BREEDON
AGGREGATES

Annual Report and Accounts 2010

Essential Products
Scarce Resources

Breedon Aggregates is the UK's largest independent aggregates business after the five global majors. We operate 23 quarries, 18 asphalt plants and 27 ready-mixed concrete plants in England and Scotland.

Breedon Aggregates was created in September 2010 following the reverse takeover of Breedon Holdings Limited, which had acquired certain assets from the former Ennstone plc, by specialist building materials company Marwyn Materials Limited.

We have around 180 million tonnes of mineral reserves and resources in the UK, providing an estimated life of approximately 50 years at current output levels. *(Mineral reserves are defined as reserves which are owned, controlled and planned, whereas resources are controlled by the Group but are subject to planning consent).*

Breedon Aggregates' strategy is to grow through consolidation of the UK heavyside building materials sector. We are listed on the Alternative Investment Market of the London Stock Exchange.

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BREEDON AGGREGATES

Highlights of the year

Financial highlights

Revenue (actual)	£42.7 million	
Underlying EBITDA (actual)†	£3.3 million	
Underlying operating loss (actual)†	£(0.3) million	
Retained loss (actual)	£(5.9) million	
Total non-current assets	£155.4 million	
Revenue (pro forma)*	£143.8 million	+6.2%
Underlying EBITDA (pro forma)*†	£13.7 million	-17.0%

3.6 million tonnes of aggregates sold*
1.2 million tonnes of asphalt sold*
270 thousand cubic metres of ready-mixed concrete sold*

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

Operational highlights

- Management team strengthened with several senior appointments
- Good progress made in repositioning group and tackling underperformance of English business
- Increased emphasis on safety and accident reduction
- Breedon "GoodQuarry" initiative planned for 2011 to raise operational standards
- Procurement and credit terms improved, reducing working capital
- Major new supply and surfacing contracts secured in England and Scotland
- "Best of Breedon" award scheme launched to encourage innovation and business improvement initiatives

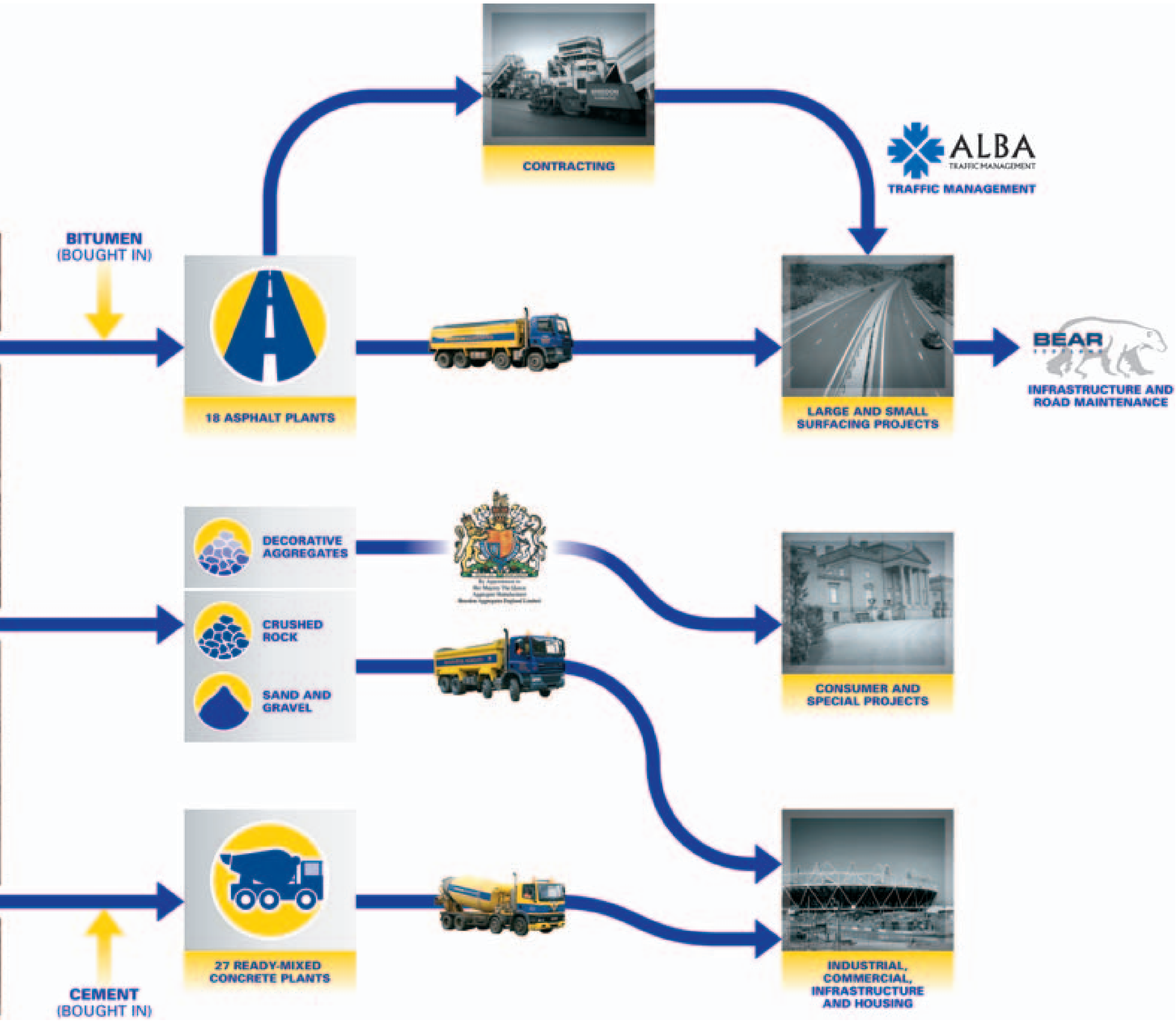
The Breedon Aggregates Product Chain

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

The key to our business is the acquisition of permitted aggregates reserves. New consents are granted sparingly and with stringent conditions. Breedon Aggregates has successfully accumulated more than 180 million tonnes of mineral reserves and resources in the UK – enough to last around 50 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 both for external sale and internal use.

Some of our aggregates are mixed with bought in bitumen to produce a variety of speciality surfacing products at our 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 to produce ready-mixed concrete for sale to commercial, industrial, infrastructure and housing developers.

We also supply an exclusive range of decorative aggregates, sold loose or bagged, which is used in a wide range 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 tourist attractions and stately homes.

Our fleet of nearly 200 specialist vehicles deliver the full range of our products to customers around the UK.

Through our associate company, BEAR Scotland Limited, we maintain and manage much of the trunk road infrastructure in Scotland.

We also own a majority interest in Alba Traffic Management Limited, a leading provider of traffic management solutions throughout Scotland.

Our Areas of Operation

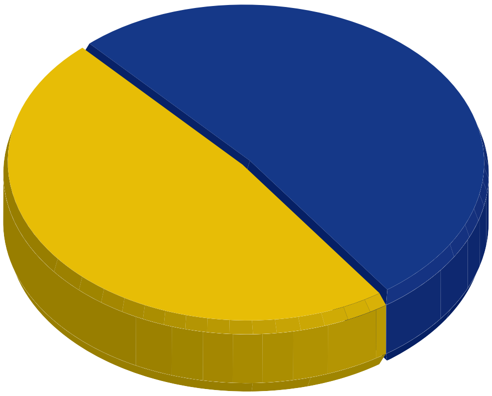
We have two fully integrated, autonomous businesses, in England and Scotland, each with its own management team.

Breedon Aggregates England

Our English operations are headquartered at Breedon on the Hill, near East Midlands Airport, and employ approximately 300 people across the country. We operate 6 quarries, 7 asphalt plants and 5 ready-mixed concrete plants, supplying primarily the West Midlands into mid-Wales, the East Midlands and East Anglia. Our English contracting services business serves an area from the east coast to mid-Wales and from the M62 to the South Midlands. Breedon Aggregates England is headed by chief executive Tim Hall.

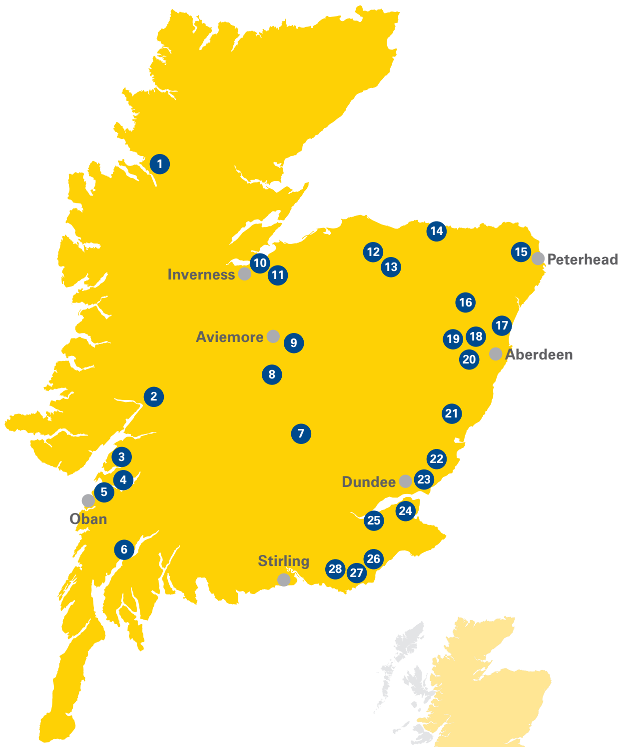
Breedon Aggregates Scotland

Our Scottish operations are headquartered at Ethiebeaton, near Dundee, and employ approximately 400 people across the country. We operate 17 quarries, 11 asphalt plants and 22 ready-mixed concrete plants, together with a substantial contracting services business, supplying primarily the north, west and east of Scotland. We also own 37.5% of the leading road maintenance and management company BEAR Scotland Limited and a majority shareholding in specialist traffic management company, Alba Traffic Management Limited. Breedon Aggregates Scotland is headed by chief executive Alan Mackenzie.



Pro forma revenue generated

England	47.8%
Scotland	52.2%



Key

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

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 Concrete Plant
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	Kirkcaldy Concrete Plant
27	Orrock Quarry
28	Dunfermline Concrete Plant

England

29	Mansfield Asphalt Plant
30	Leaton Quarry
31	Leinthall Quarry
32	Breedon Quarry*
33	Cloud Hill Quarry
34	Ling Hall Asphalt & Concrete Plant
35	South Witham Quarry
36	Corby Asphalt & Concrete Plant
37	Shropham Quarry**
38	Longwater Asphalt Plant

*Decorative Aggregates are also available bagged **Recycled Aggregates only

BREEDON AGGREGATES

Chairman's Statement

"Our objective is simple. We want to be the most profitable business in the UK aggregates industry"

I would like to begin by welcoming all those new shareholders who supported us in our recent fundraising and enabled us to make our maiden acquisition in the UK aggregates sector. I would also like to thank those of you who have been with us since the creation of Marwyn Materials and waited patiently for us to secure our first platform investment, including our largest investor, Marwyn Capital, whose innovative investment strategy lay behind the genesis of our business.

Our purchase of Breedon Holdings and the creation of Breedon Aggregates on 6 September 2010 represented a unique opportunity to secure a firm foothold in a sector where substantial assets become available very rarely. In doing so, we immediately took our place as the UK's largest independent aggregates producer after the five global majors, with some 180 million tonnes of mineral reserves and resources – enough to last us more than 50 years at current rates of production.

