warrants to subscribe for 35,370,667 (2013: 35,370,667) Ordinary Shares in the Company at 12.0 pence per share. A total of 55,266,667 warrants were issued on 6 September 2010 as part of the consideration for the acquisition of Breedon Holdings Limited and 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 the prior year, warrants over 10,002,287 Ordinary Shares were exercised and, accordingly, £429,000 was transferred to stated capital. No warrants were exercised during 2014.

19 Employee benefits

Pension plans

During both the current year and prior year, 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 in respect of the Breedon Scheme were £1,600,000 *(2013: £1,366,000)*. Contributions outstanding at 31 December 2014 amounting to £153,000 *(2013: £203,000)* are included in payables.

In satisfaction of its obligations under the workplace pension legislation (auto-enrolment), the Group also contributed during the current year to the People's Pension.

The pension costs charged during the year in respect of the People's Pension were £115,000 (2013: £Nil). Contributions outstanding at 31 December 2014 amounting to £56,000 (2013: £Nil) are included in payables.

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

19 Employee benefits continued

Share based payments

	2014 £000	2013 £000
Management Participation Shares	–	9
Performance Share Plan shares	284	244
Share options	343	116
Employee share based payments (note 5)	627	369
Marwyn Participation Shares	–	9
Total share based payments	627	378

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 to Marwyn Management Partners LP, ("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. Both of these conditions were satisfied during the prior year.

Details of the Participation Shares in issue and purchased during the prior year and outstanding at the year end are shown below. None of the Participation Shares were forfeited or expired during the year.

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

Vesting Condition
The Participation Shares were subject to a vesting period which ended on 6 September 2013. The Participation Shareholder can exercise its right to require the Company to purchase its Participation Shares at any time up to 6 September 2015.

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 per cent 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 were created and Directors were allotted and purchased a number of those shares. On 30 September 2013, the Company purchased all of the Management Participation Shares satisfied by the issue of new Ordinary Shares of no par value in the Company ("Breedon Shares") in accordance with the above provisions.

No Management Participation Shares were in existence in the current year. Details of movements in Management Participation shares in the prior year are as shown in the table below.

31 December 2013	Participation in increase in Shareholder Value	Issue price	Nominal value of Participation Shares	Number of Participation Shares 1 January 2013	Number of Participation Shares purchased	Number of Participation Shares 31 December 2013	Number of Breedon Shares issued
Peter Tom	4%	£0.50	£1,000	2,000	(2,000)	–	18,649,926
Simon Vivian	4%	£0.50	£1,000	2,000	(2,000)	–	18,649,926
Ian Peters	2%	£0.50	£500	1,000	(1,000)	–	9,324,963
			£2,500	5,000	(5,000)	–	46,624,815

19 Employee benefits continued

Participation shares continued

Marwyn Participation Shares
The Group entered into a performance participation agreement with Marwyn Management Partners LP ("Marwyn") under which Marwyn agreed to assist the Company in meeting its business strategy. In exchange, the Group issued Participation Shares to Marwyn. During the year, the Company purchased 1,000 *(2013: 2,620)* Marwyn Participation Shares satisfied by the issue of new Ordinary Shares of no par value in the Company ("Breedon Shares") in accordance with the above provisions. Details of the Marwyn Participation Shares at the beginning of the year, purchased and at the end of the year are as shown in the table below:

31 December 2013	Participation in increase in Shareholder Value	Issue price	Nominal value of Participation Shares	Number of Participation Shares 1 January 2013	Number of Participation Shares purchased	Number of Participation Shares 31 December 2013	Number of Breedon Shares issued
Marwyn Participation Shares	10%	£0.10	£1,000	10,000	(2,620)	7,380	12,346,584

31 December 2014	**Participation in increase in Shareholder Value**	**Issue price**	**Nominal value of Participation Shares**	**Number of Participation Shares 1 January 2014**	**Number of Participation Shares purchased**	**Number of Participation Shares 31 December 2014**	**Number of Breedon Shares issued**
Marwyn Participation Shares	10%	£0.10	£1,000	7,380	(1,000)	6,380	6,767,209

