BREEDON
AGGREGATES

ANNUAL REPORT 2012

THE GROWTH STORY CONTINUES

OUR PEOPLE **THEIR STORY**

PHIL HAS TWO YEARS' EXPERIENCE WORKING THE 54-TONNE EXCAVATOR AT CRAIGENLOW QUARRY

I'm excavating the primary crushed rock at the quarry face after the quarry wall has been blasted. The quarry couldn't operate without the excavator doing its job. I shift about 8,000 tonnes of rock each week. I love the job, although it has to be said that it's better in the summer than the winter! However, the huge excavator is a tracked vehicle so it handles well in snowy conditions.

Phil Duncan
Excavator Operator
Craigenlow

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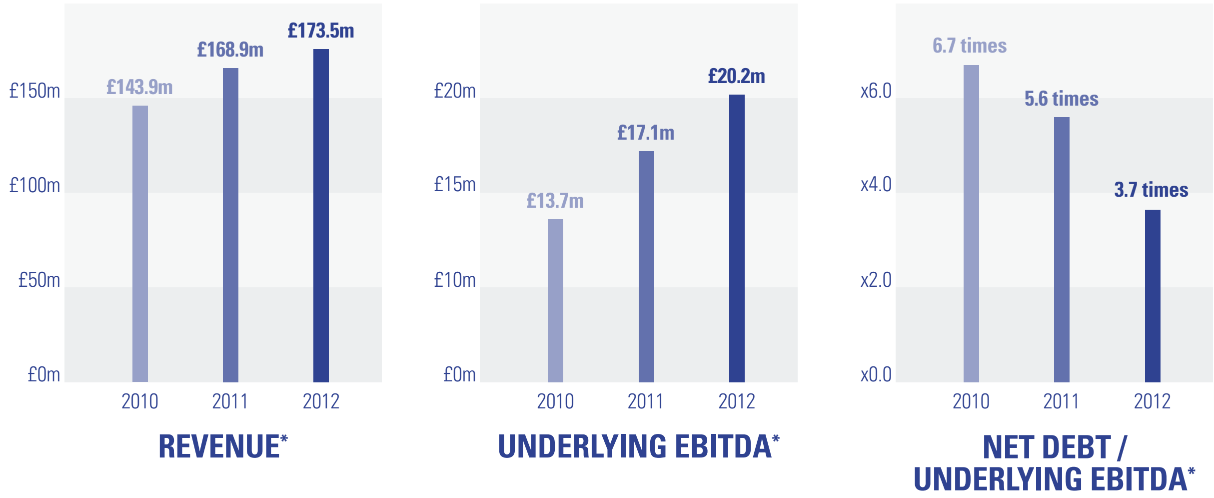
HIGHLIGHTS OF THE YEAR

FINANCIAL HIGHLIGHTS

		Change
Revenue	£173.5 million	+2.7%
Underlying EBITDA†	£20.2 million	+18.3%
Underlying operating profit†	£8.8 million	+55.4%
Underlying profit before tax†	£5.6 million	
Underlying basic EPS†	0.67 pence	
Total non-current assets	£148.1 million	

- 4.3 million tonnes of aggregates sold
- 1.2 million tonnes of asphalt sold
- 481,000 cubic metres of ready-mixed concrete sold



OPERATIONAL HIGHLIGHTS

- EBITDA margin up 1.5 points to 11.6%
- Underlying earnings increased in both England and Scotland
- Value-enhancing performances from recent acquisitions
- Key health & safety targets achieved
- Major capital investment projects completed
- Post year-end: St Michaels reserves secured

† Underlying results are stated before acquisition related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles, changes in the fair value of financial instruments, gains on bargain purchase and related tax items. References to an underlying profit measure throughout this Annual Report are defined on this basis.

* Based on unaudited pro forma results for the full 12 months ended 31 December 2010.

Front cover: Bill Ewen, Loading Shovel Driver at Craigenlow Quarry, Scotland

BREEDON AGGREGATES' PRODUCT CHAIN

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

The key to our business is the acquisition of permitted aggregates reserves. New consents are granted sparingly and with stringent conditions attached. Breedon Aggregates has successfully accumulated over 190 million tonnes of mineral reserves and resources in the UK. This is enough to last around 45 years at current rates of extraction.

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

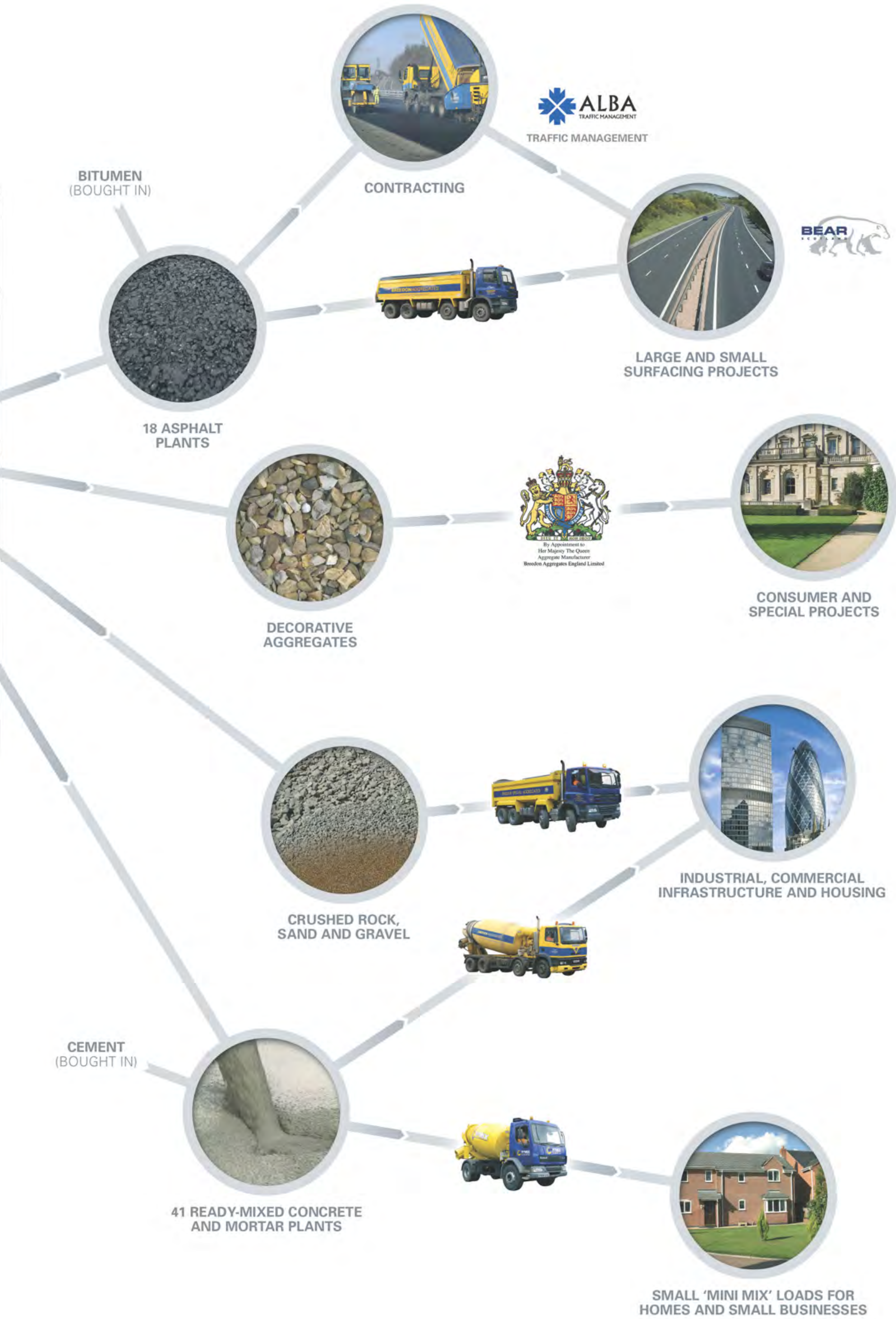
Some of our aggregates are mixed with bought-in bitumen to produce a variety of speciality surfacing products at our 18 asphalt plants in England and Scotland. These are used either by our own contracting teams or by external contractors to surface roads, car parks, airport runways and racetracks around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

Some of our aggregates are mixed with bought-in cement and other additives at our 41 readymix plants to produce ready-mixed concrete and mortar for sale to commercial, industrial, infrastructure and housing developers. Our 1stMix 'mini mix' operation specialises in small loads for homes and businesses.

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

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

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


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

OUR AREAS OF OPERATION

BREEDON AGGREGATES ENGLAND

Tim Hall is Chief Executive of our English business. He has spent his entire 40 year career in the quarrying industry, most recently as Director of Tarmac Limited's Western Area until 2010, when he joined Breedon Aggregates. Prior to this he was Managing Director of Tarmac Western Limited, the company formed by Anglo American from the former assets of Nash Rocks, Tilcon and Tarmac. He spent the previous 27 years with Nash Rocks, latterly as Managing Director.

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

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

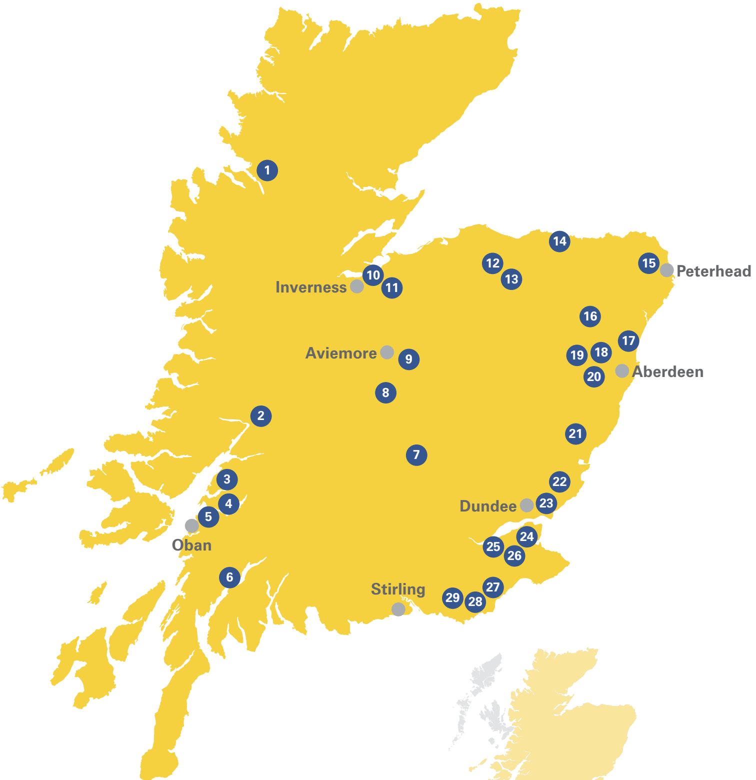
BREEDON AGGREGATES SCOTLAND

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

Our Scottish operations are headquartered at Ethiebeaton, near Dundee, and employ around 400 people. Breedon Aggregates Scotland operates 18 quarries, 11 asphalt plants and 23 ready-mixed concrete plants, primarily supplying the north, west and east of Scotland.

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

BREEDON AGGREGATES UK LOCATIONS



Key

- Agricultural Lime
- Asphalt
- Concrete
- Contracting
- Crushed Rock
- Decorative Aggregates
- Mortar
- Sand & Gravel
- 1stMix

Scotland

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

England

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

*Decorative Aggregates are also available bagged **Recycling available

CHAIRMAN'S STATEMENT

2012 was not a vintage year for our industry. Construction output fell by more than 8%, a significantly worse outturn than even the most pessimistic forecasts, as the full impact of public sector spending cuts were felt, particularly in Scotland, and economic recovery was set back once again.

However, I am pleased to report that, despite the worst trading conditions I can remember in my 50 years in this industry, Breedon Aggregates continued to grow and prosper. Our aggregates and readymix volumes were ahead in both England and Scotland, helped by the full year effect of the C&G acquisition and positive contributions from the two small acquisitions we made during the year.

Overall, Group revenues continued to grow, by nearly 3% to £174 million. Our EBITDA margin improved by a further 1.5 points to 11.6% and we reduced our net debt from more than £96 million to just over £74 million.

This progress did not come about by accident. It was a direct result of the commitment, dedication and sheer hard work of our 800 employees. Most importantly of all, it was down to the rigorous attention to detail which prevails throughout our business. Region by region, site by site, plant by plant, our talented people are squeezing every last drop of efficiency out of our operations.

You can read some of their personal stories throughout this report, which we hope will bring to life the vital part they play in Breedon's continued growth.

Every pound of investment we make in our business is being made to work harder than ever before. That means optimising the output from our crushers, coating plants, concrete batching plants and contracting operations and ensuring that the greatest possible proportion of our raw material goes into products with the highest possible added value.

Similarly, our prospecting, marketing and customer service have to be smarter, more cost-effective and more responsive than ever. We may be a national group, but at heart we are a collection of local businesses serving local people and local companies. Our success is built on careful selection of new business, then delivering the right product, at the right price, to the right place – on time and with courteousness and consideration.

