



BREEDON
AGGREGATES

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DAVIOT ASPHALT PLANT

BREEDON AGGREGATES
www.breedonaggregates.com

Delivering on our strategy

Breedon Aggregates
Annual Report 2015

We are the UK's leading independent aggregates business. Our operations are fully integrated – processing aggregates from our quarries into high-quality construction materials and restoring the land we use. We aim to maximise our returns at each stage of our operations, in the knowledge that our resources are both scarce and valuable.

We achieve this by working as efficiently and competitively as possible, whilst respecting our customers, employees, suppliers and local communities.

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

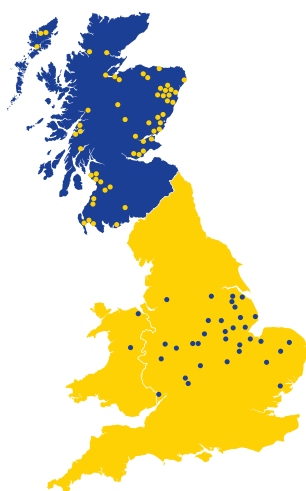


For more information visit

www.breedonaggregates.com

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Strategic Report

Breedon Aggregates at a glance 2015

We are an integrated building materials company – the fifth largest in the UK and the country's leading independent aggregates business.

Financial highlights

£318.5m

Revenue

2014: £269.7 million **+18.1%**

£37.8m

Underlying EBIT*

2014: £24.3 million **+55.5%**

11.9%

Underlying EBIT margin*

2014: 9.0% **+2.9ppt**

£31.3m

Profit before taxation

2014: £21.4 million **+46.4%**

2.68p

Underlying basic earnings per share*

2014: 1.64p **+63.4%**

£10.3m

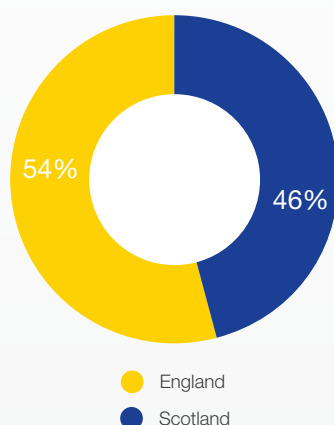
Net cash

2014: Net debt £66.3 million **+£76.6 million**

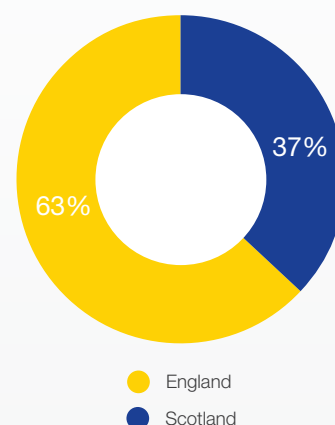
How we are organised

We operate two autonomous businesses in England and Scotland, each focused on providing the highest possible levels of customer service to their local markets.

Group revenue



Group underlying EBIT*



Breedon Aggregates England

Headquarters:

Breedon on the Hill (Derbyshire)

Employees: 535

Operational assets:

- 14 quarries
- 9 asphalt plants
- 22 ready-mixed concrete and mortar plants
- 1 concrete products plant
- 2 regional contract surfacing operations
- Aggregates production joint venture company (50 per cent share of Breedon Bowen Limited)

i Business review
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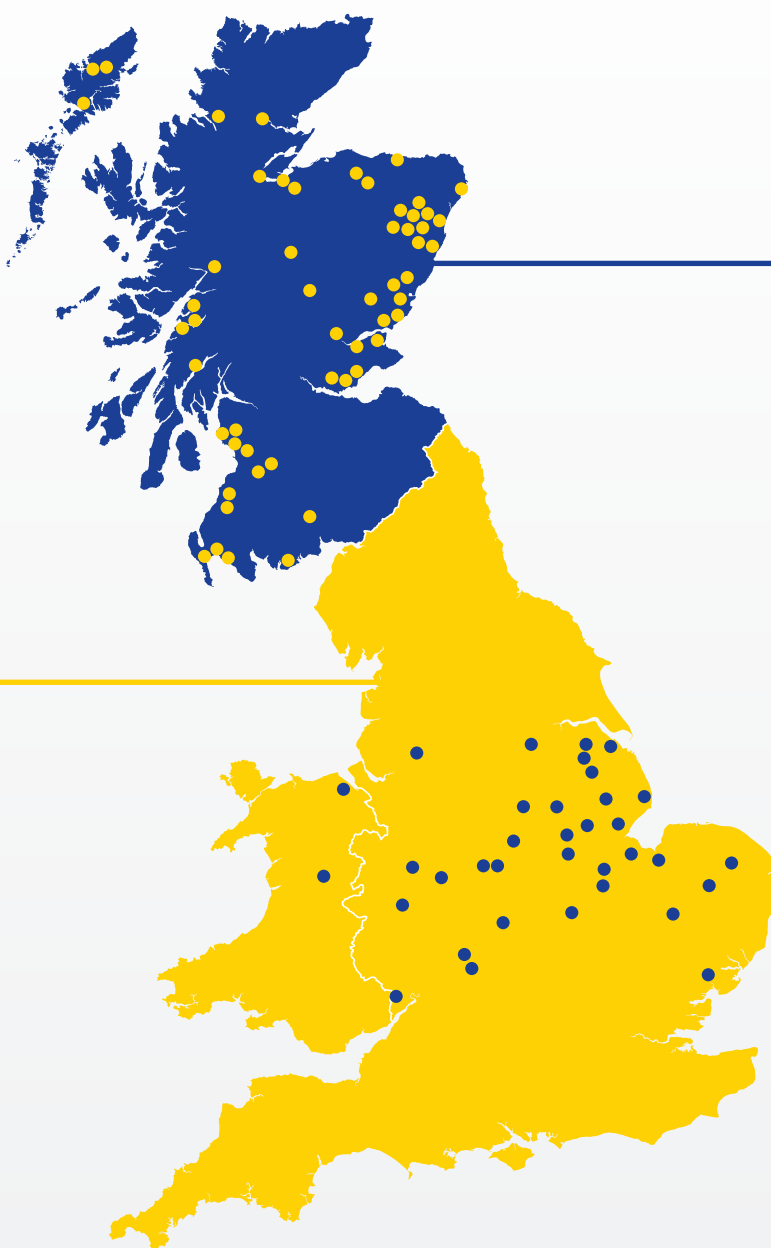
as at 31 December 2015

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

Reserves and resources

Over 500m tonnes

of owned or controlled mineral
reserves and resources



Breedon Aggregates Scotland

Headquarters:

Ethiebeaton (near Dundee)

Employees: 716

Operational assets:

- 38 quarries
- 17 asphalt plants
- 36 ready-mixed concrete plants
- 2 concrete products plants
- 6 regional contract surfacing operations
- Traffic management services company (majority share of Alba Traffic Management Limited)
- Road maintenance company (minority share of BEAR Scotland Limited)