You will find a detailed overview of the Group, our products and the markets we serve on pages 2 to 5 of this report.

We hit the ground running as soon as the acquisition was completed. Within the first month we had completely rebranded the new group and met the great majority of our 700 employees at a series of roadshows in England and Scotland. We were surprised and delighted by how positively our arrival was received and even more pleased at the near 100 per cent take-up of our offer to each employee of 500 free shares in the new company, which means that almost every one of our colleagues now has a personal stake in the future of our business. I extend a special welcome to you all.

Our Group Chief Executive, Simon Vivian, and his team made great strides towards repositioning the Group in the first three months under our ownership. The senior management team was strengthened, a number of early operational improvements were made and we embarked on a rigorous programme of health and safety initiatives to ensure a safer working environment for everyone in the business.

In trading terms, 2010 presented a mixed picture. Sales volumes in England were ahead of the previous year, whilst those in Scotland were slightly down, both impacted heavily by the severe weather in December. Nevertheless, we were pleased to report a satisfactory outturn for the full year, with pro forma EBITDA of £13.7 million on pro forma revenues of £143.8 million. Year-end borrowings at £92.3 million were lower than our expectations and we remain focused on reducing this debt as quickly as possible. I would particularly like to thank our lending banks, led by Barclays, for their constructive support following completion of the acquisition.

You will find a detailed review of Breedon Aggregates' progress during the year in your Group Chief Executive's Review on pages 9 to 11 of this report.

In October, we took steps to strengthen the Board and were pleased to welcome Ian Peters as Group Finance Director and Susie Farnon as an independent non-executive director. Ian is highly experienced in our industry, having worked in senior positions within Hanson for many years. He joined the senior management team of Marwyn Materials in 2008 and worked closely with us on the acquisition of Breedon Holdings.

Susie was formerly banking and finance partner and head of audit with KPMG Channel Islands and is a Commissioner of the Guernsey Financial Services Commission. On behalf of shareholders, I would like to welcome them both to the Board.

Looking ahead, our objective is simple. We want to be the most profitable business in the UK aggregates industry. We will achieve this by being nimble and flexible, and above all by providing a higher value local service than our competitors. Evidence of the success of this strategy is already apparent: we have been consistently winning new business around the Group and our commercial teams are highly motivated and energetically pursuing every opportunity available to them.

There is no doubt that 2011 will continue to be very challenging, as the UK economy struggles to return to sustainable growth. We also face the challenge of sharply rising oil prices: these have a significant impact on the cost of bitumen, gas oil and diesel, which takes time for us to pass through in our pricing. However, with the UK and Scottish Comprehensive Spending Reviews behind us, we have at least been able to plan ahead with greater clarity. It is obviously difficult to predict within any certainty exactly where public spending cuts will fall in the current year, but the UK manufacturing sector is showing a steady recovery and we remain optimistic about the prospects for the private sector generally. I am confident that we have the right assets in place – in terms of people, minerals and management – to deliver a resilient performance even if the economic recovery takes longer than expected and to take full advantage of the market upturn when it comes.

I said at the outset that Breedon Aggregates represents a platform for growth. We are ambitious to develop the Group both organically and through bolt-on acquisitions of earnings-accretive aggregates businesses. To this end, we continue to pursue several potential prospects and believe that promising opportunities will also be created by the continuing consolidation of the UK aggregates industry in the year ahead.

I would like to close by thanking every one of our employees for the enthusiasm and commitment they have shown since we took control of the Group. Breedon Aggregates in its various forms has a long and distinguished heritage in the UK aggregates industry and I have been personally struck on many occasions by the pride and dedication of our people. They have earned the appreciation of every member of the Board and senior management team and we all look forward to working together to secure the promising future which we all believe lies ahead for our business.

Peter Tom CBE
Executive Chairman
30 March 2011

"Our strategic imperatives will be: safety of our employees, service to our customers and value for our shareholders."

BREEDON AGGREGATES

Chief Executive's Review

Breedon Aggregates was established in September 2010 when Marwyn Materials Limited acquired the business from a banking group led by Barclays Bank PLC, which had owned it since the former Ennstone plc went into administration in March 2009. The directors and management team believe that the terms of the agreement with the banks, and the partial refinancing of the business, mean that we are in a strong position to improve performance and take advantage of further opportunities to grow through additional investment and acquisition.

Our Business

Breedon Aggregates is the UK's largest independent quarrying business with 23 quarries, 18 asphalt plants and 27 ready-mixed concrete plants. Operations in England extend from East Anglia, across the Midlands to mid-Wales. In Scotland, we have a strong regional presence everywhere north of the Glasgow/Edinburgh M8 corridor. We have consented mineral reserves of 95 million tonnes, sufficient for 27 years' life at current production rates. We also control a further 85 million tonnes of resources subject to planning. During the year we succeeded in getting planning consents for a further 4 million tonnes at our Cloud Hill quarry.

In the full year we sold 3.6 million tonnes of aggregates, 1.2 million tonnes of asphalt and 0.27 million cubic metres of concrete. We also manufacture a number of speciality products including the famous Breedon Golden Amber gravel which holds the Royal Warrant and has recently been specified for use on the pathways of the 2012 Olympic village.

In the UK, the market is dominated by Tarmac (owned by Anglo American) and 4 global cement companies: Lafarge (French), Heidelberg (German), Cemex (Mexican) and Holcim (Swiss). We take pride in the fact that we are a British company, based in the Midlands, focused on providing quality materials to our local customers. Our head office, regional offices and sales offices are all located in our quarries which means that staff at all levels are close to the day-to-day operations of the business.

We believe that our local presence enables us to respond quickly and effectively to our customers' needs, and central administrative functions are kept to a minimum so that maximum resource can be deployed in production and sales.

The barriers to entry in the UK aggregates market are high. Restrictions on development and planning have meant that virtually no new rock quarries have been started for many years. Opportunities to acquire these businesses are rare and we believe that our shareholders have been fortunate to secure a significant presence in the market on attractive terms.

Operational changes

Good progress has been made in repositioning the Group for the future and tackling the issues associated with the underperforming business in England, where market share has been lost and margins are significantly below those achieved in Scotland. Tim Hall, a former Tarmac director, joined us in October as Chief Executive of the English business. A number of other senior appointments have followed and we are currently recruiting a replacement safety manager as performance in this area has not been acceptable in the English business. We now have the team in place to deliver the improvements needed over the next few years. The business in Scotland continues to be led by Alan Mackenzie and we will be looking to build on the success that this region has achieved historically.

Chief Executive's Review (cont)

We launched Breedon Aggregates with a series of staff presentations in September which were extremely well received and we were delighted with the positive response to our vision for the future. We have a loyal, motivated and flexible workforce which is a great foundation for us to build on.

Following the refinancing of the business, we have been able to improve procurement and renegotiate credit terms with some key suppliers, reducing working capital. The rebranding of the business is complete with all costs taken in 2010. A new website has also recently been launched.

A large amount of surplus plant and equipment has been sold and we are working on several land disposals, some of which should be concluded in the current year. We have commenced a review of our haulage fleet with the intention of improving efficiency. The contracting business in England has been reorganised and scaled back. The reduced cost base, together with greater local focus, will improve the performance of this division in the coming year.

We have introduced the "Best of Breedon" award scheme which encourages employees to come up with ideas to improve our business. A tremendous response was received to the inaugural competition and 4 winners received prizes. A second competition has recently been launched.

A scheme to improve the operational, environmental and safety standards at all of our quarries is to be launched shortly. The Breedon "GoodQuarry" project will be focused on raising standards at all of our units, where we see the scope for significant improvement.

Trading Summary

Pro forma Group turnover for 2010 was 6.2% higher than the previous year. This increase was driven by the English business where sales volumes of all products were ahead of 2009. Snow and freezing temperatures affected activity in January and December, particularly in Scotland. The poor weather led to many sites closing early in December and material deliveries fell away sharply after the first week. Our associate company, BEAR Scotland, which maintains the trunk road network in the north east and south east of Scotland, had significant additional costs and incurred losses in the month of December.

Selling prices of most products increased during the year ahead of inflation, but this was insufficient to offset haulage, bitumen and fuel cost increases and as a result pro forma underlying EBITDA (before our share of associated undertakings) for the 12 months declined by £2.8 million to £13.7 million; however this was in line with the result anticipated when we undertook our due diligence in August 2010. Further price increases were notified to our customers in January and March 2011 to try and recover these costs.

A number of major contracts were supplied during the year including the Rolls Royce factory near Derby, and a major road reconstruction at Fochabers near Elgin in Scotland. House building picked up from the very low levels experienced in 2009 and a number of customers, including Barratt and Westleigh, were supplied with aggregates and ready-mixed concrete. In general, we saw a sustained recovery in private sector construction while the public sector was extremely busy in the run up to the general election but slowed gradually throughout the rest of the year.

As with most aggregates businesses, our customer base is broad and covers both public and private sectors. The business in England has a greater exposure to the private sector and maintenance markets while Scotland has greater exposure to government spending through its contracts with BEAR Scotland and Scotland Transerv which both work directly for Transport Scotland. We estimate the proportion of our business that is related to the public sector to be 60% in Scotland and 25% in England. A major success was achieved in winning the framework contract for Scottish Water and the benefit of this will build up during 2011.

Our strategy

We aim to be the safest, most profitable and best run aggregates business in the UK. Our strategic imperatives will be: safety of our employees, service to our customers and value for our shareholders. We will develop and build close trading relationships with our key customers and seek to continuously improve our service levels to them. The culture of our group will be entrepreneurial, agile and responsive. We can take decisions quickly and will not allow bureaucracy to inhibit the internal or external management of the business.

The acquisition of Breedon provides us with a great platform to build on and we believe that there will be significant opportunities to grow the business, both through acquisition and greenfield development. A number of opportunities are currently being reviewed but we will only make additional investments where we are confident that value for shareholders can be created.

The recent announcement by Tarmac and Lafarge that they intend to merge their operations in the UK is likely to result in a number of disposals to meet regulatory requirements and this could present an opportunity for us.

Business outlook

We believe that private sector construction activity will continue to grow in 2011. The early part of the year has been busy as work delayed from last year is completed. We have secured a number of contracts, including the A9 trunk road improvement scheme at Crubenmore in Scotland.

The likely effect of the spending review on local authority maintenance budgets is difficult to predict. Our exposure to this is greater in Scotland but the severe weather has further degraded the condition of the roads and triggered a political rethink on the proposed expenditure cuts. In addition, elections to the Scottish parliament in May mean that the SNP government will want to be seen to be reacting to public concerns about road maintenance.

The latest Construction Products Association forecasts for the UK expect output to decline by 2% in 2011 and 0.7% in 2012 before increasing by 1.6% and 2.6% in the following two years. The government has recently announced an additional £100 million of funding to tackle emergency road repairs in England and the importance of maintaining core infrastructure seems to be increasingly recognised by the main political parties. Our view of the markets that we operate in is that volumes will fall slightly in Scotland and increase slightly in England.

Despite the market uncertainty and the volatility in oil related input costs, we aim to deliver improved results in 2011.

Simon Vivian
Group Chief Executive
30 March 2011

BREEDON AGGREGATES

Financial Review

I am pleased to report on the results and financial statements of Breedon Aggregates Limited (formerly Marwyn Materials Limited) for the year ended 31 December 2010. The acquisition of Breedon Holdings Limited ("Breedon") was completed on 6 September 2010 and therefore the Consolidated Income Statement and Statement of Financial Position incorporate the results of Breedon from that date.