David Williams, a Director of the Company, by reason of his previous role at Marwyn, retained an indirect interest in the Marwyn Participation Shares. During 2013, Marwyn transferred part of its holding to certain of its partners and, as a consequence, David Williams became directly interested in 2,073 Marwyn Participation Shares. During the year, the Company purchased 1,000 Participation Shares from Mr Williams, issuing 6,767,209 Breedon Shares to him. At 31 December 2014, Mr Williams is directly interested in 1,073 Marwyn Participation Shares included within the table above.

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 initial 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 initial fair value at the date of issue. In accordance with IFRS2 – Share Based Payment, 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 has been recognised over the period to 6 September 2013. In the current year, £Nil *(2013: £18,000)* has been recognised as an expense in the Consolidated Income Statement in respect of Participation Shares.

During the year, £5,000 (2013: £61,000) has been transferred to stated capital in respect of the Management and Marwyn Participation Shares purchased.

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%

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

19 Employee benefits continued

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.

Initial award

On 23 May 2011, the Group granted conditional awards over 6,979,451 shares under the PSP (the "Initial Award"). These awards all vested during the year.

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

Performance Condition
The Performance Condition applicable to the Initial Award was that the average annual growth in the Company's total shareholder return over the Performance Period must be at least 12.5 per cent per annum. During the prior year, the performance condition was met, and all the awards vested during the current year.

Valuation of PSP awards
The fair value of PSP awards was calculated using a binomial model which valued the awards at £730,635 which was recognised over the period to 23 May 2014. In 2014, £101,463 *(2013: £244,000)* has been recognised as an expense in the Consolidated Income Statement in respect of the Initial Award.

The binomial valuation model uses the following assumptions:

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

2014 Award

On 2 April 2014, the Group granted conditional awards over 2,520,385 shares under the PSP (the "2014 Award"). The interests of the Directors in the 2014 Award are disclosed in the Directors Report.

Performance Period
The Performance Period applicable to the 2014 Award is the three financial years commencing with the financial year in which the award is granted.

Performance condition
The Performance Condition applicable to the 2014 Award is that the Company's EPS growth must match or exceed 11.1 per cent per annum compound over the Performance Period.

Valuation of PSP awards
The fair value of PSP awards was calculated using a binomial model which valued the awards at £1,150,000 which will be recognised over the period to 2 April 2017. In 2014, £143,753 *(2013: £Nil)* has been recognised as an expense in the Consolidated Income Statement in respect of the 2014 Award.

The binomial valuation model uses the following assumptions:

Date of grant	April 2014
Share price at date of grant	45.6 pence
Total shares under award	2,520,385
Expected volatility	118%
Risk-free rate	1.12%
Expected term	3.0 years

19 Employee benefits continued

Non-Employee Performance Share Plan

On 3 March 2014, the Group adopted the Breedon Aggregates Non-Employee Performance Share Plan (the "'NEPSP") as a means of attracting, rewarding, motivating and retaining certain key persons who provide services to the Company either as an individual or through a personal service company and who are not otherwise an employee of any Group company (a "consultant"). Under the NEPSP, 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 15 April 2014, the Group granted an option over 701,098 shares under the NEPSP to Rise Rocks Limited, a company in which Mr Tom, a director of the Company, has a beneficial interest (the "2014 Option"). No NEPSP awards were forfeited, exercised or expired during the year.

Performance Period
The Performance Period applicable to the 2014 Option is the three financial years commencing with the financial year in which the award is granted.

Performance Condition
The Performance Condition applicable to the 2014 Option is that the Company's EPS growth must match or exceed 11.1 per cent per annum compound over the Performance Period.

Valuation of NEPSP award
The fair value of NEPSP award was calculated using a binomial model which valued the award at £314,093 which will be recognised over the period to 15 April 2017. In 2014, £39,000 *(2013: £Nil)* has been recognised as an expense in the Consolidated Income Statement in respect of the 2014 Option.