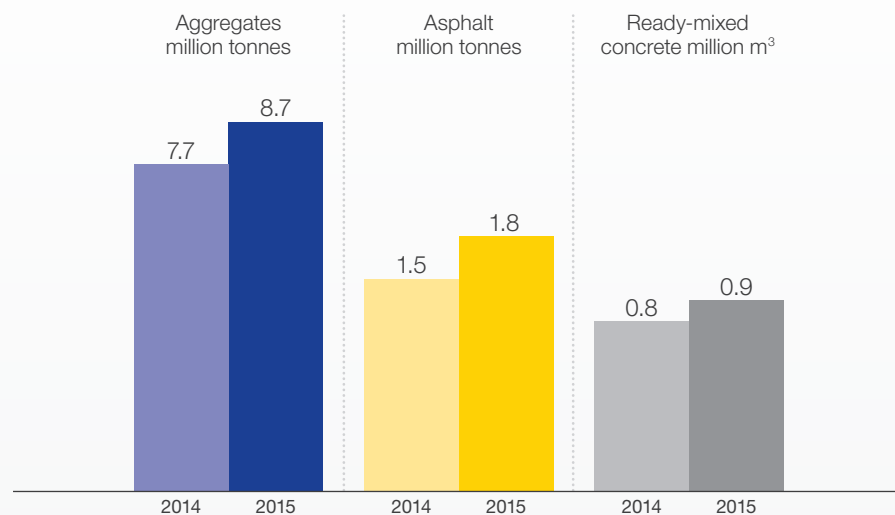
 [Business review](#)
[Page 28-30](#)

as at 31 December 2015

Strategic Report

Our products and services

We supply a full range of crushed rock, sand & gravel, asphalt, ready-mixed concrete and mortar from more than 80 sites around the UK, together with surfacing contracting services from eight regional hubs in England and Scotland.

2015 product volumes

8.7 million tonnes

Aggregates sales
in 2015

2014: 7.7 million tonnes **+13.5%**

1.8 million tonnes

Asphalt sales
in 2015

2014: 1.5 million tonnes **+18.3%**

0.9 million m³

Ready-mixed concrete sales
in 2015

2014: 0.8 million m³ **+13.3%**

Aggregates



We offer a wide variety of quality-assured aggregates for the construction market, from crushed rock and sand & gravel, to specialised decorative aggregates for architectural applications. We supply to all types of contractors, from those serving large infrastructure projects to the smaller independent end-user. We also supply a range of decorative aggregates including Breedon Golden Amber gravel, for which we hold the Royal Warrant.

Typical customers

- Civil engineering businesses (infrastructure & housing)
- Industrial/commercial (warehouses, etc.)
- Agricultural (chicken sheds, biomass, etc.)
- Landscaping (driveways, pathways, courtyards, patios, etc.)

Our objective is to ensure that we extract maximum value from every tonne of aggregate we quarry, through efficient manufacturing and sale of a full range of downstream products and associated services.

Asphalt



We have a comprehensive portfolio of specialist asphalt products, all of which are quality-assured. This enables us to supply to all types of construction projects, including major and county road networks, airport runways, car parks and domestic driveways.

Typical customers

- Highways England and Transport Scotland
- Local authorities
- Civil engineering businesses
- Local surfacing contractors
- Utilities companies

Ready-mixed concrete and mortars

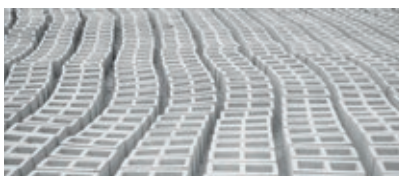


Our quality-assured ready-mixed concrete business supplies a range of specialist mixes, including mortars and screeds, for all types of construction projects, large and small. We also operate a fleet of mini-mix trucks suitable for smaller loads.

Typical customers

- Civil engineering businesses
- Industrial/commercial
- Agricultural
- Homes and smaller businesses

Concrete products



We manufacture a range of quality-assured concrete products, such as concrete blocks, pre-stressed concrete beams for block and beam floors and walling products.

Typical customers

- Industrial
- Commercial
- Infrastructure and housing
- Agricultural

Contracting services



Our quality-assured contracting division comprises highly skilled teams undertaking all types of road surfacing projects, from major road networks to car parks and small domestic drives. Our customer base is wide and varied.

Typical customers

- Road network and infrastructure companies
- Local authorities
- Smaller independent clients

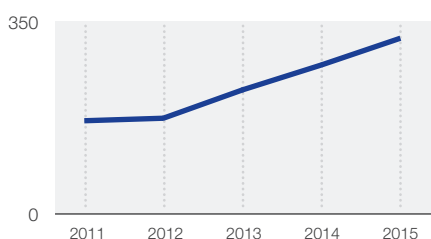
Strategic Report

Our five year track record

In 2015 we celebrated our fifth anniversary. Since our creation in 2010, we have remained steadfastly focused on creating financial value for our shareholders and a great working environment for our employees.

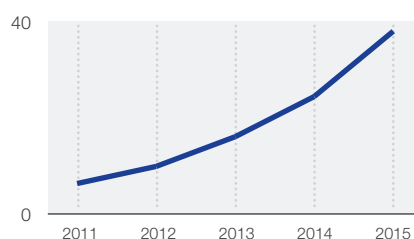
Key figures

Revenue (£m)



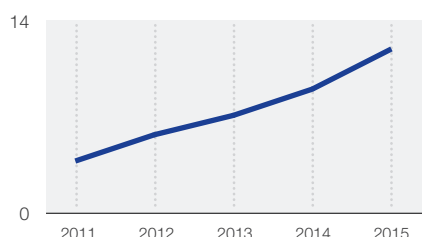
5 year performance
Up £149.6m

Underlying EBIT (£m)



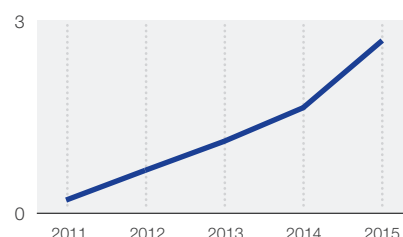
5 year performance
Up £31.4m

Underlying EBIT margin (%)



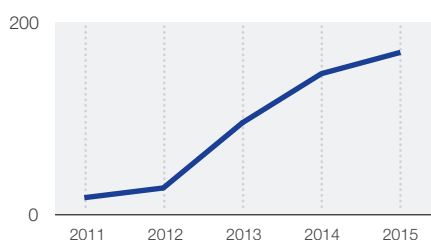
5 year performance
Up 8.1ppt

Underlying basic earnings per share (pence)



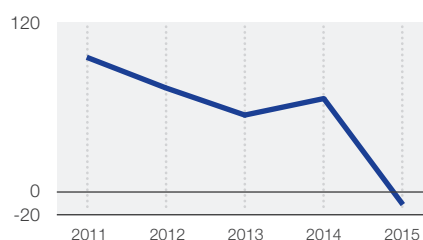
5 year performance
Up 2.47p

Cumulative investment (£m) (acquisitions and capital expenditure)