Breedon is the UK's largest independent aggregates producer, which we acquired for a total consideration of £2.25 million in cash together with warrants to subscribe for 55,266,667 ordinary shares at an exercise price of 12.0 pence per share (representing 9.1 per cent of the enlarged share capital of the Company), valued on acquisition at £2.4 million.

In view of the size of Breedon, this acquisition constituted a reverse takeover pursuant to Rule 14 of the AIM Rules for Companies and as such required the approval of shareholders, which was given at an extraordinary general meeting held on 1 September 2010. The admission document relating to this reverse takeover is available on the Company's website at www.breedonaggregates.com.

The Company also raised £50.0 million (before expenses) by the issue of 416,666,667 placing shares at 12.0 pence per share. The net proceeds of this placing were £48.3 million and were used to pay down some of Breedon's existing debt, to provide approximately £25 million to fund the ongoing working capital of the enlarged group and to finance potential future acquisitions.

Following completion of the acquisition of Breedon, the Company changed its name to Breedon Aggregates Limited.

Revenue for the year (all generated since 6 September) was £42.7 million (2009: £nil). This was adversely influenced by severe weather in December that caused major disruption to our activities in Scotland and to a lesser degree in England.

Underlying earnings before our share of associated undertakings, interest, tax, depreciation and amortisation (EBITDA) were £3.3 million (2009: loss £0.9 million). Underlying Group operating profit was a loss of £0.3 million (2009: loss £0.9 million). Of this, a loss of £0.6 million was incurred prior to the acquisition of Breedon. Underlying results are stated before acquisition related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles and changes in the fair value of financial instruments.

Divisional Performance – Unaudited Pro forma

In order to aid understanding of the business performance and provide a meaningful year-on-year performance comparison, we have included below unaudited pro forma figures for the full calendar year of 2010 and a comparison with the full calendar year of 2009.

	2010 12 months £'m	2009 12 months £'m	Variance
Revenue:			
Scotland	75.0	77.7	(3.5)%
England	68.8	57.7	19.2%
Total	143.8	135.4	6.2%
Underlying EBITDA:			
Scotland	10.2	14.2	(28.2)%
England	5.5	5.6	(1.8)%
Head Office	(2.0)	(3.3)	39.4%
Total	13.7	16.5	(17.0)%
Margin	9.5%	12.2%	

The market environment generally remained very competitive following the significant volume declines seen in 2008 and 2009. After a challenging start to the year, exacerbated by harsh weather conditions, we began to see some benefit from the previous government's financial stimulus and from essential road maintenance.

Turnover during the second and third quarters therefore improved, driven by increased volumes – especially in asphalt – and slightly improved pricing. The return of severe weather conditions late in the year had a marked impact on the business in the final quarter, especially in Scotland.

For the 12 months as a whole, aggregates volumes were flat at 3.6 million tonnes, whilst asphalt volumes were 9.8 per cent up at 1.2 million tonnes. Asphalt volumes in England were ahead but in Scotland were down approximately 5 per cent. Higher input costs, particularly from bitumen (a key ingredient in the production of asphalt) are gradually being passed on to customers; however, EBITDA margins across the business were down year-on-year due to the inevitable time-lag between increased costs and higher selling prices.

Turnover for the pro forma 12 months was £143.8 million, a 6.2 per cent increase on the pro forma figure for the same period in 2009. Pro forma underlying EBITDA of £13.7 million was £2.8 million down year-on-year, with our challenge for the future being to restore the historic level of margin generated in the business.

Non-underlying items

Non-underlying items in the year were £4.5 million. These included £3.8 million of acquisition costs associated with the acquisition of Breedon and £0.8 million of post-acquisition reorganisation and redundancy costs together with a gain on a financial instrument of £0.3 million.

Interest and Tax

Net finance costs in the year totalled £1.6 million and included interest costs on the Group's bank finance facilities as well as interest on finance leases and hire purchase agreements.

A tax credit of £0.4 million was recognised in the year, resulting in an effective tax rate for the full year of 6.8 per cent.

Earnings Per Share

Basic loss per share ("EPS") for the year was 2.19 pence (2009: 0.61 pence), struck after the non-underlying items mentioned above. Underlying basic EPS for the year was a loss of 0.58 pence.

Statement of Financial Position

Net assets at 31 December 2010 were £56.8 million (2009: £11.7 million). The Company issued 418,003,167 ordinary shares during the year; of these, 416,666,667 were issued as part of the placing to fund the Breedon acquisition, 1,000,000 were issued as settlement of transaction-related bonus payments and 336,500 were issued as a gift to employees.

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

Cash flow

Cash generated from operations was £2.8 million. The Group spent £11.4 million on acquisitions and had a cash spend on capital expenditure projects of £1.2 million. £48.3 million was raised through the placing of shares which was utilised to reduce the bank debt in Breedon and provide a fund for potential future acquisitions, and £0.3 million was raised from the disposal of surplus assets in the Group. Repayment of finance leases totalled £2.0 million, resulting in a net cash outflow for the year of £10.2 million.

Net debt at 31 December 2010 was £92.3 million (2009: net cash £11.9 million).

Financial Review (cont)

Bank Facilities

The Group's bank loans have a maturity date of 5 September 2015 and are subject to a floating interest rate based on LIBOR plus a margin. At 31 December 2010, total undrawn facilities available to the Group amounted to £25.4 million.

The Group's bank facility is subject to covenants which are tested quarterly. These covenants are: group interest cover, minimum underlying EBITDA and, with effect from 30 September 2011, group cash flow cover. The results of the covenant calculations at 31 December 2010 were:

	Actual	Covenant
Interest cover	2.26	1.58
Minimum EBITDA	£13.7m	£8.0m

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

The Group has in place an interest rate hedge purchased in September 2010 which mitigates the risk of interest rate rises on £64.5 million of bank loans. The effect of the hedge is to cap the LIBOR element of the interest rate at 1.5 per cent until 30 September 2011, at 2.0 per cent from 30 September 2011 until 28 September 2012 and at 2.5 per cent from 28 September 2012 to 28 March 2013. The net fair value of this instrument at 31 December 2010 was £0.3 million.

Dividends

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

Risk

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

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

The Group is heavily reliant on energy and fuel oil to produce its products and get them to market. The recent fluctuations in crude oil prices underline the volatility of these products and we have introduced a strategic purchasing plan which attempts to spread the risk by a combination of better buying, fixed-term contracts and spot prices. However we remain exposed to the inflationary cost increases on bitumen, gas-oil and diesel. The solution to this 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.

The Group has demonstrated that over time it can recover its cost increases from the end customer, helped by investment in both new products and modern, efficient plants. There is, however, a risk in an industry dominated by large multinationals that one of the industry's larger players may attempt to gain an advantage by reducing prices in the short term to secure market share. However, the Group is a low-cost producer in all its regions and is able to sustain short-term price erosion.

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

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

Planning consents are required in order to utilise the Group's mineral reserves and to build and operate added-value processing plants such as asphalt and concrete plants. The planning regime is slow and laborious and gaining permissions becomes more onerous to achieve every year. However, we adopt a very proactive approach. We involve all stakeholders in early consultation and regularly meet with local communities in organised liaison groups. We believe our policy of early consultation with our various stakeholders is the reason why we have such a successful track record in securing key permissions.

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

Key performance indicators

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

Earnings per share and market value growth

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

EBITDA

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

Cash management

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

Non-financial KPIs

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

Other KPIs

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

Ian Peters
Group Finance Director
30 March 2011

Directors

Peter Tom CBE (Executive Chairman)

Peter has more than 50 years' experience in the aggregates industry. He joined Bardon Hill Quarries Limited as a school-leaver in 1956, becoming managing director in 1977 and chief executive of Bardon Group plc in 1985, overseeing the company's transition from a privately-owned regional quarrying operation to a publicly-listed building materials Group. Peter expanded the Group internationally with a series of acquisitions in the Unites States in the late 1980s and 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. In 2005 Peter oversaw the negotiations which led to the successful acquisition of Aggregate Industries by Swiss building materials Group Holcim Limited for £1.8 billion. He assumed the role of non-executive Chairman of Aggregate Industries in 2006, a position he held until his resignation in December 2007. Peter served as chairman of the aggregates industry's trade association in 1997, managing its amalgamation that year with two related associations to form the Quarry Products Association. In addition, Peter has been Chairman of Leicester Rugby Football Club (Leicester Tigers) since 1997. He is also Chairman of Leaf Clean Energy Company and of the Channel Islands Property Fund.

Simon Vivian (Group Chief Executive)

Simon has over 20 years' experience in the aggregates and construction industries. Most recently, he was Chief Executive of Mowlem plc (2004 - 2006) leading an organisation with over 25,000 employees, generating revenues of £2.2 billion from operations in the UK, US and Australia. Whilst in the role, Simon implemented a Group wide operational re-organisation reducing overheads by over £8 million and strengthening risk management processes in the business. In December 2005, Mowlem received a cash and shares offer from Carillion plc and Simon negotiated a final exit price at a premium for shareholders. Prior to Mowlem, Simon worked in a number of roles with Hanson plc (1987 - 2003), ultimately as a main board director and the Chief Executive of Hanson plc's European Building Materials business. He oversaw operations in eight European countries employing over 8,000 people and generating EBITDA of £200 million. Whilst with Hanson, he executed and integrated the £1.5 billion acquisition of Pioneer International Ltd and managed the disposal of the company's waste disposal business for £185 million.

Ian Peters (Group Finance Director)

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

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

Advisors & Company Information

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

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

Registered in Jersey
Company number
98465

James Corsellis (Non-executive Director) [1]

James founded one of the earliest strategic technology consultancies in 1994 and was Chief Executive Officer of icollector plc, a leading provider of live auction trading platforms. He later negotiated the joint venture with eBay, which saw icollector become the exclusive partner worldwide for traditional auction houses.

At Marwyn, James Corsellis has, alongside fellow managing partner Mark Watts, undertaken 72 transactions raising close to £1.3 billion in acquisition funding for Marwyn backed management teams and special purpose acquisition vehicles from 2002 to date. He is a Managing Partner in Marwyn Capital LLP and Marwyn Investment Management LLP. James is currently the non-executive Chairman of Entertainment One Ltd and a non-executive Director of E-One UK Limited, Marwyn Value Investors Limited, and Marwyn Capital I Limited.

Susie Farnon (Non-executive Director) [1,2]

Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit at KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission and The Guernsey Public Accounts Committee. She is a Commissioner of The Guernsey Financial Services Commission and a Director of Dexion Absolute Limited, New River Retail Limited, Standard Life Investment Property Income Trust, Cenkos Channel Islands Limited and Bailiwick Investments Limited. Susie was appointed to the Board of Breedon Aggregates Limited on 1 November 2010.

David Warr (Non-executive Director) [1,2]

David joined the accountancy practice of Reads & Co in Guernsey in 1972. He qualified as a Chartered Accountant in 1976 and is a fellow of the Institute of Chartered Accountants in England and Wales. David became a partner in Reads & Co in 1981 and held a variety of executive positions within the firm helping to develop it into a broad-based financial services business which was sold in 1999. David currently holds a number of non-executive director positions including FRM Diversified Alpha Limited, UK Select Trust Limited and Invista Foundation Property Trust Limited.

David Williams (Non-executive Director) [2]

David has over 36 years' 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.