The binomial valuation model uses the following assumptions:

Date of grant	April 2014
Share price at date of grant	45.3 pence
Exercise price	1.0 pence
Total shares under option	701,098
Expected volatility	125%
Risk-free rate	1.12%
Expected term	3.0 years

Sharesave Scheme

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

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

	Weighted average exercise price	Number of options
At 1 January 2013	15.7p	6,805,168
Granted during the year	18.4p	1,126,880
Exercised during the year	16.4p	(45,798)
Lapsed during the year	15.7p	(521,373)
At 31 December 2013	16.1p	7,364,877
At 1 January 2014	16.1p	7,364,877
Granted during the year	39.7p	3,271,004
Exercised during the year	16.4p	(2,027,313)
Lapsed during the year	28.3p	(325,435)
At 31 December 2014	**24.8p**	**8,283,133**

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

19 Employee benefits continued

Sharesave Scheme continued

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

	Number 2014	2013	Exercise Price	Exercise period
Breedon Sharesave Scheme	**–**	2,028,391	16.4p	1 May 2014 to 31 October 2014
Breedon Sharesave Scheme	**2,243,803**	2,354,862	15.0p	1 May 2016 to 31 October 2016
Breedon Sharesave Scheme	**648,718**	659,548	16.6p	1 May 2015 to 31 October 2015
Breedon Sharesave Scheme	**1,215,372**	1,219,319	15.2p	1 May 2017 to 31 October 2017
Breedon Sharesave Scheme	**389,673**	410,085	19.4p	1 May 2016 to 31 October 2016
Breedon Sharesave Scheme	**675,819**	692,672	17.8p	1 May 2018 to 31 October 2018
Breedon Sharesave Scheme	**1,615,807**	–	41.4p	1 June 2017 to 30 November 2017
Breedon Sharesave Scheme	**1,493,941**	–	37.8p	1 June 2019 to 30 November 2019
	8,283,133	7,364,877		

The interests of the Directors in share options are shown in the Directors Report.

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 in respect of options granted in the current and prior year:

	3 year options Granted 2014	5 year options Granted 2014	3 year options Granted 2013	5 year options Granted 2013
Fair value at measurement date	35.4p	40.6p	11.4p	13.6p
Share price at date of grant	47.0p	47.0p	26.5p	26.5p
Exercise price	41.4p	38.0p	19.4p	17.8p
Expected volatility	128.3%	125.9%	46.8%	43.8%
Option life	3 years	5 years	3 years	5 years
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	1.12%	1.93%	0.28%	0.69%

20 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.

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.

20 Financial instruments continued

Credit risk continued

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 private sector 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	
	2014 £000	2013 £000
Receivables	**65,657**	49,209
Financial instruments – derivatives	**–**	24
Cash and cash equivalents	**15,785**	17,450
	81,442	66,683

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	
	2014 £000	2013 £000
England	**26,994**	18,879
Scotland	**24,828**	22,745
	51,822	41,624

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 private sector UK trade receivables subject to an aggregate first loss. The Group has fully provided for all its doubtful debt exposure. The credit risk is therefore considered to be low.

The ageing of trade receivables at the reporting date was:

	2014 Gross £000	**Impairment £000**	2013 Gross £000	Impairment £000
Not past due	**46,309**	**–**	37,991	–
Past due 0–30 days	**3,871**	**–**	1,981	–
Past due 31–60 days	**1,389**	**(18)**	804	–
Past due more than 60 days	**1,178**	**(907)**	1,543	(695)
	52,747	**(925)**	42,319	(695)

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

	2014 £000	2013 £000
At 1 January	**695**	762
Charged to the Consolidated Income Statement during the year	**518**	334
Utilised during the year	**(288)**	(401)
At 31 December	**925**	695

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

20 Financial instruments continued

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 bank facilities. The Group uses term and revolving bank 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 2014	**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	**69,103**	**75,583**	**1,540**	**74,043**	–
Finance lease liabilities	**13,028**	**13,949**	**5,907**	**8,042**	–
Other liabilities	**49,622**	**49,622**	**49,622**	**–**	–
	131,753	**139,154**	**57,069**	**82,085**	–

31 December 2013	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	59,833	64,200	2,100	62,100	–
Finance lease liabilities	12,031	13,271	5,041	8,230	–
Other liabilities	35,480	35,480	35,480	–	–
	107,344	112,951	42,621	70,330	–

The capital element of the UK secured bank loans is repayable in July 2018.