5 year performance
Total £167.9m

Net debt (£m)



5 year performance
Down £106.4m

2011 2012 2013 2014 2015

Acquisitions and investment

- | | | | | |
|---|--|--|--|--|
| <ul style="list-style-type: none"> Acquisition of C&G Concrete | <ul style="list-style-type: none"> Acquisition of Nottingham Readymix | <ul style="list-style-type: none"> Acquisition of Aggregate Industries' Scottish operations Acquisition of Marshalls' quarries | <ul style="list-style-type: none"> Acquisition of Huntsman's Quarries Acquisition of Barr Quarries Investment in Breendon Bowen joint venture | <ul style="list-style-type: none"> Announcement of the acquisition of Hope Construction Materials |
|---|--|--|--|--|

Organic growth

- | | | | | |
|---|---|---|--|--|
| <ul style="list-style-type: none"> Planning secured for 12 million tonnes extension of Leaton quarry | <ul style="list-style-type: none"> Launch of 1stMix Launch of Mobile Concrete Solutions | <ul style="list-style-type: none"> Major plant replacement programme for acquired units Start of project to increase capacity at Norton Bottoms | <ul style="list-style-type: none"> Reopening of West Deeping quarry Reopening of Ardchronie quarry Purchase of concrete plant at Clearwell quarry Opening of Cannock concrete plant Purchase of asphalt plants in Suffolk and Essex | <ul style="list-style-type: none"> Major capital investment programme at former Barr quarries Major upgrade commenced at Cloud Hill quarry Block plant upgrade at Naunton quarry Erection of new asphalt plant at Daviot |
|---|---|---|--|--|

Eight commitments to creating value for our stakeholders

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

1

Stay local

Easy to do business with at every site

2

Stay nimble

Maximise opportunities in our markets and develop new ones

3

Devolve responsibility

Allow decision-making by regional teams

4

Squeeze our assets

Maximise return from every tonne of material

5

Eliminate underperformance

If a plant is not performing, fix it

6

Keep central overhead to a minimum

Maintain a flat structure

7

Don't pay rent

Locate our offices in our quarries

8

Deliver value from acquisitions

Always enhance earnings

Market capitalisation (£m)



5 year performance
Up £664.0m

Bonus for Breedon Aggregates employees

We celebrated the fifth anniversary of the creation of the business in September 2010 by offering free shares to all employees of the Breedon Aggregates Group.

We issued more than 300,000 shares to 1,219 employees, equivalent to 250 shares per employee, at 53.5 pence per share.



Strategic Report

Our business model: creating sustainable value

Our business processes create sustainable value, which benefits our key stakeholders.



Securing mineral supplies



Core activities

- Securing sparingly granted consents
- Consultation & community engagement

Things we need to do right

- Good relationships with local authorities
- Strong HSE and restoration track record
- Community engagement



Quarrying



Core activities

- Extraction and processing of rock
- Sand & gravel extraction
- Crushing and screening

Things we need to do right

- Operating efficiency
- Safety procedures
- Environmental noise control
- Strong input supplier relationships
- Compliance with our licences to operate



Adding value



Core activities

- Mixing aggregates and bitumen to produce asphalt products
- Mixing aggregates and cement to produce ready-mixed concrete and mortar
- Forming ready-mixed concrete to produce a range of concrete products

Things we need to do right

- Operational efficiency
- Safety procedures
- Compliance with our licences to operate

Key beneficiaries



Employees

We have over 1,200 employees who are beneficiaries of our success both through competitive pay and benefits (all our employees earn at least the living wage regardless of age) and as investors – the majority of them are Breedon Aggregates shareholders.



Investors

Our shareholders saw a 40 per cent increase in the value of their shares in 2015.



Environment and community

We continue to invest heavily in energy-efficient plant and vehicles and our GoodQuarry scheme is designed to ensure, amongst other things, that our quarries operate to the highest environmental standards and we are consistently good corporate citizens in our local communities.



Marketing and distribution



Core activities

- Securing business through direct sales teams
- Customer liaison
- After-sales service
- Safety procedures
- Maximising fleet efficiency

Things we need to do right

- Understanding customer needs
- High service standards
- Professional employees



Restoration activities



Core activities

- Returning land to communities
- Landscaping and repurposing

Things we need to do right

- Community engagement
- Long-term planning



Government and local authorities

Breedon is a substantial contributor to national and local government revenues. In 2015 the total taxes borne by, or collected on behalf of, and paid to HM Revenue & Customs amounted to over £50 million, in addition to local business rates.



Customers

Our customers are central to everything we do. Our mantra is 'Quality and service. Delivered.' and this has enabled us to build close working relationships both with some of the country's largest public and private customers, and with local buyers in literally hundreds of communities nationwide.

Strategic Report

Our operating model: benefits of integration

We add maximum value to the aggregates we extract through our integrated operating model.

Raw materials

Bitumen

We buy in bitumen to mix with our aggregates to produce asphalt



Core assets

52

quarries with over 500 million tonnes of mineral reserves and resources

Asset life: 59 years

Raw materials

Cement and additives

We buy in cement and additives to mix with our aggregates to produce ready-mixed concrete and mortar



14%

Core output

8.7mt

Crushed rock, sand & gravel, decorative aggregates



12%

Core assets

26

asphalt plants



Core assets

58

ready-mixed concrete and mortar plants



Core output

1.8mt
asphalt



33%



Breedon's surfacing and contracting operations

67%



Large and small surfacing projects

74%

Core output

0.9m m³
ready-mixed concrete
and mortar



100%



Industrial, commercial, infrastructure, housing and special projects



Small 'mini mix' loads for houses and small businesses

Strategic Report

Our market

Breedon is expanding its position in a consolidating market.

Our market: the quick read

- Aggregates are essential to the construction sector, which accounted for 5.9 per cent of GDP in 2015 and is forecast to grow by around 3.6 per cent in 2016.
- 125 million tonnes of aggregates were sold in the UK in 2015, still well below the 1989 peak of 330 million tonnes.
- The UK aggregates market is dominated by the four major cement companies. We are the fifth largest.
- There are 150–200 independent aggregates businesses at the smaller end of the market – fertile ground for our bolt-on acquisition strategy.

A consolidating industry

The UK aggregates sector continued to consolidate in 2015. The market leader, Lafarge Tarmac, was acquired by Irish cement producer CRH and Breedon Aggregates announced its acquisition of another sizeable independent aggregates producer, Hope Construction Materials. This further concentrated control of the sector in the hands of the world's four largest cement companies, with Breedon Aggregates set to become a more powerful market challenger.