1 Member of the Audit Committee
2 Member of the Renumeration Committee

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

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

Registrars
Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey
JE2 3RT

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

Directors' Report

The Directors present their report, together with the audited financial statements, for the year ended 31 December 2010.

Principal activity and Business review

Breedon Aggregates Limited (previously Marwyn Materials Limited) was established to acquire controlling interests in building materials businesses, both listed and unquoted, in the UK, Europe and US, creating shareholder value through market consolidation.

On 6 September 2010, the Company completed a reverse takeover of Breedon Holdings Limited and was renamed as Breedon Aggregates Limited.

Since the reverse takeover of Breedon Holdings Limited, the Company's principal activity has been that of 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 6 and 7, and in the Chief Executive's Review on pages 9 to 11.

Risk management

The Board is ultimately responsible for risk management and continues to develop polices and procedures that reflect the nature and scale of the Group's business. These are designed to identify, mitigate and manage risk, but they cannot entirely eliminate it. Further details of the key areas of risk to the business identified by the Group, together with the Group's operational key performance indicators, are included in the Financial Review on pages 12 to 15.

Corporate social responsibility (CSR)

Breedon Aggregates Limited recognises the importance of balancing the interest of its key stakeholders – employees, customers, investors, suppliers and the wider community in which it operates. The Group remains committed to a continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation. At the end of 2010, 25 of its business units had achieved accreditation in accordance with BS EN ISO 14001:2004 and 9 further units are actively pursuing such accreditation. It has also established a number of community liaison groups to encourage dialogue between its businesses and the communities in which they operate in connection with matters such as planning and development, transport and road usage, and community support.

Results and dividends

For the year to 31 December 2010, the Group's loss before tax was £6,304,000 (2009: £825,000) and after tax was a loss of £5,873,000 (2009: £829,000).

Prior to making the first acquisition, it was the Board's policy that no dividends would be paid. Following the acquisition of Breedon Holdings Limited, subject to availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so.

Stated Capital

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

Directors

The following directors served during the year:

Peter Tom CBE	Executive Chairman
Simon Vivian	Group Chief Executive
Ian Peters	Group Finance Director *(appointed 1 November 2010)*
James Corsellis	Non-executive Director
Susie Farnon	Independent Non-executive Director *(appointed 1 November 2010)*
David Warr	Independent Non-executive Director
David Williams	Non-executive Director

Biographical details of the Directors can be found on pages 16 and 17 and details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 25 to 28.

Directors' Interests

The directors in office at 31 December 2010 had the following interests in the issued share capital of the Company:

	Ordinary Shares	
	31 December 2010	1 January 2010 or, if later, date of appointment
Peter Tom CBE	30,683,333	22,350,000
Simon Vivian (and family)	3,166,667	2,500,000
Ian Peters	1,833,333	1,833,333
James Corsellis (and family)	5,500,000	5,500,000
Susie Farnon	989,840	989,840
David Warr	2,500,000	2,500,000
David Williams	12,012,133	11,000,000

All the above interests are beneficial, unless indicated otherwise. No director has any interests in the issued share capital or loan stock of any subsidiary undertaking.

There were no changes in the Directors' interests between 1 January 2011 and 30 March 2011.

Directors' Report (cont)

Substantial Shareholdings

The Company is aware that, at 15 March 2011, other than the Directors, the following held 3% or more of the issued share capital of the Company:

	Ordinary Shares	
Beneficial Holder	Number	%
Invesco Asset Management Ltd	165,000,000	29.78
Marwyn Value Investors L.P.	146,223,698	26.39
Cenkos Channel Islands Nominee Co Ltd	53,821,535	9.72
Scottish Widows Investment Partnership	41,665,000	7.52

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 'Best of Breedon' suggestion scheme provides an opportunity for all employees to put forward ideas to improve the Group's performance, and rewards the best such suggestions.

In October 2010, all employees of the Group (except for the executive directors) were given a bonus of 500 shares each in the Company. Employees are also encouraged to participate in the ownership of the Company through an all-employee savings related share option scheme.

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.

Health and Safety

The Group is committed to providing and maintaining a safe environment for all employees, customers and other visitors to its premises and to comply with all relevant health and safety legislation.

In addition, all Group businesses:

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

Compliance with Group policy is monitored and reviewed centrally and a comprehensive health and safety report is produced for each Board meeting. Simon Vivian, Group Chief Executive, has been designated by the Board as the director responsible for Health and Safety matters.

Breedon Aggregates has invested in a dedicated health and safety computer system, Envoy, that is designed to give a structure and platform to manage safety on all its sites. The modules on this system include:

- incident tracking and reporting;
- registering 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.

The Group aims for continuous improvement in Health & Safety KPIs, including in relation to its Accident Incidence Rate, its Lost Time Frequency Rate, and its Lost Time Injury Severity Rate. Performance against these KPIs is reported to the Board.

Charitable donations and political contributions

The Group made no charitable donations nor 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

The Directors are seeking authority from shareholders to permit the Company to purchase its own shares. Unless previously renewed, varied or revoked, this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 or within 18 months from the date of approval of the authority, whichever shall be the earlier.

The Remuneration Committee has concluded that the Company should introduce a Performance Share Plan (the "Plan") as a means of attracting, rewarding, motivating and retaining certain key senior employees. The Plan is subject to shareholder approval at the forthcoming Annual General Meeting, and the first awards under it are expected to be made shortly thereafter. Full details of the Plan are contained in the Appendix to the Notice of Annual General Meeting on pages 65 to 67.

Going Concern

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

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

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

Disclosure of Information to Auditor

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

Independent Auditor

KPMG Channel Islands Limited has expressed willingness to continue in office and, in accordance with Article 109 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
30 March 2011

Simon Vivian
Group Chief Executive

Corporate Governance

The Directors recognise the value of strong corporate governance and, although AIM listed companies are not required to comply with the disclosure requirements of the UK Combined Code of Corporate Governance, as published by the Financial Reporting Council in June 2008 (the "Combined Code"), the Company has sought to comply with it, as far as it is appropriate, in respect of the accounting period ended on 31 December 2010 and intend to comply, as far as appropriate, with the UK Corporate Governance Code as published by the Financial Reporting Council in June 2010 (as amended from time to time) (the "Corporate Governance Code") in respect of subsequent accounting periods. However, given its size and nature, it did not and does not seek to comply with those aspects of the Combined Code or the Corporate Governance Code (as applicable) which are considered to be more appropriate for a larger public company with shares admitted to the Official List.

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 Principles of Good Governance set out in Section 1 of the Combined Code, including both the Main and Supporting Principles.

The Board of directors

The current board comprises the Executive Chairman, two executive directors, two independent non-executive directors and two non-executive directors who are 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.

Biographical details of the Directors are set out on pages 16 and 17.

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. A schedule of Matters Reserved to the Board was adopted in September 2010.

The Directors explain their responsibilities for preparing the financial statements on page 29 and the Report of the Independent Auditor on pages 30 and 31 contains a statement of its reporting responsibilities.

Board committees

Since the acquisition of Breedon Holdings Limited on 6 September 2010, the Board has maintained two standing committees, the Remuneration Committee and the Audit Committee. Prior to that date, the functions of these committees were carried out by the Board as a whole.

Remuneration Committee

Since its establishment, the Remuneration Committee has comprised solely of at least two non-executive directors. Mr Williams and Mr Warr have served on the Remuneration Committee since its establishment. Mrs Farnon was appointed to the Remuneration Committee in January 2011. Mr Williams is chairman of the Committee. The Executive Chairman makes himself available to the Committee to discuss the performance of other executives and to make proposals as necessary. The Remuneration Committee's responsibilities are to make recommendations to the Board on terms of service, remuneration and benefits of the executive directors and senior executives of the Group. Further details of the terms of reference of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 25 to 28 and are available on the Group's website.

Audit Committee

Mr Warr and Mr Corsellis have served on the Audit Committee since its establishment, and Mrs Farnon became a member of the Committee in November 2010. Mr Warr is chairman of the Committee. Written terms of reference have been agreed for the Audit Committee which include 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 of 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.

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 which mitigate the risks identified as significant, including financial, operational and compliance risks. 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 constant review.

Corporate Governance (cont)

Meetings attendance

The Board met formally 7 times during the year and the attendance of the directors 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.

	Board		Audit Committee		Remuneration Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Peter Tom CBE	7	7	-	-	-	-
Simon Vivian	7	7	-	-	-	-
Ian Peters	1	1	-	-	-	-
James Corsellis	5	7	2	2	-	-
Susie Farnon	1	1	-	-	-	-
David Warr	7	7	2	2	2	2
David Williams	6	7	-	-	2	2

Shareholder relations

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

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

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

The Company complies with the recommendation of the Combined 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.

Directors' Remuneration Report

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

Remuneration Committee

The Remuneration Committee is chaired by David Williams. At the end of the financial year, the Committee comprised David Williams and David Warr. Susie Farnon was appointed to the Committee in January 2011. The Company Secretary acts as secretary to the Committee. The Committee met twice formally in 2010.

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 Combined 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 directly 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.

Directors' Remuneration Report (cont)

(ii) Incentive Arrangements

Annual Cash Bonus

In addition to basic salary, the Group operates a performance related cash bonus scheme and challenging performance goals are set which must be achieved before the maximum bonus becomes payable. The Company has agreed, subject to certain performance targets being achieved, to pay Peter Tom a bonus of up to £200,000 in relation to each financial year of the Company. Commencing in 2011, for Simon Vivian and Ian Peters, as executive directors, the maximum bonus opportunity is 100% of salary as at the end of the year, linked to targets based on the Group's EBITDA performance relative to budgeted targets. For other senior management in the Group, the maximum bonus opportunity is up to 65% and is linked to targets based on achieving operating profit targets for the businesses for which they are responsible. Bonuses are not pensionable.

Long Term Incentive arrangements

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

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

Shareholders will be asked, at the forthcoming Annual General Meeting, to approve the establishment of a Performance Share Plan which will be used to provide long term incentives for certain senior executives of the Group other than the Directors.

(iii) Pensions

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

Service agreements / letters of appointment

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 David Williams, James Corsellis and David Warr respectively, pursuant to which each of their services as a non-executive director of the Company were procured with effect from the admission of the Company's ordinary shares to trading on AIM on 12 June 2008. On 25 October 2010, the Company entered into a letter of appointment with Susie Farnon pursuant to which she was appointed as a non-executive director with effect from 1 November 2010.

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 currently 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 as non-executive directors of the Company. No other benefits are payable.

(ii) Executive Directors

Peter Tom

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 Peter as an employee, officer, worker or partner of the Company. To the extent that any liabilities arise in connection with a claim that Peter is an employee, officer, worker or partner of the Company, Peter 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 Peter, such notice to expire no earlier than 6 September 2013. Peter 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. 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 Simon, such notice to expire no earlier than 6 September 2013. Simon 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 Simon. 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 Ian, such notice to expire no earlier than 6 September 2013. Ian 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 Ian. 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 Combined Code that it should satisfy itself that plans are in place for an orderly succession to Board and senior management positions. 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.