The same is true of our health and safety performance, the number one item on every Board meeting agenda, which improved significantly in 2012 as everyone in the business redoubled their efforts to make our sites safer. Lost-time incidents continued to fall and I am very pleased to say that our target of reducing Breedon's Lost-Time Incident Frequency Rate by 50% was achieved.

We continued to seek out new market opportunities during the year and launched two new initiatives: our 1stMix 'small load' readymix business in England, which was trading profitably within six months; and Mobile Concrete Solutions, a pioneering joint venture with TSL Contractors which supplies a mobile concrete batching service to renewable energy projects in remote locations in Scotland and is already winning good, profitable business.

We made two acquisitions during the year: Nottingham Readymix in England in January and Rothes Glen quarry in Scotland in July. Both performed well, making a useful contribution to Group profit. We continue to pursue a number of other acquisition opportunities but, once again, I must emphasise that we will only buy businesses or assets which demonstrably enhance shareholder value.

OUR PEOPLE **THEIR STORY**

JOHN MOVES MORE THAN A MILLION TONNES OF AGGREGATE EVERY YEAR WITH HIS CAT 990 LOADING SHOVEL

I've worked for about 15 years in the quarrying industry with four-and-a-half years at Cloud Hill. On a good day I can load about 4,500 tonnes of rock into the crusher. That's a lot of rock over the year. I'm right at the rock face helping to produce the base materials from which so many of our products come. Whatever needs doing at Cloud Hill, I turn my hand to it.

We will apply the same strict criteria to all purchases, whether they are valued at £1 million, £100 million, or more. It was for precisely this reason that we withdrew from the bidding for the assets being sold by Tarmac and Lafarge as a condition of their new building materials joint venture. We could not satisfy the value expectations of the sellers, for the simple reason that they exceeded – by a significant amount – the level at which we could realise value for our shareholders.

Looking ahead, the challenges in 2013 look like being every bit as tough as they were last year. The Construction Products Association is forecasting that construction output will fall by more than 2%, with no meaningful recovery until 2014. Against this backdrop, it would be easy to let the gloom get the better of us, but we have a strong and finely-tuned business which is well equipped to cope with difficult economic conditions and we remain enthusiastically committed to growing the Group in the years ahead.

When we created Breedon Aggregates in 2010, we did so in the knowledge that we could expect little or no help from the construction market. Our models were predicated on delivering real value if necessary through self-help alone. It is this approach and mindset which give us the confidence to anticipate another year of progress in 2013.

Peter Tom CBE
Executive Chairman
5 March 2013

John Middleton
Loading Shovel Driver
Cloud Hill

CHIEF EXECUTIVE'S REVIEW

Breedon Aggregates continued to make solid progress in 2012 despite extremely difficult market conditions that have seen significant declines in the national demand for all main product categories in the UK. Through a combination of tight cost control and careful selection of work we have managed to improve headline and underlying EBITDA in both England and Scotland, improving margins from 10.1% to 11.6% on revenue which was 3% ahead of last year, including acquisitions. This represents a very considerable achievement and reflects the hard work and dedication of all our employees and I am delighted that we were again able to thank them all with the payment of a modest Christmas bonus in December.

TRADING SUMMARY

2012 will be remembered as one of the most difficult years in living memory for the UK building materials and construction industries. Poor demand, record rainfall in the second quarter of the year and Jubilee/Olympics holidays meant that national UK sales volumes of aggregates declined by around 10%, asphalt by 17% and concrete by 9% in the year. UK consumption of primary aggregates is now at the same level as the mid-1960s and more than 50% below the peak year of 1989. Several of our competitors have had to announce unit closures, staff redundancies and profit warnings. It is welcome to see the government finally recognising the importance of infrastructure in the Chancellor's Autumn Statement and launching a number of initiatives that we hope will help to get Britain building again in 2013 and 2014.

Against this backdrop, Breedon has performed extremely well, making good progress in both England and Scotland, improving underlying earnings in both divisions and delivering excellent performances from our three recent acquisitions, C&G Concrete, Nottingham Readymix and Rothes Glen quarry.

Sales revenue for the year was £173.5 million, 3% higher than 2011 and Group EBITDA of £20.2 million was 18% above the previous year. Margins improved by 1.5%, which represents an outstanding achievement in a declining market. Careful work selection, tight cost control and increased operational productivity have all contributed to the improved result for the year. We have worked hard to develop an ethos of "self-help", recognising that we cannot rely on a growing market to take the business forward.

Sales volumes of aggregates increased by 5% to 4.3 million tonnes, asphalt volumes declined by 13% to 1.2 million tonnes, slightly less than the national reduction, while concrete volumes increased by 18% to 0.5 million cubic metres, reflecting the contribution from C&G. Excluding the effect of acquisitions, aggregates volumes fell by 1% and concrete volumes were down by 5%, mainly due to a very large contract supplied in 2011 which was not repeated in 2012.

Several significant contracts were supplied during the year, including Tesco at West Bromwich and the A41 in England, and the Fife ITS, Peterhead Prison and the Trump golf project in Scotland. Although these contracts made an important contribution, they represent a relatively small percentage of our total sales. We are increasingly looking to supply smaller local customers with whom we can develop close working relationships and who tend to generate repeat business in our market area. We try to compete with the major suppliers by offering competitive prices but with better service and support, which we believe differentiates us from the larger global companies.

OPERATING REVIEW

During the year we continued to build on the solid foundations established in 2011. We have an experienced, motivated and stable management team which gives me great confidence that we can continue to further improve the business in 2013 and beyond.

One of our key objectives for the year was to improve our safety performance, which had deteriorated significantly in the period immediately preceding our acquisition of the business in 2010. The key performance indicator we use is the Lost Time Incident Frequency Rate (LTIFR) which measures the number of lost time incidents per 200,000 hours worked. Our target was to reduce this by 50% in 2012 and I am delighted that we managed to achieve this. We will be aiming for a further significant reduction in 2013.

It is pleasing to report operational progress on all fronts in 2012 and the business today looks very different to the one that emerged following Ennstone's administration in 2009. Sales revenue has grown on the back of several successful acquisitions, EBITDA and operating profit are well ahead and net debt has been significantly reduced.

Mobile Concrete Solutions

We continue to invest in the asset base of our business whilst ensuring that capital expenditure remains well below depreciation, allowing us to reduce net debt year-on-year in line with our stated strategy. A number of significant projects were completed during the year, including a new asphalt plant at our Stirlinghill quarry near Peterhead and a new mobile concrete plant to support the successful development of Mobile Concrete Solutions, the joint arrangement we launched in Scotland to take advantage of the significant on-going investment in wind farms and renewable energy. In England we replaced much of the old mobile plant acquired with C&G and refreshed its transport fleet with the acquisition of new and second-hand tippers and mixers. We also relocated the C&G sales office from rented premises in Stamford to our Norton Bottoms quarry. This is consistent with our strategy of having all support functions located on our own sites, close to operations and avoiding external rental costs.

A key part of our strategy is to actively sell surplus assets to generate cash and reduce debt. In September 2010 we set ourselves the target of generating £20 million in disposals by 2015 and we are on track to achieve this. During the year we sold surplus land and equipment worth £6.2 million, which brings our running total to nearly £10 million since our acquisition of the business.

Two small acquisitions were completed during the year. In January we purchased the business of Nottingham Readymix, a leading supplier of concrete in the Nottingham market which has been buoyant due particularly to the tram project and continuing investment at the university. The business also provides an important fixed outlet

for sand and gravel from the Norton Bottoms gravel pit acquired with C&G in 2011. In July we acquired Rothes Glen sand and gravel quarry near Elgin, east of Inverness. This complements our Netherglen rock quarry two miles away and provides an important source of sand for our ready-mixed concrete business in the area. Our new mini mix service, 1stMix, launched in the spring made solid progress building market share and moved into profit in October. We are confident of further progress in 2013.

After nearly twelve months of preparation, the auction of the assets that Tarmac and Lafarge were required to divest in order to proceed with their joint venture was finally concluded. Breedon undertook a detailed review of the Hope cement plant and other assets being sold. A number of significant risk areas were identified which impacted our valuation of the business and consequently we were unable to meet the value expectations of the vendors. We continue to evaluate a number of other opportunities but, as we have frequently stated, we will only make acquisitions which we are confident will add value for our shareholders. We expect to make further progress on business development in 2013.

Our ***Best of Breedon*** business improvement scheme, where employees suggest ways of improving the business and ***Breedon GoodQuarry***, which sets target standards for our operations, have continued to go from strength to strength. It was particularly pleasing that seven of our units achieved *GoodQuarry* status, including one which was one of the poorest performers in 2011 but had made dramatic improvements. Generally, standards showed a significant improvement over the previous year. Winning ideas from employees included the installation of carbon monoxide detectors in high-risk areas, procedures for controlling water added to concrete on-site and safety modifications to facilitate screen access for maintenance. The latter also won an award at the MPA industry safety conference in October.

OUR STRATEGY

The progress made over the past two years in difficult market conditions demonstrates the resilience of our business, the strength of our management team and the effectiveness of our business model. However we are not complacent and there is more that needs to be done if we are to fulfil our objective of being the safest, most profitable and best-run aggregates business in the UK. We will continue to strive for further improvement. Areas that we intend to focus on in 2013 will be the management of complaints – how we respond when things go wrong says as much about our culture as the standard of service we provide to customers on a daily basis; and on improvements to our technical capability. The trial of recycled rubber asphalt on the A92 in Scotland shows we are capable of stealing a march on competitors with much larger technical departments than ours, but there is more we can do to increase the use of recycled materials, reduce wastage and develop innovative products.

We continue to see many growth opportunities in the UK, both through selective acquisition and organic development. Our recent moves into mobile concrete plants and the mini mix business have been successful and we have identified several interesting possibilities for new concrete and asphalt plants. A number of acquisition opportunities are under active consideration and we are excited about the prospect of further growing the business in 2013.

BREEDON AGGREGATES GOOD QUARRY 2012

OUR PEOPLE **THEIR STORY**

PATRICK HAS DRIVEN THE EQUIVALENT OF MORE THAN 12 TIMES ROUND THE WORLD WITH BREEDON AGGREGATES

I cover a huge area all over the west coast of Scotland, delivering an average of 25 loads a week. The 20-tonne loads are usually of coated tar or dry aggregates but sometimes concrete, too. I cover about 1,000 miles each week. It's great to be out and about in some of the most beautiful parts of Scotland. I really like meeting our customers, many of whom I have got to know well through regular deliveries.

BUSINESS OUTLOOK

While there is no doubt that 2013 will be another tough year with construction output forecast to decline again and MPA product volumes also forecast to be down, we are generally more optimistic than we were this time last year, although the winter conditions in January resulted in a slow start to the year. The government at last seems to have realised that switching funding from revenue to capital spending on infrastructure can have a positive effect on GDP, improve employment and deliver significant secondary economic benefits. There is a growing recognition in both public and private sectors that essential maintenance work and upgrades to production facilities cannot be postponed indefinitely.

While the recent announcements made in November 2012 will take time to feed through, the schemes that were cleared the previous year should start to materialise in 2013. The A453 upgrade between the M1 and Nottingham is a good example; this should start early in 2013 with Laing O'Rourke the successful contractor. The overall housing market remains depressed due to lack of mortgage availability but the demand for new homes is quite strong and the range of financial support measures introduced means that buying a new home is the easiest way onto the property ladder for first time buyers. Housebuilders anticipate steady demand over the next few years.

In Scotland, we believe that there will be continuing investment in the renewables sector and related infrastructure. The recently approved Aberdeen by-pass and the commitment to dual the A9 from Perth to Inverness will benefit us in the medium term. Our associate company BEAR Scotland recently secured the North West maintenance contract from Transport Scotland which will ensure we continue to benefit from material supplies in that area for the next few years. We are hopeful that transport budgets in Scotland may increase slightly from their recent low levels.

The industry landscape in the UK is set to change in 2013 with the Lafarge/Tarmac joint venture now up and running and the new Hope Construction Materials business also having commenced trading. The continuing investigation by the Competition Commission into the sector is expected to conclude towards the end of the year although we would expect any structural remedies to relate mainly to the cement market.

Breedon will remain focussed on further improving our performance in safety, operations and customer service. Our management team have demonstrated their ability to deliver solid results in the most difficult market conditions. The acquisitions we have made have all added significant value to our core business giving us confidence in our ability to repeat this with future deals. We are confident of making further progress in 2013.

Simon Vivian
Group Chief Executive
5 March 2013

Patrick Cook
HGV Driver
Bonawe

FINANCIAL REVIEW

I am pleased to report on the results and financial statements of Breedon Aggregates Limited for the year ended 31 December 2012. During the year we acquired the issued share capital of Nottingham Readymix Limited and the trade and assets of Speyside Sand & Gravel (comprising Rothes Glen quarry) and therefore the Consolidated Financial Statements incorporate the results from these operations. Total consideration for these two acquisitions was £1.6 million in cash, funded from our existing bank facilities.

Revenue for the year was £173.5 million (2011: £168.9 million). Excluding revenue from acquisitions, including the full year revenue from C&G Concrete which was acquired in July 2011, revenue would have been £154.8 million (2011: £161.7 million).