Continuing growth in construction sector

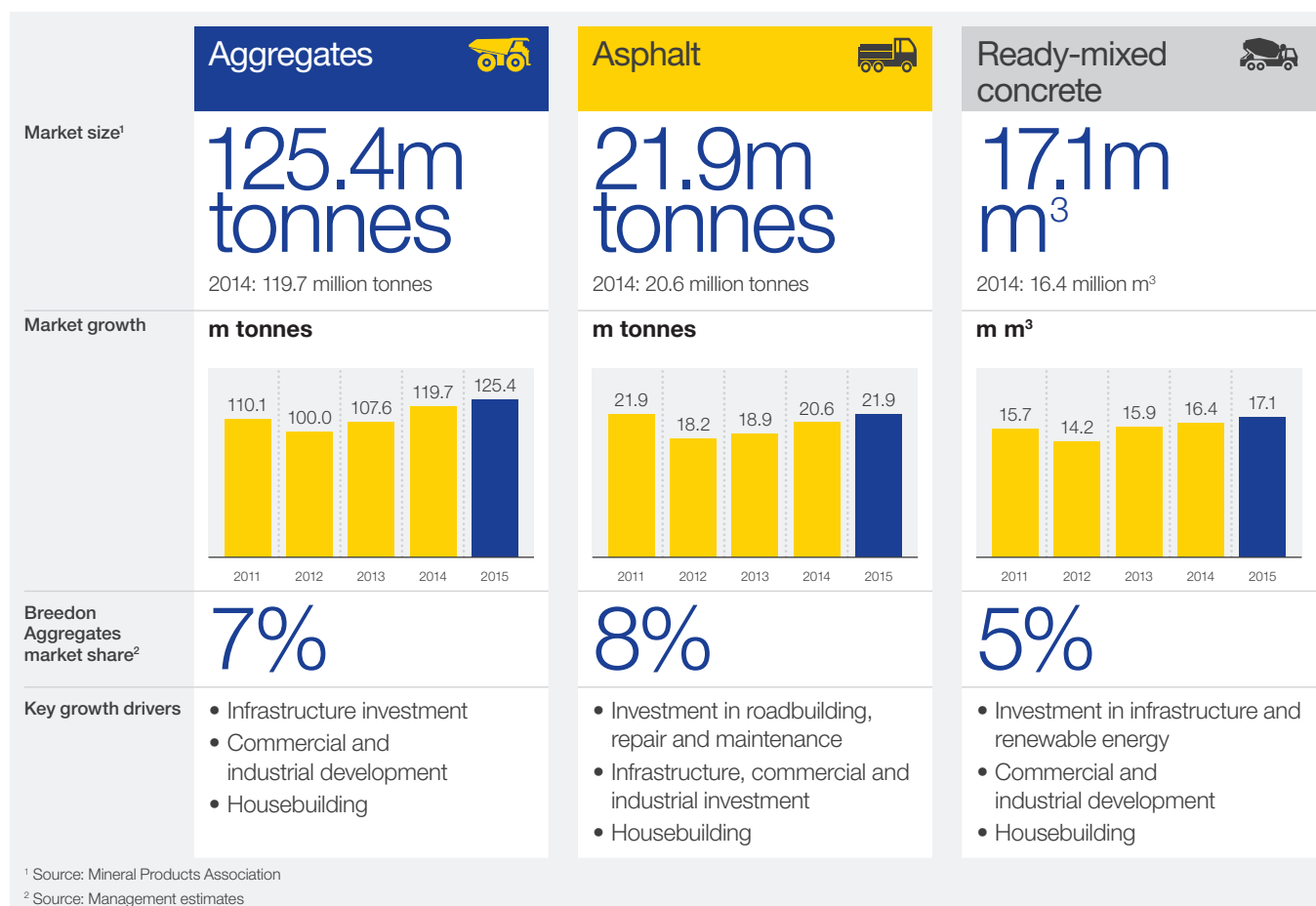
Construction output rose by an estimated 3.4 per cent in 2015, recovering from a short-lived slowdown in the third quarter to finish the year strongly, driven by infrastructure work.

Aggregates production continuing to rise

Sales of aggregates grew by 4.8 per cent in 2015, with ready-mixed concrete rising by 4.2 per cent and asphalt up 6.5 per cent. As always, there were significant regional variations, with Scotland performing more modestly than England due to its heavier dependence on more muted local and Scottish government spending.

Outlook

The Construction Products Association forecasts 3.6 per cent growth in construction output in 2016, followed by 4.1 per cent in 2017. This optimism is reflected in the Mineral Products Association's ('MPA') forecasts, which point to a 2–5 per cent growth in sales volumes across the main aggregates product groups.



¹ Source: Mineral Products Association

² Source: Management estimates

Output and volume forecasts 2016 (£bn)

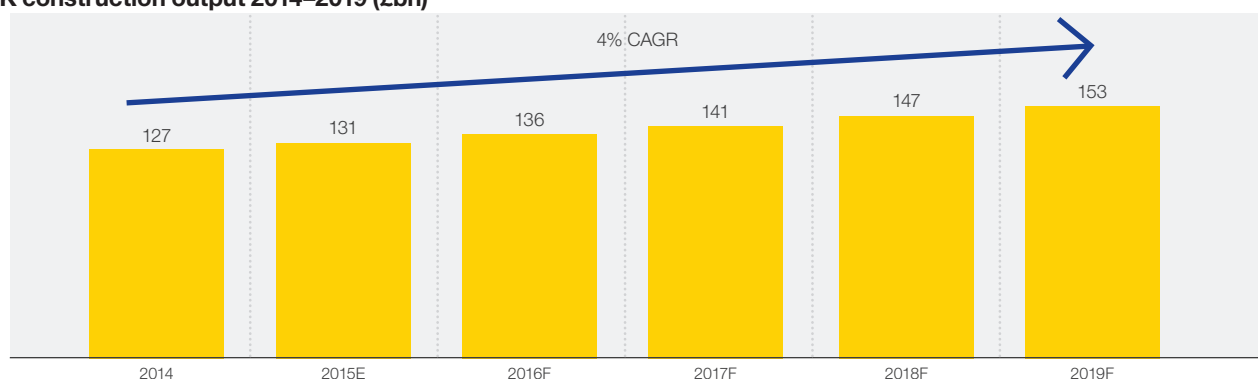
Construction
output
+4%

Aggregates
volumes
+3–5%

Asphalt
volumes
+0–2%

Ready-mixed
concrete volumes
+2–4%

Cement
volumes
+2–4%

UK construction output 2014–2019 (£bn)

Source: Office for National Statistics ('ONS'), Construction Products Association ('CPA') and Mineral Products Association ('MPA').

Key industry features: the investment case**Our market****Our response**

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

We have strong coverage in England and Scotland and are able to meet the demand for local/regional service.



As there is minimal product differentiation, business is won on price and customer service.

Our brand and reputation is built on listening to and responding quickly to our customers' needs, summed up in our strapline: 'Quality and Service. Delivered.'



Barriers to entry are high due to the constraints of the planning regime and no new rock quarries have been planned in the last 15 years.