Directors' Remuneration Report (cont)

Details of remuneration

The remuneration of the Directors for the year ended 31 December 2010 was as follows:

	Salary £	Bonus (note 1) £	Fees (note 2) £	Benefits (note 3) £	Total 2010 £	Total 2009 £	Pension Contributions 2010 £	Pension Contributions 2009 £
PWG Tom CBE	–	–	460,240	–	460,240	135,360	–	–
SN Vivian	195,445	320,000	–	86	515,531	120,000	–	–
IAD Peters (note 4)	31,833	–	–	308	32,141	–	5,104	–
JMH Corsellis	–	–	14,626	–	14,626	10,000	–	–
S Farnon (note 4)	–	–	4,167	–	4,167	–	–	–
DJ Warr	–	–	15,000	–	15,000	10,000	–	–
DJ Williams	–	–	15,000	–	15,000	10,000	–	–
Total	227,278	320,000	509,033	394	1,056,705	285,360	5,104	–

Notes

1 Pursuant to his service agreement, Mr Vivian received a transaction bonus on completion of the reverse take-over of Breedon Holdings Limited. He received 666,667 ordinary shares in Breedon Aggregates Limited, valued at £0.12 per share, with the balance paid in cash. No other bonuses are payable for the year ended 31 December 2010.

2 Included in fees above is an amount of £140,240 (2009: £135,360) in respect of services provided by Rise Rocks Limited, a company in which Mr Tom has a beneficial interest, and the sum of £320,000 which was paid to Rise Rocks Limited as a transaction bonus upon the completion of the reverse take-over of Breedon Holdings Limited, pursuant to the consultancy agreement between the Company and Rise Rocks Limited. Also included in fees above, is an amount of £14,626 paid to Marwyn Capital LLP in respect of Mr Corsellis's sevices as a non-executive director.

3 Benefits for Mr Vivian and Mr Peters comprise the provision of private medical insurance.

4. Remuneration since appointment as a director on 1 November 2010.

Management Participation Shares

Details of Management Participation Shares issued to Directors and key employees ("Management Participation Shares") which give rights to participate in an increase in the market capitalisation of the Company are set out in note 20 to the financial statements. At 31 December 2010, 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
30 March 2011

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 (formerly Marwyn Materials Limited)

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

We have audited the Group financial statements of Breedon Aggregates Limited for the year ended 31 December 2010 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 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of the Group's loss 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 Group; 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.

Nicholas L Stevens
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants

30 March 2011

Notes:

- *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 occured to the financial statements or our audit report since 30 March 2011. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 30 March 2011 which in any way extends this date.*
- *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 2010

	Note	2010 Underlying†	 Non-underlying* (note 3)	 Total	2009
		£'000	£'000	£'000	£'000
Revenue	1,2	42,679	-	42,679	-
Cost of sales		(25,069)	-	(25,069)	-
Gross profit		17,610	-	17,610	-
Distribution expenses		(8,332)	-	(8,332)	-
Administrative expenses		(9,545)	(4,456)	(14,001)	(927)
Group operating loss	2	(267)	(4,456)	(4,723)	(927)
Share of loss of associated undertaking (net of tax)	11	(22)	-	(22)	-
Loss from operations		(289)	(4,456)	(4,745)	(927)
Financial income	6	42	-	42	102
Financial expense	6	(1,601)	-	(1,601)	-
Loss before taxation		(1,848)	(4,456)	(6,304)	(825)
Taxation	7	287	144	431	(4)
Loss for the year		(1,561)	(4,312)	(5,873)	(829)
Attributable to:					
Equity holders of the parent		(1,571)	(4,312)	(5,883)	(829)
Non-controlling interests		10	-	10	-
Loss for the year		(1,561)	(4,312)	(5,873)	(829)
Basic loss per ordinary share		(0.58p)		(2.19p)	(0.61p)
Diluted loss per ordinary share		(0.58p)		(2.16p)	(0.61p)

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

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Loss for the year		**(5,873)**	(829)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**74**	-
Taxation on items taken directly to other comprehensive income	**7**	**(20)**	-
Other comprehensive income for the year		**54**	-
Total comprehensive income for the year		**(5,819)**	(829)
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		**(5,829)**	(829)
Non-controlling interests		**10**	-
		(5,819)	(829)

Consolidated Statement of Financial Position

at 31 December 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Property, plant and equipment	8	150,207	-
Intangible assets	9	4,079	-
Investment in associated undertaking	11	1,070	-
Total non-current assets		155,356	-
Current assets			
Inventories	13	6,774	-
Trade and other receivables	14	26,522	11
Cash and cash equivalents		3,294	11,866
Non-current assets held for resale	15	400	-
Total current assets		36,990	11,877
Total assets		192,346	11,877
Current liabilities			
Interest-bearing loans and borrowings	16	(7,095)	-
Trade and other payables	17	(28,372)	(180)
Current tax payable		(5)	(4)
Provisions	18	(160)	-
Total current liabilities		(35,632)	(184)
Non-current liabilities			
Interest-bearing loans and borrowings	16	(88,457)	-
Provisions	18	(6,638)	-
Deferred tax liabilities	12	(4,788)	-
Total non-current liabilities		(99,883)	-
Total liabilities		(135,515)	(184)
Net assets		56,831	11,693
Equity attributable to equity holders of the parent			
Stated capital	19	61,575	13,262
Cash flow hedging reserve	19	54	-
Capital reserve	19	2,369	-
Retained earnings		(7,261)	(1,569)
Total equity attributable to equity holders of the parent		56,737	11,693
Non-controlling interests		94	-
Total equity		56,831	11,693

These financial statements were approved by the Board of Directors on 30 March 2011 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 2010

	Stated capital £'000	Cash flow hedging reserve £'000	Capital reserve £'000	Retained earnings £'000	Attributable to equity holders of parent £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2009	13,262	-	-	(741)	12,521	-	12,521
Total comprehensive income for the year	-	-	-	(829)	(829)	-	(829)
Credit to equity of share based payment	-	-	-	1	1	-	1
Balance at 31 December 2009	13,262	-	-	(1,569)	11,693	-	11,693
Shares issued	50,000	-	-	-	50,000	-	50,000
Expenses of share issue	(1,687)	-	-	-	(1,687)	-	(1,687)
Acquisitions through business combinations	-	-	2,369	-	2,369	84	2,453
Total comprehensive income for the year	-	54	-	(5,883)	(5,829)	10	(5,819)
Credit to equity of share based payments	-	-	-	191	191	-	191
Balance at 31 December 2010	**61,575**	**54**	**2,369**	**(7,261)**	**56,737**	**94**	**56,831**

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Loss for the year		**(5,873)**	(829)
Adjustments for:			
Depreciation, amortisation and impairments		**3,652**	-
Financial income		**(42)**	(102)
Financial expense		**1,601**	-
Share of profit of associated undertaking (net of tax)		**22**	-
Gain on sale of property, plant and equipment		**(260)**	-
Equity settled share based payment expenses		**191**	1
Change in the fair value of financial instruments		**(259)**	-
Taxation		**(431)**	4
Operating cash flow before changes in working capital and provisions		**(1,399)**	(926)
Decrease in trade and other receivables		**4,176**	3
Decrease in inventories		**1,203**	-
Decrease in trade and other payables		**(1,145)**	(117)
Decrease in provisions		**(60)**	-
Cash generated from operating activities		**2,775**	(1,040)
Interest paid		**(1,459)**	-
Interest element of finance lease payments		**(462)**	-
Income taxes received/(paid)		**31**	(2)
Net cash from operating activities		**885**	(1,042)
Cash flows used in investing activities			
Acquisition of businesses	**27**	**(11,410)**	-
Purchase of property, plant and equipment		**(1,232)**	-
Proceeds from sale of asset for resale		**50**	-
Proceeds from sale of property, plant and equipment		**317**	-
Interest received		**42**	102
Dividend from associated undertaking		**563**	-
Net cash used in investing activities		**(11,670)**	102
Cash flows from financing activities			
Proceeds from the issue of shares (net)	**19**	**48,313**	-
Proceeds from new loans raised		**4,500**	-
Repayment of loans		**(49,982)**	-
Repayment of finance lease obligations		**(1,973)**	-
Purchase of financial instrument - derivative		**(243)**	-
Net cash from financing activities		**615**	-
Net decrease in cash and cash equivalents		**(10,170)**	(940)
Cash and cash equivalents at beginning of year		**11,866**	12,806
Cash and cash equivalents at end of year		**1,696**	11,866
Cash and cash equivalents		**3,294**	11,866
Bank overdraft	**16**	**(1,598)**	-
Cash and cash equivalents at end of year		**1,696**	11,866

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 30 March 2011.

These financial statements consolidate the results of the Company and its two subsidiary undertakings, Marwyn Materials Investments Limited and Marwyn Materials (UK) Limited, for the entire financial year, together with the results of Breedon Holdings Limited and its subsidiaries with effect from acquisition on 6 September 2010, collectively the "Group".

These 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 21.

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

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

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

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

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

New IFRS standards and interpretations adopted during 2010

In 2010, the following standards had been endorsed by the EU, became effective and therefore were adopted by the Group.

- IFRS 3 (Revised) – Business Combinations
- IAS 27 (Revised) – Consolidated and Separate Financial Statements
- Amendments to IFRS 2 – Group Cash Settled Share-based Payment Transactions
- Annual Improvement Projects to IFRS's

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 IFRS 3 (Revised) – Business Combinations has resulted in a total of £3,794,000 being expensed in the Consolidated Income Statement which would previously have been capitalised as part of the investment cost when business acquisitions are completed. The impact has been included as a non-underlying item in the Consolidated Income Statement. The revised standard is only applicable prospectively for acquisitions made after 1 January 2010.

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

New IFRS standards and interpretations not adopted

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

- IAS 24 (Revised) – Related Party Transactions (effective for periods beginning on or after 1 January 2011)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Insurers (effective for periods beginning on or after 1 July 2010)

The Group does not anticipate that the adoption of the above standards and interpretations 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 subsidary 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 commmercial lives.

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

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.

Notes to the financial statements
(continued)

1 Accounting policies (continued)

Impairment

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

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

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

Non-current assets held exclusively with a view to resale

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

Inventories

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

Retirement benefits

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

Provisions

Restoration provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The 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 provisions

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

Revenue

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

1 Accounting policies (continued)

Expenses

Operating lease payments

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

Finance lease payments

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

Financial income and expense

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

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

Income tax

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

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are not taxable or deductible. The Group’s liability for current tax is calculated using tax rates enacted or substantively enacted at the reporting date and 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 deductable 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. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 20.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest. At each Statement of Financial Position date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to reserves.

Dividends

Interim dividends are recognised when they are paid. Final dividends are recognised as a liability in the period in which they are approved by the Company’s shareholders.

Notes to the financial statements
(continued)

2 Segmental analysis

Segmental information is presented in respect of the Group's business segments in line with IFRS 8 Operating Segments which requires segmental information to be presented on the same basis as it is viewed internally. The Group's Board of Directors, considered as the Group's "Chief Operating Decision Maker", view the business on a geographical basis. As such, two operating segments (England and Scotland) have been identified as reportable segments. A description of the activities of each segment is included on pages 4 and 5. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, related products and services.