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.

Interest rate risk

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

In addition, the Group has an interest rate cap effective from March 2013 until September 2015 with a notional contract amount of £30,000,000 *(2013: £30,000,000)* which caps interest rates (excluding margin) at 2.0 per cent.

The Group classifies interest rate caps as cash flow hedges and states them at fair value. The fair value of the caps at 31 December 2014 was an asset of £Nil *(2013: £24,000)*. 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	**2014 £000**	2013 £000
Fixed rate instruments		
Financial liabilities	**(13,028)**	(12,031)
Variable rate instruments		
Financial liabilities*	**(69,103)**	(59,833)
Financial assets	**15,785**	17,450
	(66,346)	(54,414)

* variable rate financial liabilities include £30,000,000 *(2013: £30,000,000)* of notional debt subject to an interest rate cap (see above)

20 Financial instruments continued

Interest rate risk continued

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 £700,000 *(2013: £600,000)*. A decrease of 100 basis points would have increased equity and income and expenditure for a full year by £350,000 *(2013: £300,000)*. 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 to 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

		2014		
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Derivative financial asset	**–**	**–**	**–**	**–**

		2013		
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial asset	–	24	–	24

At 31 December 2014, the Group did not have any assets or liabilities classified at Level 1 in the fair value hierarchy *(2013: £Nil)*. There have been no transfers in any direction in the year. The fair value of the derivative financial asset, being an interest rate swap, is based on a bank's valuation.

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

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, since the Group's refinancing in July 2014, are a maximum leverage ratio and a minimum interest cover. The Group complied with its covenants at 31 December 2014 and 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 Operating leases

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

	2014 Land and buildings £000	2014 Other £000	2013 Land and buildings £000	2013 Other £000
Less than one year	**1,514**	**1,925**	1,285	1,623
Between one and five years	**5,540**	**5,385**	4,974	4,331
More than five years	**9,697**	**640**	8,860	723
	16,751	**7,950**	15,119	6,677

The Group leases properties, vehicles and plant for operational purposes. Property leases vary in length up to a maximum of 100 years. Vehicle leases typically run for a period of up to seven years.

22 Capital commitments

During the year ended 31 December 2014, the Group entered into contracts to purchase property, plant and equipment for £1,203,000 *(2013: £1,954,000)*. These commitments are expected to be settled in the following financial year.

23 Related parties

During the year, the Group supplied services and materials to, and purchased services and materials from, its associate and joint venture on an arm's length basis. It had the following transactions with these related parties during the year:

	Revenue £000	Purchases £000	Receivables £000	Payables £000
2014				
BEAR Scotland Limited	**23,422**	**72**	**3,314**	**–**
Breedon Bowen Limited	**80**	**27**	**96**	**32**
	23,502	**99**	**3,410**	**32**
2013				
BEAR Scotland Limited	16,079	13	3,611	–

During the year, the Group also supplied services to, and purchased services from, its 75 per cent 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
2014				
Alba Traffic Management Limited	**1,480**	**293**	**120**	**–**
2013				
Alba Traffic Management Limited	1,178	541	91	68

Parent and ultimate controlling party

The Company is listed on AIM and monitors its shareholder base on a regular basis. There is no controlling party.

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 39 to 41 and 36 to 38 respectively.

24 Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders of £17,069,000 *(2013: £9,348,000)* and on the weighted average number of Ordinary Shares in issue during the year of 1,013,408,839 *(2013: 865,119,988)*.