We are able to meet demand by expanding or reopening existing sites. In 2015 we were successful in securing planning consent for an additional 2.5 million tonnes of reserves at Stirlinghill quarry.



Despite ongoing consolidation, the market remains relatively fragmented with larger players divesting non-core assets.

We continue to take advantage of divestments through targeted earnings-enhancing acquisitions in the heavyside building materials sector.



It is a highly capital-intensive market with high fixed costs and a need for ongoing investment in plant and machinery.

We are a highly cash-generative business with sound financial backing, enabling us to make the necessary investments to realise our growth strategy.



Underinvestment in UK infrastructure is expected to be addressed: e.g. Highways Agency budget is expected to more than double by 2020. Rail, Housing, Energy and Airports are earmarked for significant investment – important markets for our products.

As the leading independent aggregates producer in the UK, we are in a strong position to benefit from construction sector recovery. This is important as any increase in volume can be expected to have a positive impact on earnings.

Strategic Report

Our strategy

Our strategy underpins our aim to be the UK's most profitable aggregates producer.

Our aim:

To be the most profitable aggregates producer in the UK market.

Our unique market positioning:

We are the UK's leading independent aggregates business, and the fifth largest after the four global majors, in a highly fragmented market. At the heart of our strategy is a commitment to operating nimbly and with a sharp local focus, ensuring we provide a best-in-class service to our customers.

Our strategy:

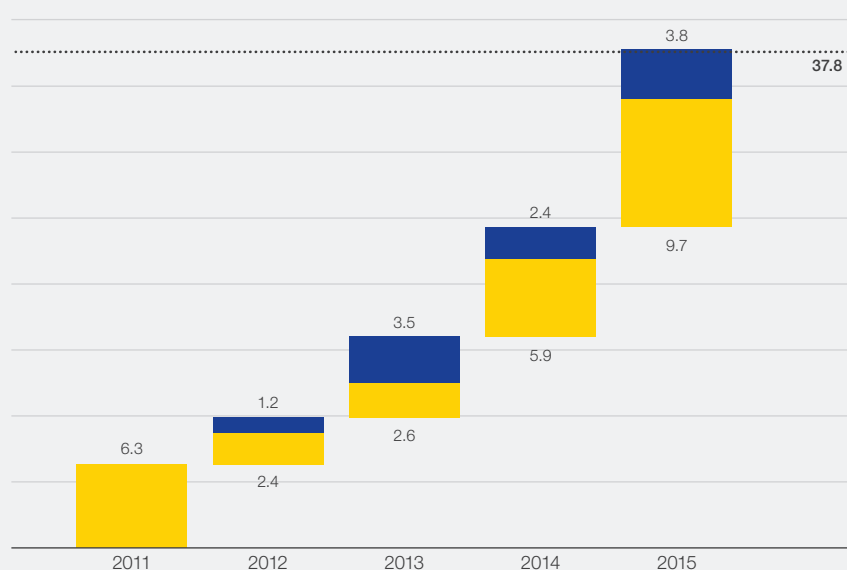
To achieve our aim by:

1. Striving for best customer service.
2. Delivering continuous operational improvement.
3. Continuing organic growth.
4. Pursuing value-enhancing acquisitions.

Profitable growth through targeted acquisitions
and strong organic development

Underlying EBIT components 2011–2015 (£m)

● Organic ● Acquisitions



Our strategy in action

We are pursuing a well-planned combination of organic improvement and growth, and value-enhancing acquisitions.

1

Striving for best customer service

We can only retain repeat business and win new customers by delivering industry-leading service and product quality. We aim to maintain these exceptionally high standards, no matter what the size of job. The quality and commitment of our employees is paramount in ensuring that we consistently exceed our customers' expectations.



2

Delivering continuous operational improvement

We have a substantial, but finite, supply of mineral assets and we treat them as rare resources. We aim to extract and add value to them as efficiently as possible, whilst respecting our responsibilities to our employees, local communities and the environment. Our ability to operate efficiently is dependent on judicious investment and the proficiency of our management and employees in implementing our efficiency measures, controlling costs and selecting work streams carefully.



3

Continuing organic growth

As the economy recovers, both private and public investment is being reinvigorated in key areas such as housebuilding, industrial development, infrastructure and renewable energy. We are well placed to utilise and expand our assets and production capacity to meet this increased demand.



4

Pursuing value-enhancing acquisitions

The UK aggregates market is highly fragmented, with 150–200 independent businesses, many of which are seeking buyers. Some of the majors are also looking to divest assets. These trends continue to create opportunities for us to acquire downstream businesses in the heavyside building materials sector.

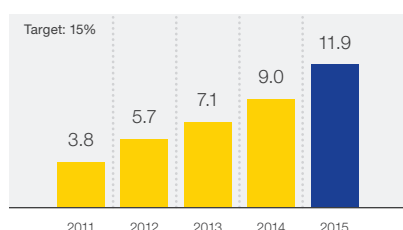


Strategic Report

Key Performance Indicators

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

1. Underlying EBIT margin (%)

**Why we've chosen this measure:**

This metric tracks improvements in the relative profitability of the Group and enables us to monitor progress against our stated medium term objective of achieving 15 per cent EBIT margins. We also use it as a risk monitor. See risks [1–8](#) inc.

How we've performed:

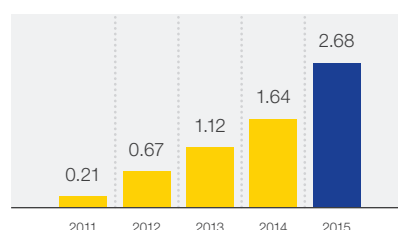
Good progress was made in 2015 and we improved EBIT margins by 32 per cent, or 2.9 percentage points.

Remuneration link:

EBITDA, a component of this measure is also used to determine levels of annual cash bonus.

Annual cash bonus
Page 51

2. Underlying basic EPS (pence)

**Why we've chosen this measure:**

This metric tracks improvements in the underlying earnings per share for our shareholders. We also use it as a risk monitor. See risks [1–8](#) inc.

How we've performed:

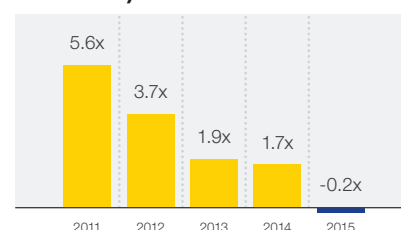
The 63 per cent annual increase in our underlying basic earnings per share in 2015 reflects the improved performance of the heritage business and the positive contribution made from acquisitions.

Remuneration link:

This measure is also used to determine award levels in our performance share plans.

Performance share plans
Page 51

3. Leverage (Net debt/Underlying EBITDA)

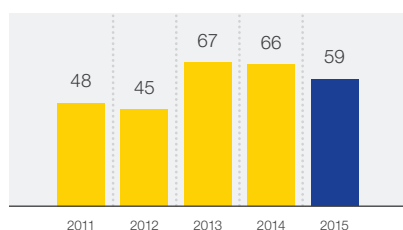
**Why we've chosen this measure:**

This metric tracks the ability of the Group to generate sufficient cash flows to pursue its bolt-on acquisition strategy whilst covering its contractual debt servicing obligations. We also use it as a risk monitor. See risk [4](#).