Income statement

	2010 Revenue £'000	**EBITDA* £'000**	2009 Revenue £'000	EBITDA* £'000
England	**21,072**	**1,699**	-	-
Scotland	**21,607**	**2,977**	-	-
Central administration	**-**	**(1,369)**	-	(927)
Group	**42,679**	**3,307**	**-**	(927)

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

	2010 £'000	2009 £'000
Reconciliation to reported loss		
Segmental profit/(loss) as above	**3,307**	(927)
Depreciation	**(3,574)**	-
Non-underlying items	**(4,456)**	-
Reported operating loss	**(4,723)**	(927)
Share of loss of associated undertaking	**(22)**	-
Net financial (expense)/income	**(1,559)**	102
Loss before taxation	**(6,304)**	(825)
Taxation	**431**	(4)
Loss for the year	**(5,873)**	(829)

2 Segmental analysis (continued)

Statement of Financial Position

	2010 Total assets £'000	Total liabilities £'000	2009 Total assets £'000	Total liabilities £'000
England	**85,753**	**(15,838)**	-	-
Scotland	**89,481**	**(14,183)**	-	-
Central administration	**13,818**	**(5,154)**	11	(184)
Total operations	**189,052**	**(35,175)**	11	(184)
Deferred tax	**-**	**(4,788)**	-	-
Net debt	**3,294**	**(95,552)**	11,866	-
Total Group	**192,346**	**(135,515)**	11,877	(184)
Net assets		**56,831**		11,693

Scotland total assets include £1,070,000 (2009: £nil) in respect of investments in associated undertakings.
Non-current assets held for resale of £400,000 (2009: £nil) are included within the England segment.

Analysis of depletion, depreciation, amortisation and capital expenditure

	Mineral depletion and impairment £'000	Depreciation and impairment £'000	Impairment and amortisation of intangible assets £'000	Additions to property, plant and equipment £'000	Additions to other intangible assets £'000
2010					
England	**347**	**1,235**	**-**	**408**	**-**
Scotland	**203**	**1,782**	**78**	**824**	**-**
Central administration	**-**	**7**	**-**	**-**	**-**
Total	**550**	**3,024**	**78**	**1,232**	**-**
2009					
England	-	-	-	-	-
Scotland	-	-	-	-	-
Central administration	-	-	-	-	-
Total	-	-	-	-	-

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

3 Non-underlying items

During the year, the Group acquired the entire share capital of Breedon Holdings Limited. As required by IFRS 3 (Revised), acquisition costs have been expensed as incurred. Additionally, the Group incurred redundancy costs in respect of the reorganisation of parts of the businesses acquired. Non-underlying items also include property items, impairments, the amortisation of acquisition intangible assets and changes in the fair value of financial instruments.

	2010 £'000	2009 £'000
Included in administrative expenses:		
Redundancy costs	**(843)**	-
Acquisition costs	**(3,794)**	-
Gain in the fair value of a financial instrument (note 29)	**259**	-
Amortisation of other intangible assets	**(78)**	-
	(4,456)	-

4 Expenses and auditor's remuneration

	2010 £'000	2009 £'000
Group operating loss has been arrived at after charging/(crediting)		
Depreciation of property, plant and equipment:		
Owned assets	**2,166**	-
Assets held under finance lease	**1,408**	-
Amortisation of other intangible assets	**78**	-
Gain on sale of property, plant and equipment	**(260)**	-
Operating lease rentals:		
Plant, equipment and vehicles	**29**	-
Other	**220**	-

Auditor's remuneration

	2010 £'000	2009 £'000
Audit of the Company's annual accounts	**11**	14
Audit of the Company's subsidiary undertakings	**109**	-
Services relating to corporate finance transactions	**110**	-
Tax services	**66**	-
Other services	**38**	-
	334	14

5 Remuneration of key management, staff numbers and costs

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

	2010 £'000	2009 £'000
Salaries and short term employee benefits	**671**	200
Directors' fees	**509**	165
Post employment benefits	**8**	-
Equity-settled share based payments (note 20)	**130**	1
	1,318	366

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

	Number of employees	
	2010	2009
England	**100**	-
Scotland	**134**	-
Central administration	**3**	2
	237	2

The average number of persons employed is based on the 2 people employed by the Group prior to the acquisition on 6 September 2010 and 706 people, being the average number of employees since acquisition.

At 31 December 2010, the Group employed 707 people, being 302 people in England, 401 people in Scotland and 4 people at head office.

The aggregate payroll costs of these persons were as follows:

	2010 £'000	2009 £'000
Wages and salaries	**7,989**	191
Social security costs	**869**	33
Other pension costs	**265**	-
Compensation for loss of office	**843**	-
Equity-settled share based payments (note 20)	**181**	1
	10,147	225

Notes to the financial statements
(continued)

6 Financial income and expense

	2010 £'000	2009 £'000
Interest income – bank deposits	**42**	102
Financial income	**42**	102
Interest expense – bank loans and overdrafts	**(1,031)**	-
Amortisation of prepaid bank arrangement fee	**(33)**	-
Interest expense – other	**(26)**	-
Interest expense – finance leases	**(462)**	-
Unwinding of discount on provisions	**(49)**	-
Financial expense	**(1,601)**	-

7 Taxation

Recognised in the Consolidated Income Statement	**2010 £'000**	2009 £'000
Current tax expense	**5**	4
Total current tax	**5**	4
Deferred tax expense		
Origination and reversal of temporary differences	**(436)**	-
Total tax (credit)/charge in the Consolidated Income Statement	**(431)**	4

Taxation on items taken directly to Other Comprehensive Income	**2010 £'000**	2009 £'000
Deferred tax expense		
Relating to cash flow hedges	**20**	-

Reconciliation of effective tax rate	**2010 £'000**	2009 £'000
Loss for the year	**(6,304)**	(825)
Tax at the Company's domestic rate of 0%	**-**	-
Effect of tax rates in foreign jurisdictions*	**(719)**	4
Expenses not deductible for tax purposes	**187**	-
Capital losses utilised	**(13)**	-
Income from associate already taxed	**6**	-
Effect of change in rate	**16**	-
Unrecognised losses	**92**	-
Tax (credit)/charge	**(431)**	4

* 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 28%.

The UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the Group's future current tax charge 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 2009 and 31 December 2009	-	-	-	-
Acquisitions through business combinations (note 27)	70,685	23,670	58,251	152,606
Additions	880	143	209	1,232
Disposals	-	-	(57)	(57)
Balance at 31 December 2010	**71,565**	**23,813**	**58,403**	**153,781**
Depreciation and impairment				
Balance at 1 January 2009 and 31 December 2009	-	-	-	-
Depreciation charge for the year	550	160	2,864	3,574
Balance at 31 December 2010	**550**	**160**	**2,864**	**3,574**
Net book value				
At 1 January 2009 and 31 December 2009	-	-	-	-
At 31 December 2010	**71,015**	**23,653**	**55,539**	**150,207**

Leased plant and machinery

At 31 December 2010, the net carrying amount of leased plant and machinery was £27,506,000 (2009: £nil). Depreciation charged on these assets in the period was £1,408,000 (2009: £nil). Details of finance lease obligations are set out in note 16.

Depreciation and impairment charge

The depreciation and impairment is recognised in the following line items in the Consolidated Income Statement:

	2010 £'000	2009 £'000
Cost of sales	**3,435**	-
Administration expenses	**139**	-
	3,574	-

Security

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

Notes to the financial statements
(continued)

9 Intangible assets

	Goodwill £'000	Other £'000	Total £'000
Cost			
At 1 January 2009 and 31 December 2009	-	-	-
Acquisitions through business combinations (note 27)	3,738	419	4,157
Balance at 31 December 2010	**3,738**	**419**	**4,157**
Amortisation and impairment			
At 1 January 2009 and 31 December 2009	-	-	-
Amortisation for the year	-	78	78
Balance at 31 December 2010	**-**	**78**	**78**
Net book value			
At 1 January 2009 and 31 December 2009	-	-	-
At 31 December 2010	**3,738**	**341**	**4,079**

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

Impairment tests for cash-generating units containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of cash generating units according to the level at which management monitors that goodwill. At 31 December 2010, the goodwill of £3,738,000 has been allocated entirely to Scotland.

For impairment testing, the recoverable amount of goodwill attaching to cash generating units is determined using value in use calculations. These calculations use cash flow projections based on actual operating results and budgeted forecasts for 2011 extrapolated forward for a 30 year period, reflecting the long term nature of the underlying assets, assuming a 2.5% inflationary growth rate based on management's estimate for revenue and cost growth, discounted at a pretax rate of 10.0% and a post tax rate of 8.5%. Directors estimate discount rates reflecting current market assessment of the time value of money and the risks specific to the cash generating units. The directors have determined that there has been no impairment.

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause impairments 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 per cent were as follows:

	Country of incorporation	Percentage of ordinary shares held	Principal activity
Subsidiary undertakings			
Ordinary shares held directly			
Marwyn Materials Investments Limited	Jersey	100%	Holding company
Ordinary shares held indirectly			
Breedon Aggregates England Limited	England	100%	Production and sale of aggregates
Breedon Aggregates Scotland Limited	Scotland	100%	Production and sale of aggregates
Breedon 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	90%	Traffic management
Marwyn Materials (UK) Limited	England	100%	Service company
Associated undertakings			
Ordinary shares held indirectly			
BEAR Scotland Limited	Scotland	37.5%	Road maintenance contracting

11 Investment in associated undertaking

	Investment in associated undertaking £'000
Cost	
Acquisitions through business combinations (note 27)	1,655
Dividend received	(563)
At 31 December 2010	**1,092**
Share of post-acquisition reserves	
Share of loss of associated undertaking (net of tax)	(22)
At 31 December 2010	**(22)**
Net book value	
At 31 December 2010	**1,070**

Summary financial information on associated undertaking - 100 per cent.

	Assets £'000	Liabilities £'000	Equity £'000	Revenues* £'000	Net loss* £'000
2010					
BEAR Scotland Limited	**17,263**	**(14,411)**	**2,852**	**15,437**	**(59)**

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

12 Deferred tax assets and liabilities

	31 December 2009 £'000	Acquisitions (note 27) £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2010 £'000
Property, plant and equipment	-	(8,515)	410	-	**(8,105)**
Intangible assets	-	(138)	38	-	**(100)**
Financial instruments – derivative	-	-	-	(20)	**(20)**
Working capital and provisions	-	3,401	(3)	-	**3,398**
Tax value of loss carry-forwards	-	48	(9)	-	**39**
	-	**(5,204)**	**436**	**(20)**	**(4,788)**

In addition, the Group has not recorded a deferred tax asset in respect of tax losses of £28,230,000 (2009: £nil), as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the benefits therefrom.

Notes to the financial statements
(continued)

13 Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	**3,388**	-
Finished goods and goods for resale	**3,386**	-
	6,774	-

Inventories (being directly attributable costs of production) of £22,747,000 (2009: £nil) were expensed in the period.

14 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	**22,393**	-
Trade receivables due from associated undertaking (note 24)	**489**	-
Other receivables and prepayments	**3,064**	11
Financial instruments:		
Derivative	**317**	-
Option	**259**	-
	26,522	11

The derivative represents the fair value of interest rate caps. The option represents the fair value of an option to acquire the entire share capital of Enneurope Holdings Limited which was exercised on 11 February 2011 (note 29).

15 Non-current assets held for resale

	2010 £'000	2009 £'000
Assets held for resale	**400**	-

Assets held for resale, acquired on 6 September 2010, represent the fair value of minerals, property, plant and equipment less associated costs of sale of the Group's site at De Lank in Cornwall. On acquisition of Breedon Holdings Limited, assets held for resale also included £400,000 in respect of Wentbridge. This site was sold on 13 October 2010 for £400,000, £50,000 being payable on completion and £350,000 being deferred.

16 Interest-bearing loans and borrowings

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

	2010 £'000	2009 £'000
Non-current liabilities		
Secured bank loans	**67,033**	-
Finance lease liabilities	**21,424**	-
	88,457	-
Current liabilities		
Secured overdrafts	**1,598**	-
Current portion of finance lease liabilities	**5,497**	-
	7,095	-

As part of the acquisition of Breedon Holdings Limited, the Group renegotiated certain of the terms of the bank loans and overdrafts acquired with the business, principally to extend the final repayment date to September 2015, and repaid £49,982,000 of bank loans. 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.