Underlying earnings before our share of associated undertakings, interest, tax, depreciation and amortisation (EBITDA) were £20.2 million (2011: £17.1 million). Of this, EBITDA of £2.1 million (2011: £0.5 million), was generated by acquisitions including a full year's earnings from C&G.

Underlying Group operating profit was £8.8 million (2011: £5.7 million). Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles, changes in the fair value of financial instruments, gains on bargain purchase, and related tax items.

Profit after tax for the year was £5.3 million (2011: £1.2 million).

	2012 £000	2011 £000	Variance
Revenue:			
England	91,278	86,158	5.9%
Scotland	82,179	82,730	(0.7)%
Total	173,457	168,888	2.7%
Underlying EBITDA:			
England	11,562	9,090	27.2%
Scotland	11,345	10,316	10.0%
Head office	(2,724)	(2,343)	(16.3)%
Total	20,183	17,063	18.3%
Margin	11.6%	10.1%	

DIVISIONAL PERFORMANCES

The market environment generally disappointed in the year with public sector cuts and very wet weather in April and June resulting in construction activity being at a very low level. Despite this we have made good progress with the Breedon business focussing on our cost performance and shaping the business to service the current market environment.

For the 12 months as a whole, aggregates volumes were up 4.6% at 4.3 million tonnes, with both England and Scotland ahead year-on-year. However, acquisitions contributed to the additional volume without which the volume of aggregates would have been down 1.3%. Asphalt volumes were 12.8% down at 1.2 million tonnes, with asphalt volumes in England down by 12.3%, and in Scotland down by 13.6%. Ready-mixed concrete volumes grew by 18.0% in the year to 0.5 million cubic metres, assisted by the inclusion of a full year of the former C&G plants and the newly-acquired Nottingham Readymix plant.

The full-year revenue of £173.5 million represented a 2.7% increase on the figure in 2011. The underlying EBITDA of £20.2 million was up £3.1 million, 18.3% year-on-year with our attention remaining focussed on the challenge of continuing to improve the margins generated in the business.

The higher input costs experienced in 2011, particularly bitumen (a key ingredient in the production of asphalt), were largely recovered during the course of 2012 and despite some volatility in oil prices we did not experience quite the same degree of cost inflation during 2012. As a consequence of the partial cost recovery and careful selection of work, EBITDA margins across the business in England and Scotland were improved year-on-year.

NON-UNDERLYING ITEMS

Non-underlying items in the year comprised a gain on the sale of property of £0.2 million, the release of a provision for environmental and planning of £0.6 million, acquisition-related costs, including aborted acquisitions, of £0.2million and £0.4 million of redundancy costs.

INTEREST AND TAX

Net finance costs in the year totalled £4.3 million and included interest on the Group's bank finance facilities, as well as interest on finance leases.

An underlying tax charge of £1.4 million was recorded in the year, resulting in an underlying effective tax rate for the full year of 24.9%, influenced by the effects of income from associates already being taxed and of costs in Jersey for which no tax relief can be obtained.

The non-underlying tax credit principally relates to the satisfactory closing of prior year tax items.

EARNINGS PER SHARE

Basic earnings per share ("EPS") for the year were 0.85 pence (2011: 0.21 pence), struck after the non-underlying items mentioned above. Underlying basic EPS for the year totalled 0.67 pence (2011: 0.21 pence).

STATEMENT OF FINANCIAL POSITION

Net assets at 31 December 2012 were £79.3 million (2011: £59.0 million). The Company issued 86.3 million ordinary shares during the year in the form of an equity placing in April of 83.3 million shares at 18 pence per share and the balance were as a result of exercise of share options and KBC Bank exercising almost half of their holding of warrants in July at a price of 12 pence per share.

The net assets are underpinned by the mineral, land and building assets of the Group which at the end of December 2012 had a book value of £93.8 million.

CASH FLOW

Cash generated from operations was £14.5 million (2011: £12.8 million).

In addition to the focus on delivering short term earnings growth, we are positioning the business for the longer term and as part of that we are investing in the business, adding new acquisitions where these make sense both strategically and financially and investing in plant and machinery. During 2012 we installed a new asphalt plant at our Stirlinghill quarry in Scotland, we have purchased a new mobile concrete plant to target work in the renewables sector, launched 1stMix in England and have invested in new plant and equipment to improve our operational efficiency. The Group spent £1.5 million on acquisitions, net of cash acquired, and had a cash spend on capital expenditure projects of £7.3 million.

We raised £14.7 million through the issue of shares, which was utilised to reduce the Group's bank debt, and £6.2 million was raised from the disposal of surplus assets in the Group. Reduction of finance leases totalled £6.3 million, resulting in a net cash inflow for the year of £7.2 million (2011: outflow £3.9 million).

Net debt at 31 December 2012 was £74.1 million (2011: £96.2 million).

BANK FACILITIES

The Group's bank loans have a maturity date of 5 September 2015 and are subject to a floating interest rate based on LIBOR plus margin. At 31 December 2012, total undrawn facilities available to the Group amounted to £29.8 million.

The Group's bank facility is subject to covenants which are tested quarterly. These covenants are: Group interest cover, minimum underlying EBITDA and Group cash flow cover. At 31 December 2012, the Group comfortably complied with all three covenants. Based on our current estimates, we expect to comply with all our covenants for the foreseeable future.

The Group has in place interest rate hedges which mitigate the risk of interest rate rises on the Group's bank loans (see note 20 to the financial statements).

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.

RISK MANAGEMENT

Risk is an inherent and accepted element of doing business and effective risk management is fundamental to how we run our business and underpins the delivery of the Group's objectives. 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.

RISK MANAGEMENT PROCESS

Risk management processes (see diagram opposite) 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.

The Board is responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. 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 concluded that the Group maintained sound risk management and internal controls 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.

Identification	Analysis & Evaluation	Reporting & Monitoring	Mitigation
■ Identify business objectives ■ Risks identified at Group, divisional, functional and project level ■ Financial and non-financial risks recorded in risk register ■ Risk owners identified	■ Risks analysed as to likelihood and impact ■ Risk evaluation recorded in risk register	■ Risk and mitigation plans subject to regular and rigorous review ■ Key issues elevated, as appropriate, through management reporting structures	■ Action plans developed and implemented to mitigate risks ■ Action owners and timescales defined

PRINCIPAL RISKS

The Group operates in an economic and business environment in which risks and uncertainties exist, not all of which are necessarily within its control. Whilst acknowledging that it is not possible to eliminate such risks and uncertainties completely, established risk management and internal control systems and procedures exist within the Group to mitigate their impact.

The Board recognises that there are likely to be other risks and uncertainties which are currently unknown but believes that the Group's risk management approach will continue to help in identifying and responding to such risks.

We have identified the principal risks which could adversely impact the financial position of the Group or impact its ability to meet its strategic objectives. Set out on the following pages is a description of those principal risks, together with the mitigating factors or action we have taken.

ECONOMIC ENVIRONMENT

Changes in the UK macro-economic environment may cause the Group's customers to cancel, reduce or postpone expenditure on projects that create demand for our products. Difficult economic conditions also increase the Group's exposure to credit risk among its customers.

Impact	Mitigation
Any significant changes in the level or timing of customers' expenditure could impact on the Group's activity levels.	Although government expenditure does play a large part in generating demand for the Group's products, the Group has a broad exposure to various end uses for its products, including private housing, commercial and industrial development and infrastructure projects, and responds quickly to evolving market requirements.
Failure of a customer could result in non-collection of amounts owed.	The Group supplies a diverse customer base, with no single customer accounting for more than 5% of sales. The financial solvency of our customers is always considered before supplying them and we maintain credit insurance cover over the majority of our private sector debtors.
Reduced demand can lead to larger competitors trading down to smaller contracts and increasing competitive pressure on our business. These competitors may also seek to reduce prices in the short term to secure market share.	The Group works hard to develop relationships with its customers and attempts to provide a high level of service that fosters a degree of loyalty. Furthermore, the Group is a low-cost producer in all of its regions, helped by investment in both new products and modern, efficient plants, and is able to sustain short-term price erosion.
The Group is heavily reliant on energy and fuel oil to produce its products and to get them to market. Increases in the costs of these essential inputs can have a significant effect on the Group's cost base.	The Group operates a strategic purchasing plan which attempts to spread the risk by a combination of better buying, fixed-term contracts and spot prices. However, we remain exposed to inflationary cost increases on bitumen, gas-oil and diesel. The solution is to pass on these additional costs to our customers through price increases and forward-pricing, although inevitably, due to the nature of the contracts we have to supply and lay materials, there will be a time lag between the date we start paying additional costs and the date from which we are able to recover these costs in the market.

LIQUIDITY

Liquidity risk is the risk that the Group does not have sufficient financial resources to meets its obligations as they fall due.

Impact	Mitigation
Unavailability of sufficient borrowing facilities to enable the servicing of liabilities and the inability to refinance facilities as they fall due or to comply with borrowing covenants.	The Group manages liquidity risk by continuously monitoring forecasts and cash flows and planning its expenditure and available facilities accordingly. The Group uses term and revolving bank facilities and sufficient headroom is maintained above peak requirements to meet unforeseen events. There is adequate headroom against covenants based on the Group's internal forecasts.
Fluctuation of interest rates could impact on Group profitability and covenant headroom.	The Group has a policy of operating with a combination of capped and floating interest rates and targets to have at least half of its interest on term debt capped at any time.

LEGAL AND REGULATORY

The Group operates in a highly regulated environment and is subject to a number of complex, demanding and evolving legal, tax and regulatory requirements.

Impact	Mitigation
A breach of these laws and regulations could lead to legal proceedings, investigations or disputes resulting in a disruption of business and potential reputational damage.	The Group monitors and responds to legal and regulatory developments and benefits through its membership of the Minerals Products Association, which assists in implementation of any new regulation. The Group also participates fully in the consultation process in respect of new regulation in an effort to ensure that any new measures are workable and achievable, whilst minimising the impact on the environment of delivering products which are fundamental to the economic well-being of the communities in which we operate.
Planning consents are required in order to utilise the Group's mineral reserves and to build and operate added-value processing facilities such as asphalt and concrete plants. The planning regime is strict and gaining permissions is challenging. Failure to be seen to be a responsible operator may impact on future sustainability of Group operations.	The Group tries to involve all stakeholders in early consultation and regularly meet with local communities in organised liaison groups in areas where communities are impacted by its operations.

HEALTH & SAFETY AND ENVIRONMENT

Health and safety is a key issue in the sector in which the Group operates. Improvements have been made across the industry in recent years and continued improvement is sought in order to make it a safer industry for our employees, customers and suppliers to operate in.

Impact	Mitigation
Failure to manage these risks could expose the Group to significant potential liabilities and reputational damage.	Safety sits at the top of every agenda within the Group. Detailed health and safety policies and procedures exist to minimise such risks and are subject to review and monitoring by the executive management team. The Group also employs experienced health and safety advisers who provide advice and support to line management. All managers are engaged in regular on-site discussions with employees regarding health and safety and their understanding of the risks in the workplace. Management, training and control systems are in place to minimise and prevent these risks. These systems are reviewed regularly and all new plant and equipment is specified with these risks in mind.

PEOPLE

The success of the Group depends on its ability to recruit and maintain the best management and employees, who have the appropriate competencies and also share the Group's values and behaviours.

Impact	Mitigation
Failure to recruit and retain the right people could have an adverse impact on the Group's ability to deliver on its strategic objectives.	Annual performance reviews take place to assess the performance, competency and potential of all management in the Group. Appropriate remuneration and incentive packages are in place to assist in the attraction and retention of key employees.

OUR PEOPLE **THEIR STORY**

IT'S A 5AM START FOR MARK, WHO BEGINS EACH WORKING DAY OVERSEEING THE LOADING OF MORTAR TRUCKS

I've been a Concrete Batcher for five years, producing products that are mainly used for flooring in the housing sector and at warehouses. It's technical work with concrete recipes designed in our laboratories to give the product the characteristics that a particular job needs. As plant supervisor, I also handle the paperwork and the all-important health and safety aspects of the operation.

KEY PERFORMANCE INDICATORS

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

Earnings per share and market value growth

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

EBITDA & EBITDA margin

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

Net debt to EBITDA

The ratio of net debt to EBITDA is monitored as a measure of the Group's leverage.

Cash management

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

Non-financial KPIs

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

Other KPIs

The Group also monitors a range of other KPIs, including bitumen and cement costs per tonne and interest cover.

Ian Peters
Group Finance Director
5 March 2013

Mark Wilson
Concrete Batcher
Elsham

CORPORATE SOCIAL RESPONSIBILITY

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

TARGET ZERO HARM

HEALTH AND SAFETY

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

In pursuit of this objective we aim to:

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

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

We have invested heavily in a dedicated health and safety database, Entropy, which provides a flexible platform for the health, safety and environmental management systems on all of our sites.