How we've performed:

The Group has continued to generate strong cash flows in 2015 and the share placing undertaken at the time of announcement of the acquisition of Hope means that the Group is temporarily in a net cash position until the completion of the transaction in mid-2016.

4. Reserves and resources life (years)

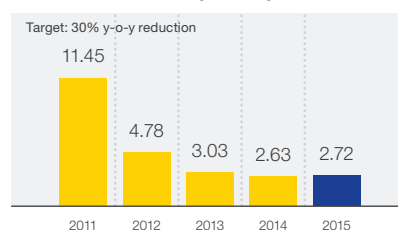
**Why we've chosen this measure:**

This metric tracks the ability of the Group to replenish its reserves and resources. We also use it as a risk monitor. See risk [5](#).

How we've performed:

Whilst life has reduced marginally in 2015, we more than replenished extraction in 2015 against an industry that failed to do so.

5. Lost Time Injury Frequency Rate ('LTIFR') per 1 million hours worked (hours)

**Why we've chosen this measure:**

This metric tracks our health and safety performance and enables us to maintain a strong health and safety culture. We also use it as a risk monitor. See risk [6](#).

How we've performed:

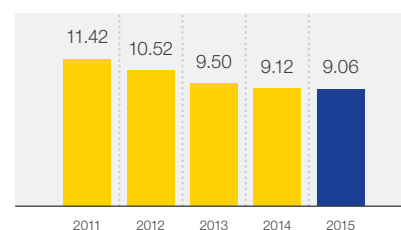
We had seven lost time injuries in 2015, one more than in the previous year, and as a result our LTIFR disappointingly increased in 2015.

Remuneration link:

This measure is also used to determine the level of annual cash bonus.

Annual cash bonus
Page 51

6. Carbon emissions (kg per tonne of production)

**Why we've chosen this measure:**

This metric tracks our commitment to continuous improvement in our environmental performance. We also use it as a risk monitor. See risk [6](#).

How we've performed:

We have made further progress but our 2015 performance has been impacted by product mix; we continue to strive to reduce emissions, whilst maintaining the production levels required to meet demand.

Managing our risks and opportunities

By identifying and managing our risks effectively we can focus on our long-term business opportunities.

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

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

During the year, three of our risks increased and five remained the same.

Increased risks

The three risks that increased related to acquisitions, legal & regulatory and people. These increases reflected specific risks covering the planned acquisition of Hope Construction Materials Limited in 2016 and the strengthening of the UK labour market.

Risk governance and responsibilities

Board

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

Audit Committee

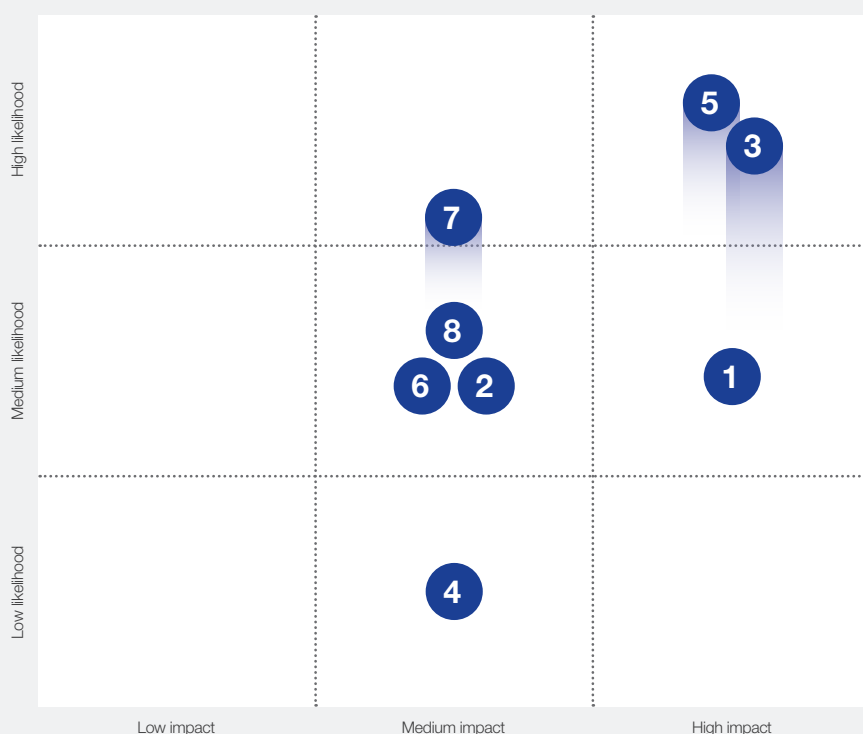
The Audit Committee reviews the suitability and effectiveness of risk management processes and internal controls on behalf of the Board

Group Finance Director

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

i Corporate Governance Report **Page 44–45**
Audit Committee Report **Page 48–49**
for further details of how our risk management framework and policies are embedded.

Risk heat map



Key:

- 1 Market conditions
- 2 Competition and margins
- 3 Acquisitions
- 4 Liquidity
- 5 Legal and regulatory
- 6 Health & safety and environment
- 7 People
- 8 IT

Strategic Report

Managing our risks and opportunities

continued

Our principal risks and key mitigants are set out in the following table:

The risks	How we manage them	KPI used as risk monitor
1 Market conditions		
<ul style="list-style-type: none"> Changes in the UK macro-economic environment (and Government policy) expose the Group to changes in the level of activity and therefore demand for the Group's products. In the short term adverse weather can also impact demand for the Group's products. Difficult economic conditions also increase the Group's exposure to credit risk among its customers. 	<ul style="list-style-type: none"> The Group regularly reviews available indicators of market activity, including market data and economic forecasts. The Group maintains regular communication with key suppliers and customers. The Group maintains a broad exposure to various end-uses for its products. The Group maintains credit insurance cover over the majority of its private sector customers. 	Underlying EBIT margin % Underlying EPS
2 Competition and margins		
<ul style="list-style-type: none"> Increased competition could reduce the Group's volumes and margins. Unprofitable contracts are entered into. The Group is heavily reliant on energy and hydrocarbons to produce its products and to get them to market and increases in those costs could reduce the Group's margins. 	<ul style="list-style-type: none"> The Group supplies a diverse customer base and focuses on providing a high level of customer service. The Board approves all major contracts. The Group operates a strategic purchasing plan to address energy and hydrocarbon risk. 	Underlying EBIT margin % Underlying EPS
3 Acquisitions		
<ul style="list-style-type: none"> The Group could overpay for an acquisition. The Group could fail to integrate an acquisition. The Group could fail to deliver the expected returns from an acquisition. 	<ul style="list-style-type: none"> The Group uses specialist advisers and undertakes extensive due diligence. The Board approves all major acquisitions. Acquisitions are supported by detailed integration plans and in respect of the acquisition of Hope Construction Materials Limited ('Hope') the preparation of this is underway. The Group has a strong acquisition track record. 	Underlying EBIT margin % Underlying EPS Leverage
4 Liquidity		
<ul style="list-style-type: none"> The Group does not have sufficient financial resources to meet its obligations as they fall due. The Group does not have sufficient financial resources to continue to consolidate the smaller end of the heavyside building materials industry. 	<ul style="list-style-type: none"> The Group manages liquidity risk by continuously monitoring forecasts and cash flows to ensure that it maintains sufficient headroom. The Group's existing committed facility remains in place until the earlier of the acquisition of Hope or 2018 and at the acquisition of Hope the existing facility will be replaced with a new four-year committed facility. The Group maintains strong relationships with its key banks and shareholders. 	Underlying EBIT margin % Underlying EPS Leverage