24 Earnings per share continued

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 £16,622,000 *(2013: £9,651,000)* and on the weighted average number of Ordinary Shares in issue during the year as above.

Diluted earnings per ordinary share is based on 1,090,713,882 *(2013: 944,453,198)* shares and reflects the effect of all dilutive potential Ordinary Shares.

25 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 £5,000 *(2013: £Nil)*.

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 2014 amounted to £1,838,000 *(2013: £1,838,000)*.

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

26 Acquisitions

Huntsman's Quarries Limited

On 1 June 2014, the Group acquired the entire issued share capital of Huntsman's Quarries Limited. This transaction has been accounted for as a business combination.

The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this business combination, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	2,661	6,620	9,281
Land and buildings	518	–	518
Plant and equipment	2,472	–	2,472
Investments	2	(2)	–
Inventories	105	14	119
Trade and other receivables	1,653	–	1,653
Cash	707	–	707
Trade and other payables	(1,584)	–	(1,584)
Current tax payable	(381)	(127)	(508)
Current interest bearing loans and borrowings	(652)	–	(652)
Non-current interest bearing loans and borrowings	(1,117)	–	(1,117)
Provisions – restoration	(408)	(375)	(783)
Deferred tax liabilities	(250)	(1,344)	(1,594)
Total	3,726	4,786	8,512
Consideration – cash			15,246
Goodwill arising			6,734

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

26 Acquisitions continued

Huntsman's Quarries Limited continued
The provisional fair value adjustments comprise adjustments to:

- Revalue certain mineral reserves and resources, to reflect fair value at the date of acquisition
- Inventories to reflect fair/net realisable value
- Current tax payable to reflect tax liabilities at acquisition
- Provisions to reflect costs to comply with environmental, planning and other legislation
- Deferred tax balances

The goodwill arising represents the geographic location of the assets acquired and the skills of the existing workforce. Following careful consideration, in the view of the Directors, no intangible assets arose in respect of this acquisition.

The Group incurred acquisition related costs of £213,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs.

During the year, this business has contributed revenues of £6,609,000 and underlying EBITDA of £1,440,000 to the Group's results.

Barr Quarries Limited
On 31 October 2014, the Group acquired the entire share capital of Barr Quarries Limited. This transaction has been accounted for as a business combination.

The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this business combination, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	17,999	(1,789)	16,210
Land and buildings	1,003	(642)	361
Plant and equipment	3,260	(197)	3,063
Inventories	1,802	(54)	1,748
Trade and other receivables	5,557	(273)	5,284
Cash	483	–	483
Trade and other payables	(4,767)	(421)	(5,188)
Current tax payable	(286)	(60)	(346)
Current interest bearing loans and borrowings	(1,409)	–	(1,409)
Provisions – restoration	(126)	(682)	(808)
– other	(346)	(24)	(370)
Deferred tax liabilities	–	(466)	(466)
Total	23,170	(4,608)	18,562
Consideration – cash			19,373
Goodwill arising			811

The provisional fair value adjustments comprise adjustments to:

- Revalue certain mineral reserves and resources, 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 receivables to reflect recoverable amounts
- Trade and other payables to reflect contractual liabilities
- Current tax payable to reflect tax liabilities at acquisition
- Provisions to reflect costs to comply with environmental, planning and other legislation
- Deferred tax balances

The goodwill arising represents the geographic location of the assets acquired and the skills of the existing workforce. Following careful consideration, in the view of the Directors, no intangible assets arose in respect of this acquisition.

26 Acquisitions continued

Barr Quarries Limited continued
The Group incurred acquisition related costs of £458,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs.

During the year, this business has contributed revenues of £2,752,000 and underlying EBITDA of £90,000 to the Group's results.

If both this acquisition and the acquisition of Huntsman's Quarries Limited had occurred on 1 January 2014, the results of the Group would have shown revenue of £300,383,000, underlying EBITDA, before share of associated undertaking, of £42,845,000 and underlying operating profit for the year of £26,070,000.