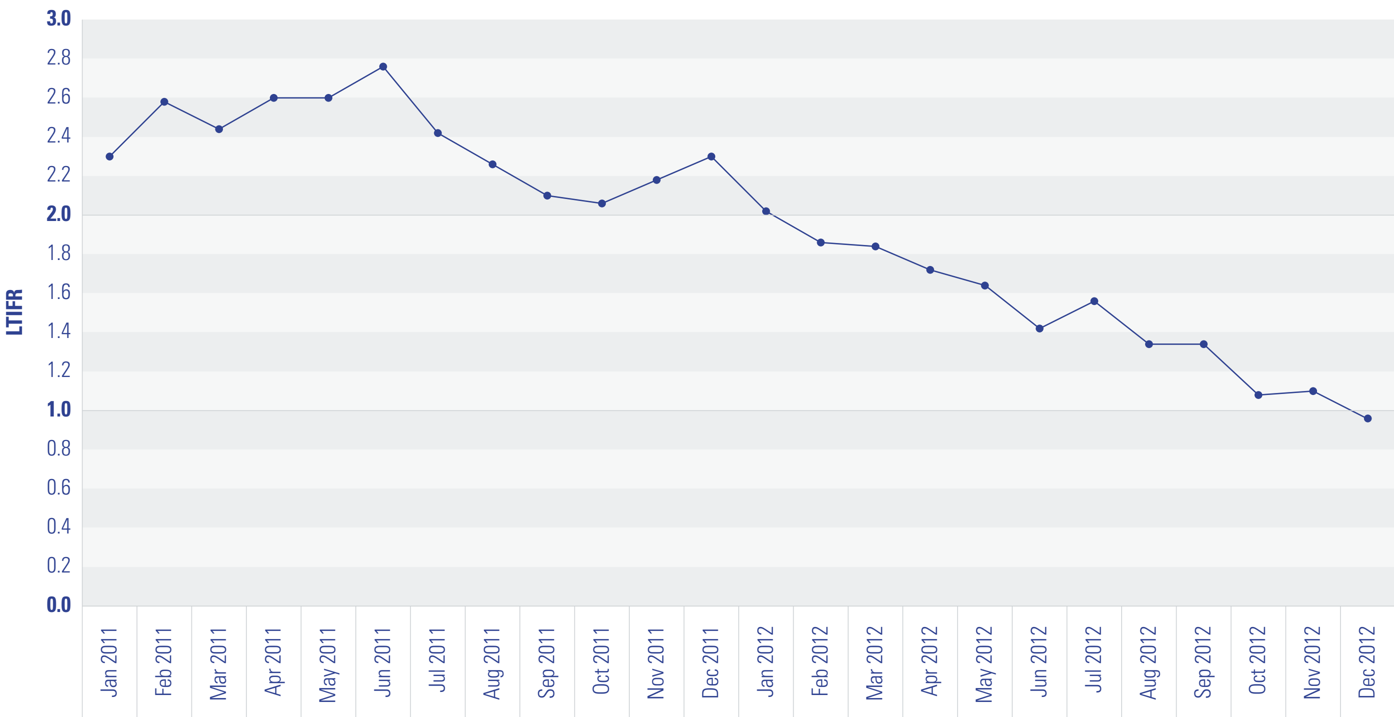
The system facilitates:

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

We have established a Health and Safety Committee chaired by the Group Chief Executive and comprising the Group Finance Director, and the Chief Executives and Health and Safety Managers of Breedon Aggregates England and Breedon Aggregates Scotland. The principal objective of the Committee is to ensure a co-ordinated approach to the Group's management of all Health, Safety and Environmental ("HSE") issues.

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

The following graph shows the improving trend in the Group's LTIFR over the last 2 years. We were pleased to achieve our target of a 50% reduction in 2012 and we are targeting to achieve similar improvements in 2013.



As reported last year, we launched two important new HSE initiatives in 2011. These were further developed during 2012 and are now embedded in the HSE culture of the Breedon Aggregates Group:

1. ***A Visible Felt Leadership*** ("VFL") and Behavioural Safety programme, under which all senior managers are committed to undertaking a minimum number of VFL visits per annum to our operations. During these visits they closely observe what is happening in the workplace and engage employees in a dialogue about how their tasks might be undertaken more safely. In 2012 there were over 750 VFL visits recorded; and

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

We also increased our focus on Near Miss reporting during 2012 as we strongly believe that today's near miss is tomorrow's accident, with the result that the number of incidents reported during 2012 more than doubled compared to the previous year.

EMPLOYEE ENGAGEMENT

One of our most successful initiatives has been *Best of Breedon*, a scheme which encourages employees to come up with practical suggestions for ways we can improve the performance of our business.

Since the scheme was launched at the end of 2010, we have received over 200 suggestions, the great majority of which have been of great practical value to the Group. The most outstanding suggestions have received *Best of Breedon* awards and the winners have been rewarded with attractive 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.

In 2011, we introduced the *Breedon GoodQuarry* scheme, designed to raise operational standards across the Group, identify best practice and highlight those units which were underperforming in key areas. The purpose of *GoodQuarry* is to ensure that all our operations deliver the highest possible standards of safety, environmental and planning compliance, maintenance, efficiency and community relations.

Five units matched the exacting standards of the scheme in our first audit in 2011 and a further seven units achieved *GoodQuarry* status in 2012. Improvement plans have been put in place for others in preparation for future audits.

Following the success of *GoodQuarrry* in creating a business excellence aspiration across the Group, we are now developing a *Breedon GoodContracting* scheme to ensure a similar approach across all of our operating divisions.

All of our employees are kept up-to-date on our activities through our internal newsletter, *From the Rock Face*, which provides information on the performance of the business, major developments in the Group such as acquisitions and new planning consents, and significant HSE initiatives, as well as keeping employees updated on many of the interesting activities of their colleagues such as charitable events and sporting achievements.

EDUCATION AND TRAINING

Our people are the cornerstone on which our business is built and we recognise the importance of ensuring that we maintain their skills and knowledge at the highest possible level. During 2012, Breedon Aggregates Scotland became the first company in the UK to have an internal training scheme – in health and safety for surfacing operatives – accepted as an alternative to the national S/NVQ scheme.

We also recognise that if we are to preserve and improve the skills and knowledge in our business, we need to foster young talent. We have therefore taken on our first four apprentices, aged between 16 and 24, who all made important contributions to our operations at Breedon, Cloud Hill, Orrock and Ethiebeaton during 2012.

ENVIRONMENTAL

Continuous improvement in our environmental performance is critical to ensuring that our activities comply fully with environmental standards and legislation. All of Breedon Aggregates Scotland's business units have achieved BS EN ISO 14001:2004 accreditation and Breedon Aggregates England has 15 accredited units, with a further 11 units actively pursuing accreditation. We are also progressing accreditation to the ISO6001 sustainability standard which takes into account carbon management, water usage reducing the impact of transport and the use of renewable and recycled materials.

Following on from the work undertaken during 2011, we have maintained our commitment to improving energy efficiency and reducing carbon emissions in our operations. During 2012 we developed a Carbon Management Plan that will provide the focus for our future work on carbon reduction. The Plan sets a target to reduce our emissions by 10% by the end of 2014 which offers a significant challenge that we are determined to meet. In 2012 we delivered a further 4.1% reduction in our carbon intensity per tonne of material produced. While these results are encouraging, the challenge for 2013 is to continue year-on-year reduction of emissions whilst maintaining the production levels required to meet demand.

With the growing pressure on us to produce accurate data, we aim to achieve the Carbon Trust Standard during 2013. This will not only verify the data which we produce, but will also formally recognise our strenuous efforts to continue reducing our carbon emissions.

In addition to our current reporting requirements, from 2013 onwards, we will also be reporting to the EU ETS, a European Union-led scheme.

We are continuing to work hard to improve our recycling performance. In England, Breedon Aggregates uses up to 20% RAP (Reclaimed Asphalt Pavement) in its base and binder course materials and our Longwater asphalt plant has constructed dedicated covered storage units for its RAP and fine aggregates. In addition to generating a significant saving in heating costs in the asphalt production process, this is expected to allow the plant to increase its use of RAP by some 50% by the middle of 2013. We are investigating whether this action can be economically replicated at any of our other locations.

In Scotland, we have formed a task force to drive through the use of RAP in our asphalt and this is paying dividends. Our plants at Ethiebeaton, Orrock, Elgin and Oban have been fitted with RAP feed systems which allows us to recycle up to 20% reprocessed asphalt planings as RAP in standard hot mix asphalt base and binder course materials. Asphalt planings that come back from contracting sites are also routinely reprocessed into type 1 sub-base. In addition, we use recycled incinerator bottom ash as aggregate in our Ethiebeaton asphalt plant.

During 2012 we continued to develop opportunities for low energy asphalt products which use special production processes to manufacture standard asphalts at a reduced energy cost. These products can use around 30% recycled asphalt in the mix. Careful balancing of moisture content of feed materials and their temperatures creates a workable product at only 95 degrees centigrade. A huge energy saving is achieved through this reduced final temperature (normal materials have to be heated to around 160 degrees centigrade) and the material is also virtually fume-free at this temperature.

OUR PEOPLE **THEIR STORY**

RYAN STARTED HIS APPRENTICESHIP IN AUGUST 2012, LEARNING HOW TO KEEP PLANT AND MACHINERY RUNNING

I work on both the electrical and mechanical sides of the business, covering the complete range of Breedon Aggregates' plant and machinery from asphalt plants to mobile crushing plants. I'm learning from experts how to keep Breedon Aggregates' plant and machinery running smoothly and efficiently and, above all, safely. That's giving me a good head start in my career. I'm certainly hoping I'm able to stay on with Breedon after I finish my apprenticeship.

During the year, in Scotland, we completed the road testing of Breedon Polymer R+, a new suite of thin surfacing materials which use recycled tyre rubber as a bitumen modifier, replacing highly engineered polymer bitumen with its associated high energy production cost and we are now in discussions with a number of local authorities about extending the trials into England.

Our continuing commitment to encouraging local species in our quarry development plans was demonstrated by the placing of new red squirrel boxes to help provide a new long-term, safe drey habitat. This was carried out in conjunction with Scottish National Heritage.

COMMUNITY ENGAGEMENT

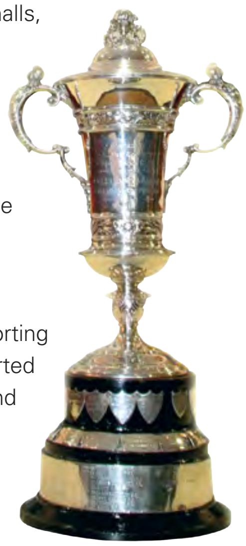
We have established a number of community liaison groups to encourage dialogue between our businesses and the communities in which they operate, tackling such important issues as planning and development, transport and road usage, and community support.

In 2012 we completed the construction of a major new access road to our quarry at Leaton near Telford. This will allow us to increase the output of the quarry whilst considerably improving the impact of the quarry's operations on a neighbouring school. As part of the construction project we built a four metre-high brick wall to provide both visual and noise screening from the school and installed a dust sprinkler system along the length of the road. In addition to the work on the access road, we employed a landscape architect and funded work to transform the school's grounds to create a "forest school area" which is now used to teach pupils about ecology and woodcraft.

During the year, in conjunction with work being undertaken by the Mineral Products Association (MPA), we took part in a number of initiatives aimed at helping to protect vulnerable road users, particularly cyclists. We have added a range of additional sensors, mirrors and cameras to many of our trucks which operate in busy areas. In addition, our East Anglian operations took part in an MPA sponsored initiative at the finish of a major London to Cambridge charity cycle ride aimed at helping cyclists understand the visibility issues faced by truck drivers when cyclists are close to their vehicles. This was particularly pertinent in this region given the number of cyclists to be found in the local student population.

During 2012 we again made contributions to a number of worthy causes in the communities in which we operate. These included contributions of materials to schools, village halls, churches and Jubilee memorial projects around the country.

We have also agreed to continue our successful sponsorship the Highland League Cup, a high-profile football tournament played across our Scottish heartlands and one of a number of local and regional sporting organisations and events supported by Breedon Aggregates north and south of the border.



Ryan Lloyd
Apprentice Electrician
Cloud Hill

DIRECTORS

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 UK Select Trust Limited, Schroders Real Estate Investment Trust Limited, Acorn Income Fund Limited, Unigestion (Guernsey) Limited, Mid Europa Fund Management Limited and The Guernsey Community Foundation LBG.

Simon Vivian
Group Chief Executive
Simon has over 20 years' experience in the aggregates and construction industries. He worked in a number of roles with Hanson PLC 1987-2003, ultimately as a main board director and Chief Executive of Hanson's 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 and managed the disposal of the company's waste management business, Greenways, for £185 million.

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. 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.

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

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

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 Leaf Clean Energy Company and of the Channel Islands Property Fund.

Susie Farnon [1,2,3]
Non-executive Director

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

Ian Peters
Group Finance Director

Ian has more than 25 years' experience in the European aggregates industry, initially in financial controller roles within the UK aggregates business of Hanson. Following the demerger of Hanson plc in 1997, Ian was appointed Group Financial Controller and was involved in the completion of £2.5 billion of acquisitions. He was Finance and Development Director of Hanson Building Materials Europe between 2000 and 2003. After a year as Finance Director, Continental Europe and Asia, in 2004 Ian was appointed General Manager, Continental Europe.