The risks	How we manage them	KPI used as risk monitor
5 Legal and regulatory		
<ul style="list-style-type: none"> A breach of law or regulation could result in disruption of the Group's business and potential reputational damage. Product quality issues could result in customer claims. Planning and emission restrictions could prevent the Group from operating facilities or extracting its mineral reserves. The Group could be prevented by regulatory authorities from consolidating the smaller end of the heavyside building materials industry. 	<ul style="list-style-type: none"> The Group monitors and responds to legal and regulatory developments and benefits through its membership of the Mineral Products Association. The Group has clear contracting terms, maintains a quality control policy and procedures and holds appropriate insurance. The Group involves stakeholders in early consultation and meets with communities in areas where they are impacted by its operations. The acquisition of Hope is conditional on UK Competition and Markets Authority approval; however the Group has a good understanding of their concerns. 	Underlying EBIT margin % Underlying EPS Reserves and resources life Carbon emissions
6 Health & safety and environment		
<ul style="list-style-type: none"> Failure to manage these risks could expose the Group to significant potential liabilities and reputational damage. 	<ul style="list-style-type: none"> The Group considers health & safety a priority and targets zero harm. The Group employs experienced health and safety advisers who promote a strong safety culture and related training. Management, training and control systems are in place across the Group to minimise and prevent environmental incidents. 	Underlying EBIT margin % Underlying EPS Lost Time Injury Frequency Rate Carbon emissions
7 People		
<ul style="list-style-type: none"> Failure to recruit and retain the right people could have an adverse impact on the Group's ability to deliver on its strategic objectives. 	<ul style="list-style-type: none"> The Board reviews and agrees the Group's HR policies. The Group has a formal appraisal process. Appropriate remuneration and incentive packages are in place to assist in the attraction and retention of key employees. The Remuneration Committee reviews all key aspects of executive remuneration. 	Underlying EBIT margin % Underlying EPS
8 IT		
<ul style="list-style-type: none"> Disruption to the IT environment could affect the Group's ability to conduct its ongoing operations. Disruption could lead to an adverse effect on the Group's performance. 	<ul style="list-style-type: none"> The Group employs dedicated internal IT support teams, together with external support service providers. All IT system development projects are actively and carefully planned with defined governance and control procedures. The Group maintains disaster recovery plans and procedures. To support the acquisition of Hope and future growth, the Group is undertaking a review of its IT systems. 	Underlying EBIT margin % Underlying EPS

Strategic Report



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Strategic Report

A Review of 2015

Our Executive Chairman and our outgoing Group Chief Executive review an eventful year for Breedon Aggregates, including the announcement of our largest ever acquisition.



Peter Tom CBE
Executive Chairman

Simon Vivian
Group Chief Executive 2015

Introduction

2015 was another significant year for Breedon: our trading performance continued to improve and we again reported record results.

In November we announced the planned £336 million acquisition of Hope Construction Materials Limited ('Hope') and we are tremendously excited by the future potential for this business. Then, at the end of the year, we finalised our largest ever contract win (worth £55 million) to supply and lay asphalt for the Aberdeen Western Peripheral Route, the largest road improvement scheme in the UK, in partnership with Whitemountain Quarries Limited. This contract was awarded in early 2016 and will help to underpin the performance of the Scottish business for the next two years. Once again we would like to thank all our employees throughout the business, who have continued to contribute so enthusiastically to our success.

Early in 2016 we were joined by our new Group Chief Executive, Pat Ward, whom I would like to once again warmly welcome to Breedon Aggregates. He succeeded Simon Vivian who oversaw the successful development of the Group during its first five years and will continue to serve as a non-executive director.

"We secured our largest ever contract win to supply and lay asphalt for the Aberdeen Western Peripheral Route."

Trading performance

Group revenue increased by 18.1 per cent to £318.5 million as the UK construction sector continued to recover.

Trading conditions in England remained stronger than in Scotland, but both divisions delivered record results in 2015. Group underlying EBITDA increased to £54.9 million and our underlying EBITDA margin improved to 17.2 per cent compared to 14.3 per cent last year. This means that we have now achieved the medium-term margin target we set for the business back in 2010. We are now focusing on underlying EBIT margin as our principal performance measure and, during the year, we signalled our new medium-term underlying EBIT margin target of 15 per cent which we believe is achievable by 2020. Underlying EBIT margin for 2015 was 11.9 per cent compared to 9.0 per cent in 2014. We will provide updated guidance on our margin target following completion of the acquisition of Hope.

Once again we had a strong finish to the year, although wet weather and flooding in December impacted activity in Scotland, particularly in the Aberdeen area. Further declines in the price of fuel oil and related products also helped to reduce our cost base. The two acquisitions we made in 2014 performed well, with the former Barr business in particular significantly exceeding our expectations at acquisition.

The performances of our two divisions are reviewed in more detail by their respective Chief Executives on pages 25 to 30.

i Our market
Page 12

Investment and development

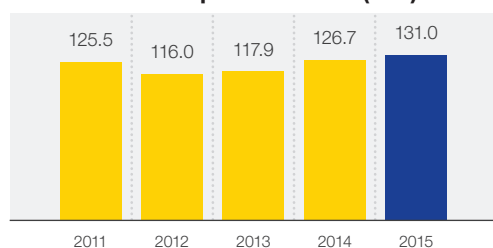
We continue to invest in our business to increase capacity, improve efficiency and replace plant and equipment.

During the year we approved projects in excess of £20 million, including the replacement of two asphalt plants in Scotland, a new crushing plant at our largest quarry in the Midlands and a new concrete plant at Tewkesbury. We also reached agreement to re-open a former quarry in north Wales and we expect to shortly commence production of sand and gravel at a new site near Northampton.

The UK construction market

i Our market
Page 12

Construction output 2011–2015 (£bn)



Source: Office for National Statistics ('ONS')

Market conditions continued to be favourable during the year, although construction output growth of 3.4 per cent was lower than the 7.5 per cent achieved in 2014.