16 Interest-bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2010			2009		
	Minimum lease payments £'000	**Interest £'000**	**Principal £'000**	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	**7,202**	**1,705**	**5,497**	-	-	-
Between one and five years	**22,783**	**3,132**	**19,651**	-	-	-
More than five years	**1,855**	**82**	**1,773**	-	-	-
	31,840	**4,919**	**26,921**	-	-	-

Finance leases are secured on the underlying asset and are for periods of up to 7 years.

Net debt

Net debt comprises the following items:

	2010 £'000	2009 £'000
Cash and cash equivalents	**3,294**	11,866
Current borrowings	**(7,095)**	-
Non-current borrowings	**(88,457)**	-
	(92,258)	11,866

17 Trade and other payables

	2010 £'000	2009 £'000
Trade payables	**10,443**	-
Other payables and accrued expenses	**13,907**	180
Other taxation and social security costs	**4,022**	-
	28,372	180

Notes to the financial statements
(continued)

18 Provisions

	Restoration £'000	Property £'000	Total £'000
At 1 January 2010	-	-	-
Amounts arising from business combinations (note 27)	3,901	2,908	6,809
Utilised during the period	(42)	(18)	(60)
Unwinding of discount	49	-	49
At 31 December 2010	**3,908**	**2,890**	**6,798**
Non-current	3,908	2,730	6,638
Current	-	160	160
	3,908	**2,890**	**6,798**

Restoration provisions principally comprise provisions for the cost of restoring sites subject to extraction where an obligation arises so as to comply with contractual, environmental, planning and other legislation. The obligation 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.

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

19 Capital and reserves

Stated capital

	Ordinary shares 2010 Number	Ordinary shares 2009 Number
Issued ordinary shares at beginning of year	**136,000,000**	136,000,000
Issued in connection with acquisition	**417,666,667**	-
Issued in connection with employee bonus issue	**336,500**	-
	554,003,167	136,000,000

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

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

Cash flow hedging reserve

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

Capital reserve

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

20 Employee benefits

Pension plans

The Group operates a defined contribution pension scheme.

The pension charge represents contributions payable to The Ennstone Group Pension Scheme of £265,000 (2009: £nil). Contributions outstanding at 31 December 2010 amounting to £109,000 (2009: £nil) are included in payables.

The Group holds assets and liabilities in respect of defined contribution benefits. These are equal and are not disclosed.

Share based payments

	2010 £'000	2009 £'000
Equity settled deal bonus	**120**	-
Equity settled bonus to all employees	**51**	-
Management participation shares	**10**	1
Employee share based payments (note 5)	**181**	1
Marwyn participation shares	**10**	-
Total share based payments	**191**	1

Equity settled bonuses

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

Participation Shares

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

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

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

Growth Condition

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

Vesting Condition

During the year, the vesting conditions were amended. The Participation Shares are subject to a vesting period ending on 6 September 2013 (previously 6 June 2011). If however, the Growth Condition is not met on 6 September 2013 (previously 6 June 2011), it will be extended to 6 September 2015, or if earlier, when the Growth Condition is met. The vesting period will also end on the sale or change of control of the Company.

Value

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

Management Participation Shares

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

20 Employee benefits (continued)

Management Participation Shares issued to employees:

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

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

Issued to:

	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

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, the fair value of the Participation Shares was calculated using a binominal 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, £20,000 (2009: £1,000) has been recognised as an expense in the Statement of Comprehensive Income in respect of Participation Shares.

The binominal valuation model uses the following assumptions:

Date of modification	26 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%

21 Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

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

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

21 Financial instruments (continued)

Credit risk

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

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

Exposure to credit risk

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

	Carrying amount	
	2010	2009
	£'000	£'000
Receivables	**25,946**	11
Financial instruments:		
Derivatives	**317**	-
Option	**259**	-
Cash and cash equivalents	**3,294**	11,866
	29,816	11,877

The 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	
	2010	2009
	£'000	£'000
England	**10,265**	-
Scotland	**12,128**	-
	22,393	-

Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding. The Group has no individually significant customers. The majority of the Group's customers are end-user customers. The Group credit insurance covers the majority of its UK trade receivables. The credit risk is therefore considered to be low.

The ageing of trade receivables at the reporting date was:

	2010		2009	
	Gross	**Impairment**	Gross	Impairment
	£'000	**£'000**	£'000	£'000
Not past due	**17,416**	**(157)**	-	-
Past due 0-30 days	**3,379**	**-**	-	-
Past due 31-60 days	**1,337**	**(225)**	-	-
Past due more than 60 days	**1,256**	**(613)**	-	-
	23,388	**(995)**	-	-

Notes to the financial statements
(continued)

21 Financial instruments (continued)

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

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

Liquidity risk

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

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

31 December 2010

	Carrying amount £'000	Contractual cash flows £'000	Within one year £'000	1-5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
UK secured bank loans	**67,033**	**78,840**	**2,430**	**76,410**	**-**
Finance lease liabilities	**26,921**	**31,840**	**7,202**	**22,783**	**1,855**
Other liabilities	**24,350**	**24,350**	**24,350**	**-**	**-**
UK secured overdrafts	**1,598**	**1,598**	**1,598**	**-**	**-**
	119,902	**136,628**	**35,580**	**99,193**	**1,855**

31 December 2009

	Carrying amount £'000	Contractual cash flows £'000	Within one year £'000	1-5 years £'000	More than 5 years £'000
Non-derivative financial liabilities	-	-	-	-	-
UK secured bank loans	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
UK secured overdrafts	-	-	-	-	-
	-	-	-	-	-

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 interest rates. The Group operations trade entirely in their functional currencies 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 an interest rate cap to manage its exposure to changes in floating interest rates. This cap matures in March 2013 and caps interest rates (excluding margin) at 1.5% until 30 September 2011, 2.0% until 28 September 2012 and 2.5% until 31 March 2013. At 31 December 2010, the Group had an interest rate cap with a notional contract amount of £64,500,000 (2009: £nil).

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

21 Financial instruments (continued)

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

Carrying amount

	2010 £'000	2009 £'000
Fixed rate instruments		
Financial liabilities	**(26,921)**	-
Variable rate instruments		
Financial liabilities*	**(68,631)**	-
Financial assets	**3,294**	11,866
	(92,258)	11,866

* Variable rate financial liabilities include £64,500,000 (2009: £nil) 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 £626,000. A decrease of 100 basis points would have increased equity and income and expenditure for a full year by £415,000. These analyses assume that all other variables remain constant.

Fair values versus carrying amounts

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

The table below 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

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

	2009			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial asset	-	-	-	-

The Level 3 financial asset is in respect of the option to acquire the entire share capital of Enneurope Holdings Limited which was acquired at nil value on the acquisition of Breedon Holdings Limited. It has been valued at the year end with the increase in value being taken through non-underlying administrative expenses. At 31 December 2010, the Group did not have any liabilities classified at Level 1 in the fair value hierarchy. There have been no transfers in any direction in the year.

Notes to the financial statements
(continued)

21 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.

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 a minimum underlying EBITDA, interest cover and, with effect from September 2011, cash flow cover. The Group complied with these covenants at 31 December 2010.

22 Operating leases

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

	2010		2009	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Less than one year	**877**	**88**	-	-
Between one and five years	**2,827**	**219**	-	-
More than five years	**8,475**	**-**	-	-
	12,179	**307**	-	-

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

23 Capital commitments

During the year ended 31 December 2010, the Group entered into contracts to purchase property, plant and equipment for £173,000 (2009: £nil). These commitments are expected to be settled in the following financial year.

24 Related parties

During the period, 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 period:

	Revenue £'000	**Purchases £'000**	**Receivables £'000**	**Payables £'000**
BEAR Scotland Limited	**2,344**	**47**	**489**	**-**

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

Marwyn Investment Management LLP is the investment manager to Marwyn Value Investors LP which has a significant shareholding in the company. James Corsellis is a partner in Marwyn Investment Management LLP and a director of various Marwyn Group companies. The following Marwyn companies are, therefore, deemed to be related parties of the Group:

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

24 Related parties (continued)

Marwyn Partners Limited was paid £60,000 (2009: £60,000) (excluding VAT) in respect of office accommodation and Marwyn Capital LLP was paid £180,000 (2009: £180,000) in respect of corporate finance and administrative services. In addition, Marwyn Capital LLP was paid £800,000 in respect of corporate finance fees in respect of the acquisition of Breedon Holdings Limited. Marwyn Capital LLP was also paid £14,626 (2009: £10,000) in respect of James Corsellis's services as a non-executive director. At the year end, Marwyn Partners Limited and Marwyn Capital LLP were owed an amount of £12,751 (2009: £10,000) and £36,834 (2009: £30,000) respectively in respect of services supplied during the year.

At the year end, Marwyn Value Investors LP held 146,223,698 (2009: 50,010,000) ordinary shares in Breedon Aggregates Limited. Marwyn Management Partners LP held Marwyn Participation Shares in the Group, details of which are disclosed in note 20.

Transactions with directors and directors' shareholdings

Details of transactions with directors and directors' shareholdings are given in the Directors' Remuneration Report on pages 25 to 28.

25 Earnings per share

The calculation of earnings per share is based on the loss for the year attributable to ordinary shareholders of £5,883,000 (2009: £829,056) and on the weighted average number of ordinary shares in issue during the period.

The calculation of underlying earnings per share is based on the loss for the year attributable to ordinary shareholders, adjusted to add back the non-underlying items, of £1,571,000 (2009: £829,056) and on the weighted average number of ordinary shares in issue during the period.

Diluted earnings per ordinary share reflects the effect of outstanding dilutive warrants.

Reconciliations of the weighted average number of shares used in the calculations are shown below:

	Number of shares	
	2010	2009
Equity shares		
For basic earnings per share	**268,785,839**	136,000,000
Share warrants	**3,456,409**	-
Participation Shares	**-**	-
For diluted earnings per share	**272,242,248**	136,000,000

26 Contingent liabilities

The Group has guaranteed the hire purchase liabilities in respect of vehicles operating under the Group's owner driver scheme. The maximum contingent liability in respect of these guarantees amounts to £412,000 (2009: £nil).

The Group has guaranteed its share of the banking facilities of BEAR Scotland Limited, the Company's associated undertaking. The maximum liability at 31 December 2010 amounted to £1,800,000 (2009: £nil).

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.

At the date of the acquisition of the businesses set out in note 27, none of the above contingent liabilities had a material fair value.

27 Acquisitions

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

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

Notes to the financial statements

(continued)

27 Acquisitions (continued)

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

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Mineral reserves and resources	82,882	(12,197)	70,685
Land and building	23,915	(245)	23,670
Plant and equipment	63,601	(5,350)	58,251
Intangibles – other	-	419	419
Investment in associates	1,598	57	1,655
Inventories	7,644	333	7,977
Trade and other receivables	29,573	223	29,796
Non-current asset for resale	-	800	800
Cash and bank overdrafts	(9,160)	-	(9,160)
Trade and other current payables	(29,312)	(427)	(29,739)
Other interest bearing loans – current liabilities	(5,686)	-	(5,686)
Other interest bearing loans – non-current liabilities	(135,507)	(183)	(135,690)
Provisions:			
Restoration	(3,978)	77	(3,901)
Property	(2,381)	(527)	(2,908)
Deferred tax liabilities	(3,000)	(2,204)	(5,204)
Non-controlling interests	(84)	-	(84)
Total	**20,105**	**(19,224)**	**881**
Consideration:			
Cash		2,250	
Fair value of warrants issued (note 19)		2,369	
			4,619
Goodwill			**3,738**

Cash flow effect

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

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

27 Acquisitions (continued)

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

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

28 Accounting estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described below:

Impairment of goodwill

The determination of whether goodwill and other indefinite life intangible assets should be impaired requires the estimation of future cash flows and growth factors adopted by each cash generating unit. Furthermore, discount rates applied to these cash flows are 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 effected 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 the residual excess of consideration over net asset value, being goodwill arising, are then identified which in the case of the recent acquisition has resulted mainly from assembled workforce and geographical advantages.