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

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements, for the year ended 31 December 2012.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Breedon Aggregates Limited's principal activity is as a holding company for companies involved in the quarrying, production and sale of aggregates and related activities. Further details of the Group's activities and future developments are included in the Chairman's Statement on pages 8 to 10, and in the Chief Executive's Review on pages 12 to 16.

RISK MANAGEMENT

The Board is ultimately responsible for risk management and continues to develop policies and procedures that reflect the nature and scale of the Group's business. These are designed to identify, mitigate and manage risk, but they cannot entirely eliminate it. Further details of the key areas of risk to the business identified by the Group, together with the Group's operational key performance indicators, are included in the Financial Review on pages 18 to 24.

RESULTS AND DIVIDENDS

For the year to 31 December 2012, the Group's profit before tax was £5.8 million (2011: £1.4 million) and after tax was a profit of £ 5.3 million (2011: £1.2 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
Susie Farnon	Independent Non-executive Director
David Warr	Independent Non-executive Director
David Williams	Non-executive Director

Biographical details of the Directors who held office at the end of the year can be found on pages 32 and 33 and details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 40 to 44.

DIRECTORS' INTERESTS

The Directors in office at 31 December 2012 had interests in the issued share capital of the Company as shown in the table below.

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.

Directors	Ordinary Shares	
	31 December 2012	31 December 2011
Peter Tom CBE (and family)	34,966,665	32,583,333
Simon Vivian (and family)	3,444,445	3,166,667
Ian Peters	1,944,445	1,833,333
Susie Farnon	1,650,000	1,200,000
David Warr	5,055,556	3,500,000
David Williams	13,712,133	13,212,133

There were no changes in the Directors' interests between 1 January 2013 and 5 March 2013.

Beneficial holder	Ordinary Shares	
	Number	%
Invesco Asset Management Ltd	191,844,445	29.50
Marwyn Value Investors LP	146,223,698	22.49
Cenkos Channel Islands Nominee Co Ltd	69,724,602	10.72
Scottish Widows Investment Partnership	54,458,279	8.37
Morgan Stanley	24,054,630	3.70

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that, as at 19 February 2013, 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 above.

EMPLOYEES

The Group recognises the importance of employee involvement in the operation and development of its business units, which are given autonomy within a group policy and structure, to enable management to be fully accountable for their own actions and gain maximum benefit from local knowledge. Employees are informed by regular consultation and internal newsletters of the progress of both their own business units and the Group as a whole.

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

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

The Group made charitable donations of £13,344 in 2012 (2011: £7,552). The Group did not make any contributions to political parties during either the current or the previous year.

PAYMENT OF CREDITORS

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

ANNUAL GENERAL MEETING

Shareholders are being asked at the forthcoming Annual General Meeting to grant the Directors authority to allot up to 150,000,000 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 103,896,580 ordinary shares, which is 15% of the current issued ordinary share capital of the Company (as adjusted for the potential exercise of the outstanding warrants). The Company did not purchase any of its ordinary shares during the year. However, the approval of shareholders is being sought to renew the existing authority to purchase its own shares.

If granted, and unless previously renewed, varied or revoked, each of the authorities described above shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 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, and which expires in September 2015. Further details of the Group's bank facilities are given on page 20.

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
5 March 2013

Simon Vivian
Group Chief Executive

CORPORATE GOVERNANCE

The Directors recognise the value of strong corporate governance and the Company has sought to comply, as far as it is appropriate to do so, with the *Corporate Governance Guidelines for Smaller Quoted Companies* published by the Quoted Companies Alliance in September 2010 (the "QCA Guidelines"), in respect of the accounting year ended on 31 December 2012.

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

THE BOARD OF DIRECTORS

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

The Board considers that each of the non-executive directors brings a senior level of experience and judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. Mrs Farnon 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 and it keeps this under regular review.

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

The Board has conducted a review of its own performance and effectiveness. This review was carried out by way of a survey of each director completing a questionnaire on a range of key processes and procedures. The outcome of that survey was that the Board concluded that it was of an appropriate size for the current stage of the Company's development and its members had a balanced range of functional and sector skills and experience to allow it to carry out its duties effectively.

The Directors explain their responsibilities for preparing the financial statements on page 46 and the Report of the Independent Auditor on page 47 contains a statement of its reporting responsibilities.

BOARD COMMITTEES

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

Remuneration Committee

Throughout the year, the Remuneration Committee comprised solely of non-executive directors. Mr Williams, Mr Warr and Mrs Farnon served on the Remuneration Committee throughout the year. Mr Williams is chairman of the Committee. The Executive Chairman makes himself available to the Committee to discuss the performance of other executives and to make proposals as necessary. The Remuneration Committee's responsibilities are to make recommendations to the Board on terms of service, remuneration and benefits of the executive directors and senior executives of the Group. Where it considers it prudent to do so, the Committee engages external remuneration consultants to advise and assist it. Further details of the terms of reference of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 40 to 44 and are available on the Group's website.

Audit Committee

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

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

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

Nominations Committee

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

MEETINGS ATTENDANCE

The Board met formally 6 times during the year and the attendance of the Directors, who held office at 31 December 2012, 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.

SHAREHOLDER RELATIONS

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

Messrs Williams and Warr, as chairmen of the Remuneration and Audit Committees respectively, and Mrs 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 Executive Chairman ensures that the views of shareholders are communicated to the Board as a whole, and that non-executive directors develop an understanding of the views of major shareholders.

INTERNAL CONTROL

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

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

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

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

DIRECTORS' REMUNERATION REPORT

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 Company Secretary acts as secretary to the Committee. The Committee met 3 times formally in 2012.

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

REMUNERATION POLICY

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

The Group's remuneration policy is as follows:

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

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

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

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

(I) BASIC SALARY

Executive directors' and senior managers' individual salaries and performance incentives are determined by personal factors.

These include the individual's performance as measured by an appraisal process, and any other matters likely to affect a particular executive's value in the employment market.

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

(II) INCENTIVE ARRANGEMENTS

Annual Cash Bonus

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

Transaction Bonuses

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

Long Term Incentive Arrangements

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

The executive directors have subscribed for Participation Shares in the Company's wholly owned subsidiary Marwyn Materials Investments Limited (the "Management Participation Shares"). Further details of the Management Participation Shares, including descriptions of the Growth and Vesting Conditions, are set out in note 19 to the financial statements.

Certain other members of the Group's senior executive management team participate in the Breedon Aggregates Performance Share Plan (the "PSP"). Further details of the awards made under the PSP are set out in note 19 to the financial statements.

(III) PENSIONS

Simon Vivian and Ian Peters are paid a salary supplement equal to 17.5% of their base salary in lieu of a pension contribution.

SERVICE AGREEMENTS / LETTERS OF APPOINTMENT OF THE DIRECTORS

The Directors are party to the following service agreements/letters of appointment with the Company:

(i) Non-executive Directors

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

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

The appointments can be terminated by either party without notice. The non-executive directors each receive a fee for their services of £25,000 per annum payable in equal monthly instalments and are entitled to be reimbursed all reasonable expenses, properly incurred in the course of performing their duties. In addition, Mrs Farnon receives a further £5,000 per annum in recognition of her additional responsibilities as Senior Independent Director. No other benefits are payable. The letters of appointment are governed by Jersey law.

(ii) Executive Directors

Peter Tom CBE

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

The agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Mr Tom. Mr Tom may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Mr Tom. The service agreement is governed by English law.

Simon Vivian

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

The service agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Mr Vivian. Mr Vivian may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Mr Vivian. The service agreement is governed by English law.

Ian Peters

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

The service agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Mr Peters. Mr Peters may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Mr Peters. The service agreement is governed by English law.

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

SUCCESSION PLANNING

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

OUR PEOPLE **THEIR STORY**

JACEK HAS BEEN MAKING UP TO 2,000 TONNES OF ASPHALT EACH WEEK SINCE JOINING BREEDON AGGREGATES IN APRIL 2012

My job brings me in direct contact with our customers and I like that. We're developing new mixes all the time, so that the asphalt meets every possible requirement. Here at Stirlinghill we've been making Breedon Polymer R+ that includes rubber powder from recycled tyres to give superior grip over conventional road surface materials. Sometimes when I'm driving to work I think: This is a good surface and I made it.

DETAILS OF REMUNERATION

The remuneration of the Directors for the year ended 31 December 2012 was as shown in the table below.

					Total		Pension Contributions (note 4)	
	Salary	Bonus (note 1)	Fees (note 2)	Benefits (note 3)	2012	2011	2012	2011
Peter Tom CBE	-	-	447,437	-	447,437	376,897	-	-
Simon Vivian	479,367	258,000	-	4,132	741,499	644,786	-	-
Ian Peters	215,104	112,875	-	4,123	332,102	294,642	9,843	37,187
Susie Farnon	-	-	30,000	-	30,000	25,000	-	-
David Warr	-	-	25,000	-	25,000	25,000	-	-
David Williams	-	-	25,000	-	25,000	25,000	-	-
James Corsellis (note 5)	-	-	-	-	-	10,417	-	-
Total	694,471	370,875	527,437	8,255	1,601,038	1,401,742	9,843	37,187

Notes

1. The bonuses paid and payable to Messrs Vivian and Peters were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme.
2. Included in fees above is an amount of £290,000 (2011: £196,867) in respect of services provided by Rise Rocks Limited, a company in which Mr Tom has a beneficial interest, and the sum of £157,437 (2011: £180,030) which was paid or payable to Rise Rocks Limited as bonuses pursuant to the consultancy agreement between the Company and Rise Rocks Limited.
3. Benefits for Mr Vivian and Mr Peters comprise the provision of private medical insurance and the reimbursement of certain travel costs.
4. In 2011 the Group introduced a Group Personal Pension Plan (the "GPPP") which is funded by way of an HMRC approved salary sacrifice arrangement. Pension contributions paid in respect of Mr Peters therefore include the portion of his salary sacrificed for this purpose. Mr Peters withdrew from the GPPP with effect from 1 April 2012.
5. The fees payable in respect of Mr Corsellis were paid to Marwyn Capital LLP in respect of his services as a non-executive director, and represent their fees until his resignation as a director on 22 July 2011.

MANAGEMENT PARTICIPATION SHARES

Details of Management Participation Shares issued to Directors ("Management Participation Shares") which give rights to participate in an increase in the market capitalisation of the Company are set out in note 19 to the financial statements. At 31 December 2012, the Group had a number of Management Participation Shares outstanding. None of the Management Participation Shares vested during the year.

On behalf of the Board
David Williams
Chairman, Remuneration Committee
5 March 2013

Jacek Labus
Asphalt Plant Operator
Stirlinghill

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

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

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

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

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

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

KPMG

37 Esplanade
St Helier
Jersey
JE4 8WQ
Channel Islands

We have audited the Group financial statements of Breedon Aggregates Limited (the "Group") for the year ended 31 December 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, 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. 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 2012 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

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

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

Andrew P Quinn
5 March 2013
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants

Notes:

1. *The maintenance and integrity of the Breedon Aggregates Limited website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 5 March 2013. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 5 March 2013 which in any way extends this date.*
2. *Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.*

Consolidated Income Statement

for the year ended 31 December 2012

	Note	2012 Underlying £000	2012 Non-underlying* (note 3) £000	2012 Total £000	2011 Underlying £000	2011 Non-underlying* (note 3) £000	2011 Total £000
Revenue	1,2	173,457	-	173,457	168,888	-	168,888
Cost of sales		(126,426)	-	(126,426)	(130,035)	-	(130,035)
Gross profit		47,031	-	47,031	38,853	-	38,853
Distribution expenses		(24,031)	-	(24,031)	(19,816)	-	(19,816)
Administrative expenses		(14,160)	195	(13,965)	(13,349)	(758)	(14,107)
Gain on bargain purchase		-	-	-	-	636	636
Group operating profit	2	8,840	195	9,035	5,688	(122)	5,566
Share of profit of associated undertaking (net of tax)	11	1,033	-	1,033	659	-	659
Profit from operations		9,873	195	10,068	6,347	(122)	6,225
Financial income	6	5	-	5	2	-	2
Financial expense	6	(4,279)	-	(4,279)	(4,842)	-	(4,842)
Profit before taxation		5,599	195	5,794	1,507	(122)	1,385
Taxation	7	(1,392)	885	(507)	(316)	130	(186)
Profit for the year		4,207	1,080	5,287	1,191	8	1,199
Attributable to:							
Equity holders of the parent		4,176	1,080	5,256	1,167	8	1,175
Non-controlling interests		31	-	31	24	-	24
Profit for the year		4,207	1,080	5,287	1,191	8	1,199
Basic earnings per ordinary share	24	0.67p		0.85p	0.21p		0.21p
Diluted earnings per ordinary share	24	0.59p		0.75p	0.20p		0.20p

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Profit for the year		**5,287**	1,199
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**(107)**	(201)
Taxation on items taken directly to other comprehensive income	**7**	**31**	52
Other comprehensive income for the year		**(76)**	(149)
Total comprehensive income for the year		**5,211**	1,050
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		**5,180**	1,026
Non-controlling interests		**31**	24
		5,211	1,050