Cash flow effect

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

	£000
Huntsman's Quarries Limited consideration	15,246
Barr Quarries Limited consideration	19,373
Cash acquired with the businesses	(1,190)
Net cash consideration shown in the Consolidated Statement of Cash Flows	33,429

Prior year acquisitions

Marshalls' quarrying assets
On 30 April 2013, the Group acquired certain trade and quarrying assets from Marshalls Mono Limited. This transaction has been accounted for as a business combination.

The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this business combination, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	10,147	(117)	10,030
Land and buildings	289	100	389
Plant and equipment	2,810	1,282	4,092
Inventories	1,534	(771)	763
Provisions – restoration	(2,088)	–	(2,088)
Deferred tax liabilities	–	(253)	(253)
Total	12,692	241	12,933
Consideration – cash			19,392
Goodwill arising			6,459

The 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
- Deferred tax balances

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

The Group incurred acquisition related costs of £171,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs.

During the prior year, this business contributed revenues of £7,696,000 and underlying EBITDA of £1,681,000 to the Group's results.

NOTES
TO THE FINANCIAL STATEMENTS CONTINUED

26 Acquisitions continued

Scottish trade and assets
On 30 April 2013, the Group acquired certain Scottish trade and assets from Aggregate Industries UK Limited. This transaction has been accounted for as a business combination.

The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this business combination, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	15,925	(425)	15,500
Land and buildings	4,810	2,054	6,864
Plant and equipment	5,300	(173)	5,127
Intangibles	–	305	305
Inventories	3,333	(604)	2,729
Provisions – restoration	(1,509)	–	(1,509)
Deferred tax liabilities	–	(468)	(468)
Total	27,859	689	28,548
Consideration – cash			34,598
Goodwill arising			6,050

The 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
- Intangibles to reflect fair value
- Inventories to reflect fair/net realisable value
- Deferred tax balances

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

The Group incurred acquisition related costs of £319,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs.

During the prior year, this business contributed revenues of £16,585,000 and underlying EBITDA of £3,600,000 to the Group's results.

If both this acquisition and the acquisition of Marshalls quarrying assets had occurred on 1 January 2013, the results of the Group for the year ended 31 December 2013 would have shown revenue of £234,780,000, underlying EBITDA, before share of associated undertaking, of £30,442,000 and underlying operating profit for the year of £15,636,000.

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

	£000
Marshalls quarrying assets	19,392
Scottish trade and assets	34,598
Cash consideration shown in the Consolidated Statement of Cashflows	53,990

27 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:

27 Accounting estimates and judgements continued

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. The Group has used independent experts, where appropriate, to assist with the determination of the market value of certain minerals, property and plant and equipment.

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.

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.

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. Further information is included in note 17.

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 19.

Deferred taxation

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

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 La Seigneurie Suite, St. Pierre Park Hotel, Rohais, St. Peter Port, Guernsey GY1 1FD on Friday, 17 April 2015 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 and 8 will be proposed as Special Resolutions:-

Ordinary Business

Ordinary Resolutions

1. THAT the financial statements of the Company for the year ended 31 December 2014, 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 reappointed 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 2015.
4. THAT Simon Vivian be reappointed as a Director of the Company.
5. THAT David Warr be reappointed as a Director of the Company.

Special Business

Ordinary Resolution

6. THAT 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 350,000,000 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 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 107,187,500 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 51,825,305 (being 5% of the share capital of the Company in issue as at 16 March 2015);
   (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.

By order of the Board

Breedon Aggregates Limited

16 March 2015

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 Asset Services, 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 Meeting" on the relevant proxy form.
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 15 April 2015. 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 as at 2.00pm on 15 April 2015 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.

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SHAREHOLDER INFORMATION

REGISTRAR AND TRANSFER OFFICE

The Company's Registrar is Capita Registrars (Jersey) Limited. The address of the Company's Registrar, to which all enquires concerning shareholdings should be addressed, is Capita Asset Services, 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: ssd@capitaregistrars.com

Website: www.capitaassetservices.com

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NOTES

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