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.

Share based payments

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

Property provisions

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

Deferred taxation

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

29 Subsequent events

At the year end, a call option was excercisable over the shares in Enneurope Holdings Limited with a gain in the fair value of the option of £259,000 being recognised. Enneurope Holdings Limited is the holding company of Enneurope Limited, which sold its interests in its Polish operations in November 2010. On 11 February 2011, the Group exercised this option acquiring the entire issued share capital of Enneurope Holdings Limited for a consideration of £1. On exercise of the option, the fair value of the net assets acquired was consistent with the fair value of the option at the year end.

On 25 March 2011, an agreement was reached to sell De Lank Quarry in Cornwall, a site held as a non-current asset held for resale at the year end, for £365,000 before associated costs of sale.

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 at Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT on Monday, 23 May 2011 at 2.00 pm 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 2010, 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.

4. TO re-appoint Ian Peters as a director of the Company.

5. TO re-appoint Susie Farnon as a director of the Company.

6. TO re-appoint Peter Tom CBE as a director of the Company.

SPECIAL BUSINESS

Special Resolutions

7. THAT the rules of the Breedon Aggregates Performance Share Plan 2011 (the "Plan") produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification and summarised in the Appendix to this document be approved and the Directors be authorised to:

   (i) make such modifications to the Plan as they may consider appropriate for the implementation of the Plan and to adopt the Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Plan; and

   (ii) establish further plans based on the Plan but, modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Plan.

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 27,700,158 (being 5% of the share capital of the Company in issue as at 18 April 2011);

(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 expiration and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts after its expiration.

By order of the Board

Breedon Aggregates Limited
18 April 2011

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 Form of Proxy 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 meeting 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 a proxy to speak on his or her behalf at the meeting, he or she will need to appoint his or her 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 a member to vote at the meeting without having to be present at the meeting, but will not preclude that member from attending the meeting and voting in person if he or she should subsequently decide to do so.

Notice of Annual General Meeting (cont)

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 being 2.00 pm on 21 May 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. In the case of a corporation, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised. In the case of an individual, the Form of Proxy must be signed by the individual or his or her attorney duly authorised.

11. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy will be accepted to the exclusion of the votes of any other joint holders and for this purpose seniority will be determined by the order in which the names are recorded in the Register of Members.

12. The Directors of the Company will interpret any ambiguous proxy appointments. The Chairman of the meeting will, in his capacity as proxy, interpret any voting instructions he receives. Their respective determinations shall be final.

13. Any alterations made to the Form of Proxy must be initialled by the person who signs it.

14. The Company, pursuant to Article 40 of the Companies Uncertificated Securities (Jersey) Order 1999, specifies that only those members registered in the register of members of the Company 48 hours before the time of the Meeting (being the register of members as at 2.00 pm on 21 May 2011 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 at 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 at any adjournment thereof.

Appendix to the Notice of Annual General Meeting

SUMMARY OF THE PRINCIPAL TERMS OF THE BREEDON AGGREGATES PERFORMANCE SHARE PLAN 2011 (the "Plan")

Operation
The Remuneration Committee of the Board (the "Committee") will supervise the operation of the Plan.

Eligibility
Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee.

Grant of awards
The Committee may grant awards to acquire Ordinary Shares in the Company ("Shares") within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of the Plan being adopted by the Board or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. It is intended that the first awards will be made shortly following the adoption of the Plan.

The Committee may grant awards as conditional Shares or as nil (or nominal) cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than 10 years after shareholder approval of the Plan.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Individual limit
An employee may not receive awards in any financial year over Shares having a market value in excess of 250 per cent of his annual base salary in that financial year.

Performance conditions
The vesting of awards granted to executive directors and other senior executives will be subject to performance conditions set by the Committee. Awards may be granted to other, less senior employees without performance conditions being imposed.

For the initial awards to be granted in 2011, a share price target will be operated.

Awards will only vest if the Company's share price growth (plus dividends reinvested) is equal to or greater than 12.5% per annum measured from 6 September 2010 (being the date on which Marwyn Materials Limited's reverse takeover of Breedon Holdings Limited became effective) over a period of time ending on or after 6 September 2013 but no later than 6 September 2015.

The Committee can set different performance conditions from that described above for future awards provided that, in the reasonable opinion of the Committee, the new conditions are not materially less challenging in the circumstances than those described above.

The Committee may also vary any performance condition applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance condition, provided the Committee considers the varied condition is fair and reasonable and not materially less challenging than the original condition would have been but for the event in question.

Vesting of awards
Awards granted to the executive directors and other senior executives will normally vest three years after grant (although the Committee may set shorter or longer vesting periods prior to grant) to the extent that any applicable performance condition has been satisfied. The participant must also remain employed in the Company's group for their award to vest.

Appendix to the Notice of Annual General Meeting (cont)

Awards granted as nil (or nominal) cost options are then exercisable up until the tenth anniversary of grant unless they lapse earlier.

Dividend equivalents

The Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the transfer of shares in satisfaction of their award of an amount based on the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they vest. This amount may assume the reinvestment of dividends.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group.

However, if a participant ceases to be an employee or director in the Company’s group because of his death, ill-health, injury, disability, retirement, his employing company or the business for which he works being sold out of the Company’s group or in other circumstances at the discretion of the Committee, then his award will normally vest on the date on which it would have vested if he had not ceased such employment or office, subject to: (i) the performance condition being satisfied at that time; and (ii) the pro-rating of the award to reflect the period of time between its grant and the date of cessation of employment, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director in the Company's group for one of the “good leaver” reasons specified above, the Committee can decide that his award will vest on the date of cessation of employment or office, subject to (i) the extent to which the performance condition has been satisfied by reference to the date of cessation; and (ii) the pro-rating of the award by reference to the time of cessation as described above.

Awards structured as nil (or nominal) cost options will be exercisable for a period of 12 months from the date of vesting. Any such options which have already vested (but which have not been exercised) on the date of cessation of employment will be exercisable for 12 months from the date of cessation.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that any performance condition has been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover. If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent, then the Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Participants’ rights

Awards will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Shares.

Rights attaching to Shares

Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

Overall limits

The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

Alterations to the Plan

The Committee may, at any time, amend the Plan in any respect.

Documents on display

A copy of the draft rules of the Plan will be available for inspection at the offices of Hewett New Bridge Street, 6 More London Place, London SE1 2DA during normal business hours on any weekday (Saturdays and English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

Shareholder Information

Registrar and Transfer office

The address of the Company's Registrar, to which all enquires concerning shareholdings should be addressed, is Capita IRG Plc, 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. Enquiries from outside the UK should be made to +44 208 639 3399.

Contact

If you require information regarding Breedon Aggregates, please contact:

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

Tel: 01332 694010
Fax: 01332 694445
E-mail: info@breedonaggregates.com

Website

www.breedonaggregates.com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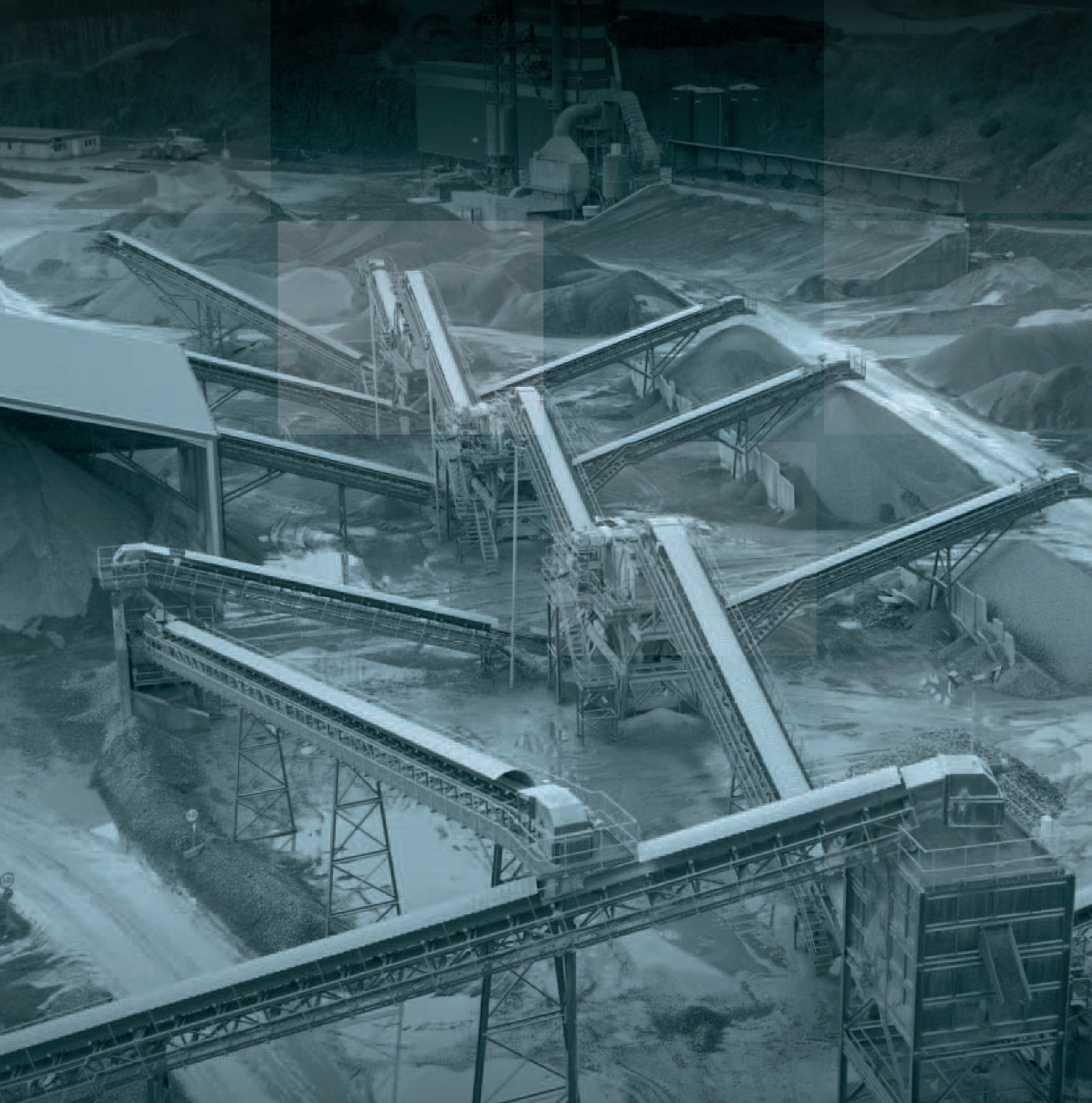

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Breedon Aggregates Limited
Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT

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