Consolidated Statement of Financial Position

at 31 December 2012

	Note	2012 £000	2011 £000
Non-current assets			
Property, plant and equipment	8	144,895	151,984
Intangible assets	9	2,295	1,648
Investment in associated undertaking	11	887	792
Total non-current assets		148,077	154,424
Current assets			
Inventories	13	8,048	8,001
Trade and other receivables	14	36,451	34,555
Cash and cash equivalents		5,048	921
Total current assets		49,547	43,477
Total assets		197,624	197,901
Current liabilities			
Interest-bearing loans and borrowings	15	(4,816)	(8,237)
Trade and other payables	16	(31,035)	(33,366)
Provisions	17	(123)	(166)
Total current liabilities		(35,974)	(41,769)
Non-current liabilities			
Interest-bearing loans and borrowings	15	(74,290)	(88,869)
Provisions	17	(6,471)	(7,172)
Deferred tax liabilities	12	(1,540)	(1,059)
Total non-current liabilities		(82,301)	(97,100)
Total liabilities		(118,275)	(138,869)
Net assets		79,349	59,032
Equity attributable to equity holders of the parent			
Stated capital	18	77,586	62,715
Cash flow hedging reserve	18	(171)	(95)
Capital reserve	18	1,945	2,069
Retained earnings		(150)	(5,765)
Total equity attributable to equity holders of the parent		79,210	58,924
Non-controlling interests		139	108
Total equity		79,349	59,032

These financial statements were approved by the Board of Directors on 5 March 2013 and were signed on its behalf by:

Simon Vivian
Group Chief Executive

Ian Peters
Group Finance Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Stated capital	Cash flow hedging reserve	Capital reserve	Retained earnings	Attributable to equity holders of parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2011	61,575	54	2,369	(7,261)	56,737	94	56,831
Shares issued	1,140	-	(300)	-	840	-	840
Dividend to non-controlling interest (note 10)	-	-	-	-	-	(60)	(60)
Disposal of non-controlling interest without a change in control	-	-	-	108	108	50	158
Total comprehensive income for the year	-	(149)	-	1,175	1,026	24	1,050
Credit to equity of share based payments	-	-	-	213	213	-	213
Balance at 31 December 2011	62,715	(95)	2,069	(5,765)	58,924	108	59,032
Shares issued	14,871	-	(124)	-	14,747	-	14,747
Total comprehensive income for the year	-	(76)	-	5,256	5,180	31	5,211
Credit to equity of share based payments	-	-	-	359	359	-	359
Balance at 31 December 2012	**77,586**	**(171)**	**1,945**	**(150)**	**79,210**	**139**	**79,349**

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Cash flows from operating activities			
Profit for the year		**5,287**	1,199
Adjustments for:			
Depreciation and amortisation	4	**11,390**	11,537
Gain on bargain purchase		**-**	(636)
Financial income		**(5)**	(2)
Financial expense		**4,279**	4,842
Share of profit of associated undertaking (net of tax)		**(1,033)**	(659)
Net gain on sale of property, plant and equipment and asset for resale		**(1,084)**	(853)
Equity settled share based payment expenses		**359**	213
Taxation		**507**	186
Operating cash flow before changes in working capital and provisions		**19,700**	15,827
Increase in trade and other receivables		**(1,421)**	(8,665)
Decrease/(increase) in inventories		**111**	(479)
(Decrease)/increase in trade and other payables		**(2,982)**	6,564
Decrease in provisions		**(910)**	(466)
Cash generated from operating activities		**14,498**	12,781
Interest paid		**(2,668)**	(2,903)
Interest element of finance lease payments		**(1,207)**	(1,687)
Dividend paid to non-controlling interest	10	**-**	(60)
Income taxes paid		**-**	(2)
Net cash from operating activities		**10,623**	8,129
Cash flows used in investing activities			
Acquisition of businesses	26	**(1,546)**	(9,770)
Purchase of property, plant and equipment		**(7,323)**	(6,711)
Proceeds from sale of asset for resale		**-**	391
Proceeds from sale of property, plant and equipment		**6,204**	2,609
Proceeds from sale of non-controlling interest	10	**-**	158
Interest received		**5**	2
Dividend from associated undertaking	11	**938**	937
Net cash used in investing activities		**(1,722)**	(12,384)
Cash flows from financing activities			
Proceeds from the issue of shares (net)	18	**14,747**	840
Proceeds from new loans raised		**1,900**	11,000
Repayment of loans		**(11,789)**	(5,522)
Repayment of finance lease obligations		**(6,285)**	(5,953)
Purchase of financial instrument – derivative		**(232)**	-
Net cash from financing activities		**(1,659)**	365
Net increase/(decrease) in cash and cash equivalents		**7,242**	(3,890)
Cash and cash equivalents at 1 January		**(2,194)**	1,696
Cash and cash equivalents at 31 December		**5,048**	(2,194)
Cash and cash equivalents		**5,048**	921
Bank overdraft	15	**-**	(3,115)
Cash and cash equivalents at 31 December		**5,048**	(2,194)

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 5 March 2013.

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

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 37.

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 2012
In 2012, the following standard has been endorsed by the EU, became effective and therefore was adopted by the Group:

- Amendment to IAS 12 – Deferred Tax – Recovery of Underlying Assets.

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 standard, amendments and interpretations has not had a material impact on the Group's financial statements.

New IFRS standards and interpretations not adopted
The IASB and IFRIC have issued 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 July 2012
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income

Effective date 1 January 2013
- IFRS 13 – Fair Value Measurement
- Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities

Effective 1 January 2014
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

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

Notes to the financial statements
(continued)

1 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting policies (continued)

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

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

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

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

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

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

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

No depreciation is provided on freehold land.

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

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

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

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

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

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

Notes to the financial statements
(continued)

1 Accounting policies (continued)

***Impairment** (continued)*
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

Retirement benefits
Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement as incurred.

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

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

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

1 **Accounting policies** (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements
(continued)

2 Segmental analysis

Segmental information is presented in respect of the Group's business segments in line with IFRS 8 - Operating Segments which requires segmental information to be presented on the same basis as it is viewed internally. The Group's Board of Directors, considered as the Group's "Chief Operating Decision Maker" 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 6 and 7. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, related products and services.

Income statement

	2012		2011	
	Revenue £000	**EBITDA* £000**	Revenue £000	EBITDA* £000
England	**91,278**	**11,562**	86,158	9,090
Scotland	**82,179**	**11,345**	82,730	10,316
Central administration and Group properties	**-**	**(2,724)**	-	(2,343)
Group	**173,457**	**20,183**	168,888	17,063

*EBITDA represents underlying EBITDA before share of profit from associated undertaking.

	2012 £000	2011 £000
Reconciliation to reported profit		
Group profit as above	**20,183**	17,063
Depreciation	**(11,343)**	(11,375)
Non-underlying items (note 3)	**195**	(122)
Group operating profit	**9,035**	5,566
Share of profit of associated undertaking	**1,033**	659
Net financial expense	**(4,274)**	(4,840)
Profit before taxation	**5,794**	1,385
Taxation	**(507)**	(186)
Profit for the year	**5,287**	1,199

2 Segmental analysis (continued)

Statement of financial position

	2012 Total assets £000	2012 Total liabilities £000	2011 Total assets £000	2011 Total liabilities £000
England	**101,788**	**(17,707)**	103,817	(20,154)
Scotland	**82,837**	**(15,570)**	85,223	(15,498)
Central administration and Group properties	**7,951**	**(4,352)**	7,940	(5,052)
Total operations	**192,576**	**(37,629)**	196,980	(40,704)
Deferred tax	**-**	**(1,540)**	-	(1,059)
Net debt	**5,048**	**(79,106)**	921	(97,106)
Total Group	**197,624**	**(118,275)**	197,901	(138,869)
Net assets		**79,349**		59,032

Scotland total assets include £887,000 (2011: £792,000) in respect of investments in associated undertakings.

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
2012				
England	**1,350**	**4,191**	**2**	**5,861**
Scotland	**802**	**4,995**	**45**	**2,618**
Central administration and Group properties	**-**	**5**	**-**	**-**
Total	**2,152**	**9,191**	**47**	**8,479**
2011				
England	1,490	3,770	1	4,804
Scotland	860	5,243	161	2,289
Central administration and Group properties	-	12	-	-
Total	2,350	9,025	162	7,093

Additions to property, plant and equipment and other intangible assets 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 businesses. Non-underlying items also include property items, impairments, the amortisation of acquisition intangible assets, changes in the fair value of financial instruments, a gain on bargain purchase and related tax items.

	2012 £000	2011 £000
Included in administrative expenses:		
Redundancy costs	**(382)**	(522)
Acquisition costs	**(168)**	(161)
Gain on property disposals	**153**	156
Loss on disposal of asset for resale	**-**	(69)
Release of provision for environmental and planning	**639**	-
Amortisation of other intangible assets	**(47)**	(162)
	195	(758)
Gain on bargain purchase (note 26)	**-**	636
Total non-underlying items (pre-tax)	**195**	(122)
Non-underlying taxation	**885**	130
Total non-underlying items (after tax)	**1,080**	8

The release of provision for environmental and planning relates to a provision created on acquisition in 2011. The current year credit in respect of non-underlying taxation principally comprises an amount in respect of the agreement of prior year items.

4 Expenses and auditor's remuneration

	2012 £000	2011 £000
Group operating profit has been arrived at after charging/(crediting)		
Depreciation of property, plant and equipment:		
Owned assets	**8,357**	7,785
Assets held under finance lease	**2,986**	3,590
Amortisation of other intangible assets	**47**	162
Gain on sale of property	**(153)**	(156)
Gain on sale of plant and equipment	**(931)**	(766)
Loss on disposal of asset for resale	**-**	69
Operating lease rentals:		
Plant, equipment and vehicles	**602**	204
Other	**924**	859

Auditor's remuneration

	2012 £000	2011 £000
Audit of the Company's annual accounts	**11**	11
Audit of the Company's subsidiary undertakings	**113**	112
Services relating to corporate finance transactions	**8**	20
Taxation compliance services	**42**	40
Taxation advisory services	**45**	48
Other non-audit services	**110**	114
	329	345

5 Remuneration of key management, staff numbers and costs

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

	2012 £000	2011 £000
Salaries and short term employee benefits	**1,074**	932
Directors' fees	**527**	462
Post employment benefits	**10**	37
Equity-settled share based payments (note 19)	**14**	14
	1,625	1,445

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

	Number of employees 2012	2011
England	**395**	346
Scotland	**406**	405
Central administration	**4**	4
	805	755

The aggregate payroll costs of these persons were as follows:

	2012 £000	2011 £000
Wages and salaries	**25,400**	23,244
Social security costs	**2,611**	2,406
Other pension costs	**1,262**	1,101
Equity-settled share based payments (note 19)	**345**	199
	29,618	26,950

6 Financial income and expense

	2012 £000	2011 £000
Interest income – bank deposits	**5**	2
Financial income	**5**	2
Interest expense – bank loans and overdrafts	**(2,778)**	(2,900)
Amortisation of prepaid bank arrangement fee	**(128)**	(123)
Interest expense – other	**-**	(5)
Interest expense – finance leases	**(1,207)**	(1,687)
Unwinding of discount on provisions	**(166)**	(127)
Financial expense	**(4,279)**	(4,842)

Notes to the financial statements

(continued)

7 Taxation

Recognised in the Consolidated Income Statement

	2012 £000	2011 £000
Current tax expense	-	-
Adjustments in respect of prior years	-	(3)
Total current tax	-	(3)
Deferred tax expense		
Origination and reversal of temporary differences		
Current year	1,435	189
Prior year	(928)	-
Total tax charge in the Consolidated Income Statement	507	186

Taxation on items taken directly to Other Comprehensive Income

	2012 £000	2011 £000
Deferred tax expense		
Relating to cash flow hedges	(31)	(52)

Reconciliation of effective tax rate

	2012 £000	2011 £000
Profit before taxation	5,794	1,385
Tax at the Company's domestic rate of 0%*	-	-
Effect of tax rates in foreign jurisdictions*	1,664	514
Expenses not deductible for tax purposes	122	103
Gain on bargain purchase not taxable	-	(169)
Income from associate already taxed	(253)	(175)
Effect of change in rate	(98)	(84)
Adjustment in respect of prior years	(928)	(3)
Tax charge	507	186

* 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 24.5% (2011: 26.5%).

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014, and the December 2012 Autumn Statement announced a planned further reduction to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

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

8 Property, plant and equipment

	Mineral reserves and resources £000	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost				
Balance at 1 January 2011	69,473	22,296	58,621	150,390
Acquisitions through business combinations (see note 26)	5,080	5,395	2,236	12,711
Additions	557	426	6,110	7,093
Disposals	-	(1,978)	(1,604)	(3,582)
Balance at 31 December 2011	75,110	26,139	65,363	166,612
Balance at 1 January 2012	75,110	26,139	65,363	166,612
Acquisitions through business combinations (see note 26)	479	12	404	895
Additions	1,509	225	6,745	8,479
Disposals	(51)	(3,618)	(2,983)	(6,652)
Balance at 31 December 2012	**77,047**	**22,758**	**69,529**	**169,334**
Depreciation				
Balance at 1 January 2011	550	160	2,864	3,574
Depreciation charge for the year	2,350	512	8,513	11,375
Disposals	-	-	(321)	(321)
Balance at 31 December 2011	2,900	672	11,056	14,628
Balance at 1 January 2012	2,900	672	11,056	14,628
Depreciation charge for the year	2,152	492	8,699	11,343
Disposals	-	(248)	(1,284)	(1,532)
Balance at 31 December 2012	**5,052**	**916**	**18,471**	**24,439**
Net book value				
At 31 December 2011	72,210	25,467	54,307	151,984
At 31 December 2012	**71,995**	**21,842**	**51,058**	**144,895**

Leased plant and machinery

At 31 December 2012, the net carrying amount of leased plant and machinery was £19,024,000 (2011: £22,228,000). Depreciation charged on these assets in the year was £2,986,000 (2011: £3,590,000). 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:

	2012 £000	2011 £000
Cost of sales	**10,784**	11,135
Administration expenses	**559**	240
	11,343	11,375

Security

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

Notes to the financial statements

(continued)

9 Intangible assets

	Goodwill £000	Other £000	Total £000
Cost			
At 1 January 2011	1,449	419	1,868
Additions	-	20	20
At 31 December 2011	1,449	439	1,888
At 1 January 2012	1,449	439	1,888
Additions	694	-	694
At 31 December 2012	**2,143**	**439**	**2,582**
Amortisation			
At 1 January 2011	-	78	78
Amortisation for the year	-	162	162
At 31 December 2011	-	240	240
At 1 January 2012	-	240	240
Amortisation for the year	-	47	47
At 31 December 2012	**-**	**287**	**287**
Net book value			
At 31 December 2011	1,449	199	1,648
At 31 December 2012	**2,143**	**152**	**2,295**

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

Impairment tests for cash-generating units containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of cash generating units according to the level at which management monitor that goodwill. At 31 December 2012, goodwill of £1,449,000 (2011: £1,449,000) has been allocated to Scotland and £694,000 (2011: £nil) 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 2013 extrapolated forward for a 30 year period, reflecting the long term nature of the underlying assets, assuming a 1.5% (2011: 2.5%) annual growth rate, based on management's estimate of the industry's revenue and cost growth discounted at a pre-tax rate of 10.0% (2011: 10.0%) and a post-tax rate of 8.5% (2011: 8.5%). Directors estimate discount rates reflecting current market assessment of the time value of money and the risks specific to the cash generating units. The Directors have determined that there has been no impairment.

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

10 Principal Group companies

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

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

Disposal of non-controlling interests

On 12 April 2011, the Group sold a 15% stake in Alba Traffic Management Limited ("Alba") to the management of that company for £158,000, reducing the Group's shareholding from 90% to 75%. The carrying amount of the net assets on the date of disposal was £334,000. As such, in the prior year, the Group recognised an increase in non-controlling interests of £50,000 and an increase in retained earnings of £108,000. Additionally, immediately prior to disposal, a dividend was declared by Alba of which £60,000 was paid to the non-controlling interest.

11 Investment in associated undertaking

	Shares £000
Carrying value	
At 1 January 2011	1,070
Share of profit of associated undertaking (net of tax)	659
Dividends received	(937)
At 31 December 2011	792
At 1 January 2012	792
Share of profit of associated undertaking (net of tax)	1,033
Dividends received	(938)
At 31 December 2012	**887**

Summary financial information on associated undertaking – 100%:

	Assets £000	Liabilities £000	Equity £000	Revenues £000	Net profit £000
2012					
BEAR Scotland Limited	**11,252**	**(8,887)**	**2,365**	**50,694**	**2,754**
2011					
BEAR Scotland Limited	11,701	(9,589)	2,112	59,434	1,757

Notes to the financial statements

(continued)

12 Deferred tax

	1 January 2011 £000	Acquisitions (note 26) £000	Recognised in income £000	Recognised in equity £000	31 December 2011 £000
Property, plant and equipment	(3,297)	(621)	(1,257)	-	(5,175)
Intangible assets	(100)	-	55	-	(45)
Financial instruments – derivatives	(20)	-	-	52	32
Working capital and provisions	3,098	-	(650)	-	2,448
Tax value of loss carry-forwards	18		1,663	-	1,681
	(301)	(621)	(189)	52	(1,059)

	1 January 2012 £000	Acquisitions (note 26) £000	Recognised in income £000	Recognised in equity £000	**31 December 2012 £000**
Property, plant and equipment	(5,175)	(17)	(503)	-	**(5,695)**
Intangible assets	(45)	-	14	-	**(31)**
Financial instruments – derivatives	32	-	-	31	**63**
Working capital and provisions	2,448	-	357	-	**2,805**
Tax value of loss carry-forwards	1,681	12	(375)	-	**1,318**
	(1,059)	(5)	(507)	31	**(1,540)**

There are no unrecognised deferred tax assets (2011: £nil).

13 Inventories

	2012 £000	2011 £000
Raw materials and consumables	**3,801**	3,956
Finished goods and goods for resale	**4,247**	4,045
	8,048	8,001

Inventories (being directly attributable costs of production) of £117,307,000 (2011: £121,729,000) were expensed in the year.

14 Trade and other receivables

	2012 £000	2011 £000
Trade receivables	**32,897**	31,330
Trade receivables due from associated undertaking (note 23)	**535**	349
Other receivables and prepayments	**2,994**	2,868
Financial instruments - derivatives	**25**	8
	36,451	34,555

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.

	2012 £000	2011 £000
Non-current liabilities		
Secured bank loans	**62,822**	72,607
Finance lease liabilities	**11,468**	16,262
	74,290	88,869

	2012 £000	2011 £000
Current liabilities		
Secured overdrafts	**-**	3,115
Current portion of finance lease liabilities	**4,816**	5,122
	4,816	8,237

The bank loans and overdrafts carry a rate of interest of 3% above LIBOR and are secured on the freehold and leasehold properties and other assets of the Company and its subsidiary undertakings and have a final repayment date of 5 September 2015.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2012			2011		
	Minimum lease payments £000	**Interest £000**	**Principal £000**	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	**5,948**	**1,132**	**4,816**	6,500	1,378	5,122
Between one and five years	**13,453**	**1,985**	**11,468**	19,126	3,344	15,782
More than five years	**-**	**-**	**-**	490	10	480
	19,401	**3,117**	**16,284**	26,116	4,732	21,384

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

Net debt

	2012 £000	2011 £000
Net debt comprises the following items:		
Cash and cash equivalents	**5,048**	921
Current borrowings	**(4,816)**	(8,237)
Non-current borrowings	**(74,290)**	(88,869)
	(74,058)	(96,185)

16 Trade and other payables

	2012 £000	2011 £000
Trade payables	**17,716**	18,172
Other payables and accrued expenses	**8,145**	10,249
Other taxation and social security costs	**5,174**	4,945
	31,035	33,366

Notes to the financial statements
(continued)

17 Provisions

	Restoration £000	Other £000	Total £000
At 1 January 2011	3,908	2,328	6,236
Amounts arising from business combinations (note 26)	802	639	1,441
Utilised during the year	(67)	(399)	(466)
Unwinding of discount	127	-	127
At 31 December 2011	4,770	2,568	7,338
At 1 January 2012	4,770	2,568	7,338
Utilised during the year	(115)	(156)	(271)
Released to income statement	-	(639)	(639)
Unwinding of discount	166	-	166
At 31 December 2012	**4,821**	**1,773**	**6,594**

Included in provisions is £123,000 (2011: £166,000) in respect of current amounts and £6,471,000 (2011: £7,172,000) 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 2012	2011
Issued ordinary shares at beginning of year	**561,005,454**	554,003,167
Issued in connection with:		
Placing	**83,333,335**	-
Exercise of savings related share options	**40,699**	-
Exercise of warrants	**2,891,426**	7,002,287
	647,270,914	561,005,454

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 24 April 2012, the Company issued 83,333,335 ordinary shares of no par value at 18.0 pence per share wholly for cash, raising a total of £15,000,000 before expenses and £14,394,000 after expenses.

On 5 July 2012, the Company issued 2,891,426 ordinary shares of no par value at 12.0 pence per share, raising £347,000, in settlement of the exercise of certain warrants issued in September 2010 as part of the reverse takeover of Breedon Holdings Limited.

During the year, the Company issued 40,699 ordinary shares of no par value, raising £6,000, in connection with the exercise of certain savings related share options.

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

18 Capital and reserves (continued)

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

Capital reserve
The capital reserve at 31 December 2012 comprised the fair value of warrants to subscribe for 45,372,954 (2011: 48,264,380) 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 2012, warrants over 2,891,426 (2011: 7,002,287) ordinary shares were exercised and, accordingly, £124,000 (2011: £300,000) was transferred to stated capital.

19 Employee benefits

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

The pension costs charged during the year were £nil (2011: £181,000) in respect of the Ennstone Scheme and £1,262,000 (2011: £920,000) in respect of the Breedon Scheme.

Contributions outstanding to the Breedon Scheme at 31 December 2012 amounting to £103,000 (2011: Breedon Scheme £110,000) are included in payables.

Share based payments

	2012 £000	2011 £000
Management participation shares	**14**	14
Performance share plan shares	**243**	142
Share options	**88**	43
Employee share based payments (note 5)	**345**	199
Marwyn participation shares	**14**	14
Total share based payments	**359**	213

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

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

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

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

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

Notes to the financial statements

(continued)

19 Employee benefits (continued)

Value

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

Management Participation Shares

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

Management Participation Shares issued to Directors:

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

Marwyn Participation Shares

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

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

David Williams, a Director of the Company, by reason of his previous role at Marwyn, retains an indirect interest in the Marwyn Participation Shares.

Valuation of Participation Shares

When the Participation Shares were issued, the Company was an unlisted shell-company and had not entered into any transactions up to that date other than the issue of 2 ordinary shares for £2. The fair value estimation placed on the Participation Shares took into account the lack of trading history of the Company and the absence of any deals or transactions to date. The total amount paid for the Participation Shares, being the nominal value of £3,500, was considered to be the best estimation of the fair value. On modification in 2010, the fair value of the Participation Shares was calculated using a binomial valuation model both immediately prior to and immediately after the modification. The increase in the fair value amounted to £93,000 which will be recognised over the period to 6 September 2013. In the current year, £28,000 (2011: £28,000) has been recognised as an expense in the Consolidated Income Statement in respect of Participation Shares.

The binomial valuation model uses the following assumptions:

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

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.

On 23 May 2011, the Group granted conditional awards over 6,979,451 shares under the PSP (the "Initial Award"). No PSP awards were forfeited, exercised or expired during the year.

Performance Condition

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

Performance Period

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

Valuation of PSP awards

The fair value of PSP awards was calculated using a binomial model which valued the awards at £730,635 which will be recognised over the period to 6 September 2013. In 2012, £243,000 (2011: £142,000) has been recognised as an expense in the Consolidated Income Statement in respect of PSP awards.

The binomial valuation model uses the following assumptions:

Date of grant	May 2011
Share price at date of grant	16.13 pence
Total shares under award	6,979,451
Expected volatility	40%
Risk-free rate	2.41%
Expected term	3.65 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 2011	-	-
Granted during the year	15.7p	5,306,968
Lapsed during the year	15.7p	(190,880)
At 31 December 2011	15.7p	5,116,088
At 1 January 2012	15.7p	5,116,088
Granted during the year	15.6p	2,512,092
Exercised during the year	15.2p	(40,699)
Lapsed during the year	15.6p	(782,313)
At 31 December 2012	**15.7p**	**6,805,168**

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 **2012**	2011	Exercise Price	Exercise period
Breedon Sharesave Scheme	**2,199,617**	2,430,107	16.4p	1 May 2014 to 31 October 2014
Breedon Sharesave Scheme	**2,343,387**	2,685,981	15.0p	1 May 2016 to 31 October 2016
Breedon Sharesave Scheme	**684,467**	-	16.6p	1 May 2015 to 31 October 2015
Breedon Sharesave Scheme	**1,577,697**	-	15.2p	1 May 2017 to 31 October 2017
	6,805,168	5,116,088		

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

	3 year options Granted 2012	5 year options Granted 2012	3 year options Granted 2011	5 year options Granted 2011
Fair value at measurement date	6.0p	7.7p	3.2p	5.3p
Share price at date of grant	20.5p	20.5p	17.5p	17.5p
Exercise price	16.6p	15.2p	16.4p	15.0p
Expected volatility	27.93%	25.64%	18.69%	18.69%
Option life	3 years	5 years	3 years	5 years
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	0.55%	1.05%	1.80%	1.80%

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.

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.

20 Financial instruments (continued)

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	
	2012	2011
	£000	£000
Receivables	**36,426**	34,547
Financial instruments - derivatives	**25**	8
Cash and cash equivalents	**5,048**	921
	41,499	35,476

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	
	2012	2011
	£000	£000
England	**16,778**	17,088
Scotland	**16,119**	14,242
	32,897	31,330

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:

	2012		2011	
	Gross	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	**28,703**	**-**	27,516	-
Past due 0-30 days	**2,375**	**-**	2,217	-
Past due 31-60 days	**870**	**-**	558	-
Past due more than 60 days	**1,711**	**(762)**	1,970	(931)
	33,659	**(762)**	32,261	(931)

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

	2012	2011
	£000	£000
At 1 January	**931**	995
Charged to the Consolidated Income Statement during the year	**302**	281
Utilised during the year	**(471)**	(345)
At 31 December	**762**	931

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 2012

	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	**62,822**	**69,713**	**2,208**	**67,505**	**-**
Finance lease liabilities	**16,284**	**19,401**	**5,948**	**13,453**	**-**
Other liabilities	**25,861**	**25,861**	**25,861**	**-**	**-**
	104,967	**114,975**	**34,017**	**80,958**	**-**

31 December 2011

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

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

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

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 (2011: £64,500,000). This cap matures in March 2013 and caps interest rates (excluding margin) at 2.5% 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 (2011: £nil) which caps interest rates (excluding margin) at 2.0%.

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 2012 was an asset of £25,000 (2011: £8,000). 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.

20 Financial instruments (continued)

Interest rate risk (continued)

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

Carrying amount

	2012 £000	2011 £000
Fixed rate instruments		
Financial liabilities	**(16,284)**	(21,384)
Variable rate instruments		
Financial liabilities*	**(62,822)**	(75,722)
Financial assets	**5,048**	921
	(74,058)	(96,185)

*variable rate financial liabilities include £62,822,000 (2011: £64,500,000) of notional debt subject to an interest rate cap (see above)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates in respect of variable rate instruments at the reporting date would have decreased equity and income and expenditure for a full year by £631,000 (2011: £770,000). A decrease of 100 basis points would have increased equity and income and expenditure for a full year by £315,000 (2011: £616,000). These analyses assume that all other variables remain constant.

Fair values versus carrying amounts

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

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

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

		2012		
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Derivative financial asset	**-**	**25**	**-**	**25**

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

At 31 December 2012, the Group did not have any assets or liabilities classified at Level 1 in the fair value hierarchy (2011: £nil). There have been no transfers in any direction in the year.

Notes to the financial statements
(continued)

20 Financial instruments (continued)

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 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 are minimum underlying EBITDA, interest cover and cash flow cover. The Group complied with covenants at 31 December 2012 and 31 December 2011.

21 Operating leases

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

	2012 Land and buildings £000	**Other £000**	2011 Land and buildings £000	Other £000
Less than one year	**935**	**901**	873	317
Between one and five years	**3,333**	**2,983**	2,995	763
More than five years	**5,669**	**511**	6,103	-
	9,937	**4,395**	9,971	1,080

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

22 Capital commitments

During the year ended 31 December 2012, the Group entered into contracts to purchase property, plant and equipment for £2,206,000 (2011: £225,000). 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 associated undertaking on an arm's length basis. It had the following transactions with this related party during the year:

	Revenue £000	**Purchases £000**	**Receivables £000**	**Payables £000**
2012				
BEAR Scotland Limited	**5,118**	**4**	**535**	**-**
2011				
BEAR Scotland Limited	8,201	54	349	-

23 Related parties (continued)

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

	Revenue £000	Purchases £000	Receivables £000	Payables £000
2012				
Alba Traffic Management Limited	**971**	**423**	**70**	**99**
2011				
Alba Traffic Management Limited	1,056	461	163	95

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

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

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

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

Marwyn Partners Limited was paid £nil (2011: £26,000) (excluding VAT) in respect of office accommodation and Marwyn Capital LLP was paid £nil (2011: £105,000) in respect of corporate finance and administrative services. In addition, Marwyn Capital LLP was paid £nil (2011: £10,417) in respect of the services of James Corsellis as a non-executive Director. At the year end, there were no amounts owed or due from Marwyn Partners Limited and Marwyn Capital LLP in respect of services supplied during the year (2011: £nil).

At the year end, Marwyn Value Investors LP held 146,223,698 (2011: 146,223,698) ordinary shares in Breedon Aggregates Limited. Marwyn Management Partners LP held Marwyn Participation Shares in the Group, details of which are disclosed in note 19.

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 34 to 37 and 40 to 44 respectively.

24 Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders of £5,256,000 (2011: £1,175,000) and on the weighted average number of ordinary shares in issue during the year of 619,801,185 (2011: 557,935,958).

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 £4,176,000 (2011: £1,167,000) and on the weighted average number of ordinary shares in issue during the year as above.

Diluted earnings per ordinary share is based on 704,182,150 (2011: 574,578,561) shares and reflects the effect of all dilutive potential ordinary shares.

Notes to the financial statements
(continued)

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 £13,000 (2011: £149,000).

The Group has guaranteed its share of the banking facilities of BEAR Scotland Limited, the Company's associated undertaking. The maximum liability at 31 December 2012 amounted to £1,838,000 (2011: £1,800,000).

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

26 Acquisitions

On 16 January 2012, the Group acquired the entire issued share capital of Nottingham Ready Mix Limited and on 16 July 2012, the Group acquired the trade and assets of Speyside Sand & Gravel Quarries Limited (comprising Rothes Glen quarry). These transactions have been accounted for as acquisitions.

The fair value of the consideration paid and the net assets acquired, together with the goodwill arising in respect of these acquisitions, are as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	500	(21)	479
Land and buildings	12	-	12
Plant and equipment	260	144	404
Inventories	136	22	158
Trade and other receivables	465	(7)	458
Cash	19	-	19
Trade and other current payables	(577)	(48)	(625)
Other interest bearing loans – current liabilities	(29)	-	(29)
Deferred tax liabilities	-	(5)	(5)
Total	786	85	871
Consideration			
Cash			1,565
Goodwill arising			694

The provisional fair value adjustments comprise adjustments to:

- revalue certain minerals, land and buildings and plant and equipment to reflect fair value at the date of acquisition;
- inventories to reflect fair/net realisable value;
- trade and other receivables to reflect recoverable amounts;
- trade and other current payables to reflect contractual liabilities.

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 £64,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative expenses.

During the year, these businesses have contributed revenues of £3,067,000 and underlying EBITDA of £322,000 to the Group's results. If these acquisitions had occurred on 1 January 2012, the results of the Group would have shown revenue of £173,727,000, underlying EBITDA, before share of associated undertaking, of £20,211,000 and underlying operating profit for the year of £8,863,000.

Cashflow effect
The net consideration shown in the Consolidated Statement of Cash Flows of £1,546,000 in respect of these acquisitions comprises the cash consideration paid of £1,565,000 net of the cash acquired of £19,000.

26 Acquisitions (continued)

Prior year acquisitions

Enneurope Holdings Limited

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

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

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Cash	1,027	-	1,027
Trade and other current payables	(6)	(123)	(129)
Provisions	-	(639)	(639)
Total	1,021	(762)	259
Consideration			
Cash		-	
Fair value of option		259	
Total			259
Goodwill arising			-

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

C&G Concrete Limited

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

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

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

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	4,580	500	5,080
Land and building	3,772	1,623	5,395
Plant and equipment	2,025	211	2,236
Intangibles - other	20	-	20
Inventories	1,157	(409)	748
Trade and other current payables	(140)	(450)	(590)
Other interest bearing loans –current liabilities	(33)	-	(33)
Provisions:			
Restoration	-	(802)	(802)
Deferred tax liabilities	-	(621)	(621)
Total	11,381	52	11,433
Consideration			
Cash			10,797
Gain on bargain purchase			(636)

Notes to the financial statements
(continued)

26 Acquisitions (continued)

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;
- trade and other current liabilities to reflect contractual liabilities;
- provisions to reflect restoration costs to comply with environmental, planning and other legislation;
- deferred tax balances.

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

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

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

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:

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

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

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

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

Property provisions
Estimated onerous lease, environmental and dilapidation costs have been derived on the basis of the most recent assessments of the likely cost. Certain factors concerning these costs are outside the Group's control. In making this assessment the Group has sought the aid of independent experts where appropriate. Further information is included in note 17.

27 Accounting estimates and judgements (continued)

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 Victor Hugo Suite, St. Pierre Park Hotel, Rohais, St. Peter Port, Guernsey GY1 1FD on Friday, 19 April 2013 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 2012, together with the reports of the Directors and Auditor thereon be received and adopted.

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

3. THAT the Directors of the Company be and are hereby authorised to determine the fee payable to the Auditor in respect of the year ending 31 December 2013.

4. THAT David Williams be re-appointed as a director of the Company.

5. THAT Susie Farnon be re-appointed 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 150,000,000 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 103,896,580 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 32,513,545 (being 5% of the share capital of the Company in issue as at 18 March 2013);
(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;

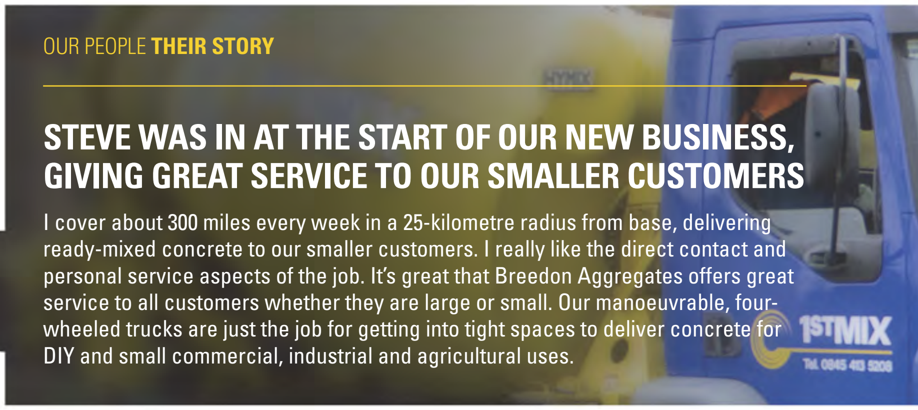
(f) this authority shall only be capable of variation, revocation or renewal by Special Resolution of the Company; and

(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
18 March 2013

Notes

1. Under Jersey law a special resolution requires a two thirds rather than three quarters majority of those voting at the Meeting in person or by proxy to vote in favour of the resolution.
2. Every member who is present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder.
3. A Form of Proxy is enclosed. To be valid, this Form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must reach the Registrar at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than forty-eight hours before the time appointed for holding the Annual General Meeting or adjournment or the taking of a poll at which the person named in the Proxy Form proposes to vote.
4. A member entitled to attend and vote at the meeting convened by this notice is also entitled to appoint one or more proxies. If a proxy other than the Chairman is desired, strike out "the Chairman of the AGM or" and insert the name or names preferred and initial the alteration. A proxy need not be a member of the Company but must attend the meeting in person.
5. If a member wishes his proxy to speak on his behalf at the meeting, he or she will need to appoint his own choice of proxy (which is not the Chairman) and give instructions directly to the proxy. The completion and return of a form of proxy will enable you to vote at the meeting without having to be present at the meeting, but will not preclude you from attending the meeting and voting in person if you should subsequently decide to do so.
6. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If you wish to appoint the Chairman as one of your multiple proxies, leave the words "Chairman of the AGM" on the relevant proxy card.
7. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly (under CREST participant ID RA10) authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by the latest time(s) for receipt of proxy appointments by 2.00 pm on 17 April 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised. In the case of an individual, the form of proxy must be signed by the individual or his or her attorney duly authorised.
11. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy will be accepted to the exclusion of the votes of any other joint holders and for this purpose seniority will be determined by the order in which the names are recorded in the Register of Members.
12. The Directors of the Company will interpret any ambiguous proxy appointments. The Chairman of the meeting will, in his capacity as proxy, interpret any voting instructions he receives. Their respective determinations shall be final.
13. Any alterations made to the Form of Proxy must be initialled by the person who signs it.
14. The Company, pursuant to Article 40 of the Companies Uncertificated Securities (Jersey) Order 1999, specifies that only those members registered in the register of members of the Company 48 hours before the time of the Meeting (being the register of members as at 2.00pm on 17 April 2013 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.



OUR PEOPLE **THEIR STORY**

STEVE WAS IN AT THE START OF OUR NEW BUSINESS, GIVING GREAT SERVICE TO OUR SMALLER CUSTOMERS

I cover about 300 miles every week in a 25-kilometre radius from base, delivering ready-mixed concrete to our smaller customers. I really like the direct contact and personal service aspects of the job. It's great that Breedon Aggregates offers great service to all customers whether they are large or small. Our manoeuvrable, four-wheeled trucks are just the job for getting into tight spaces to deliver concrete for DIY and small commercial, industrial and agricultural uses.

ADVISORS & COMPANY INFORMATION

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JE2 3RT

REGISTERED OFFICE
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Company number 98465

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LEGAL ADVISER
Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD

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 Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Shareholder enquiries can also be made to 0871 664 0300. Calls cost 10p per minute plus network extras. Lines are open 8.30am to 5.30pm, Mondays to Fridays. Enquiries from outside the UK should be made to +44 208 639 3399.

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

CONTACT
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Steven Padgett
1stMix Mini Mixer Driver
Norton Bottoms

BREEDON AGGREGATES

Quality and Service. Delivered.

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