A slowdown in the third quarter proved to be temporary and demand recovered, with a positive finish to the year driven by infrastructure work. The labour market remained strong, with the number of people in employment growing to nearly 74 per cent, the highest since records began in 1971.

Despite the recovery, it is noteworthy that both construction output and product volumes still remain well below pre-recession levels.

i Business reviews
Pages 25–30

A year of major investment

The former Barr business received significant additional investment following its acquisition in 2014 and this has already started to pay dividends in improved efficiency and cost reduction. Other significant investments during the year included a new crushing train and block production plant at Naunton and updates to our fleet with the purchase of a number of new mixers and tippers.

Whilst our short-term focus will be on integrating the Hope business and delivering the synergies we have identified, we continue to review a number of business development opportunities. Hope itself will significantly increase our geographic coverage and bring us a number of investment prospects, but we also see many other potential opportunities to further expand our business.

Construction output growth

3.4%

Employment at record level

74%

Hope Construction Materials

In November last year we reached agreement to acquire Hope, which was formed in 2013 out of the merger of Tarmac and Lafarge. The transaction is subject to the approval of the Competition and Markets Authority and we expect to secure this towards the middle of this year. The acquisition of Hope represents a major step forward for Breedon Aggregates, almost doubling the size of our business.

Hope's operations are centred on the large cement works at Hope Valley in Derbyshire and include a network of rail-linked depots, five quarries and 152 concrete plants. It has successfully established itself as a major UK supplier of heavy building materials in a short space of time and has values very similar to Breedon Aggregates, being sharply focused on customer service, operational excellence and strong employee engagement. We are tremendously excited about the prospects for the combined business.

Hope not only provides us with a new product, cement, but also a rail-linked aggregates quarry at Dowlow near Buxton in Derbyshire, together with an enthusiastic and highly motivated workforce.

Following completion of the transaction later this year, the current shareholders of Hope will retain a significant stake in the combined business and the current Chairman of Hope, Amit Bhatia, is expected to join the Board of Breedon Aggregates as a non-executive director. We look forward to formally welcoming Amit in the near future.

Strategic Report

A Review of 2015 continued

Safety of employees



Our commitment to the highest standards of safety in our business is unequivocal and one of the cornerstones of our culture.

We have made great strides in reducing the number and severity of accidents since we formed Breedon Aggregates in 2010, so it is therefore disappointing to report that in 2015 we incurred seven lost time injuries, one more than in the previous year. Despite this, because the business is larger than it was 12 months ago, our Lost Time Injury Frequency Rate ('LTIFR') – which measures accidents per hours worked – increased only slightly to 2.72. However, this is still the first time in five years that we have reported an increase.

Many of our accidents are caused by careless behaviour, but there is clearly more work to be done to improve employee awareness of personal safety. As the business grows, the challenge increases, but we are committed to continuous improvement and will again be targeting a 30 per cent reduction in LTIFR in 2016.

2.72

Slight increase in LTIFR in 2015

Target

30 per cent reduction in LTIFR in 2016



18.8%

increase in near-miss reporting compared to 2014

Outlook

The outlook for our business continues to be encouraging. Macroeconomic data remains positive, with GDP expected to grow by between 2.2 and 2.4 per cent and inflation at historically low levels.

The Government remains committed to infrastructure investment and all the relevant forecasting bodies predict modest but sustained growth of around 4 per cent in construction output over the next few years. This means a steady growth in demand for our products, with the MPA forecasting growth in aggregates volumes this year of around 4 per cent, asphalt volumes up by around 1 per cent and concrete up by around 3 per cent. Against this background, volumes are expected to recover gradually to pre-recession levels by 2020.

While growth prospects remain positive in the UK, there is increasing concern that global growth could be negatively impacted by the Chinese economy, and the general slowdown in the emerging markets. Domestically, the EU referendum could also have an adverse effect on growth.

Notwithstanding this, Breedon Aggregates begins an exciting new era in 2016 with the planned acquisition of Hope and we look forward to the future with confidence.

Peter Tom CBE
Executive Chairman

Simon Vivian
Group Chief
Executive 2015

9 March 2016

Business Review: Breedon Aggregates England



Tim Hall

Chief Executive of Breedon Aggregates England

Strong underlying trading

We experienced buoyant demand in all sectors of our business, helped by an open weather window which provided a good trading base. Aggregates volumes were up 2 per cent year-on-year and remained strong throughout the year, reflecting increased volumes from fixed outlets and a robust performance from our added-value products.

Asphalt volumes exceeded our expectations, ending the year 22 per cent ahead. This strong demand enabled us generally to hold prices against a backdrop of falling hydrocarbon prices, which was reflected in higher margins. Having said this, we did see price pressure in the final quarter, which led to lower prices in some of our markets.

Concrete volumes were again strong in all areas, ahead 8 per cent year-on-year, driven primarily by housing, and we expect this trend to continue throughout 2016.

“Aggregate volumes remained strong throughout the year.”

Market conditions mixed

The third quarter saw two of the largest projects in our region – the widening of the A453 and the Nottingham Tramway – brought to completion.

This, coupled with a slowdown in local authority work and the postponement of a number of projects by Highways England, inevitably drove some of our rivals to seek work elsewhere and to compete for it more aggressively. This was compounded by a slowdown in demand from the agricultural sector, as confidence was hit by falling commodity prices.

These trends accentuated the need for an even more disciplined focus on outstanding customer service, which increasingly distinguishes winners from losers in the smaller end of the heavyside materials market where we traditionally operate.



Strategic Report

Business Review: Breedon Aggregates England continued



The new 'egg-laying' block plant is delivering a substantial increase in production at our recently acquired Huntsmans quarry at Naunton in Gloucestershire.

Ambitious capital expenditure programme

The major replant of Cloud Hill quarry started in 2015 and will be completed this year, while the purchase last year of mobile crushers to replace older units at both Cloud Hill and Breedon quarries are giving us much greater operational flexibility.

At Naunton quarry a secondary crusher train was purchased which means we can now process more stone on site, replacing expensive contract crushing. The new block plant and T-beam plant production operation at Naunton also came on line during 2015 and both are already gaining traction in the market.

In late 2015 we made a substantial investment in replacement mobile plant, which will enhance productivity and reduce operational costs from this year. Work also commenced on our new concrete plant at Tewkesbury, which opened in February 2016.

Good progress on energy saving

Good husbandry of our resources and protection of the environment continue to be the mainstays of our social responsibility programmes.

These are typified by the further expansion of our solar energy initiatives at Naunton and most recently Breedon quarry. Late in 2015 we also placed our first order for eight hybrid cars, which were delivered early this year and we hope to gradually extend the use of these vehicles throughout our fleet in the coming years.

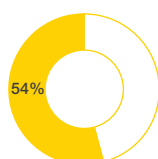
One of the year's most novel developments was the launch of The Breedon Energy Cup, which pitted our sites against one another to see which could make the greatest energy savings. After a highly competitive series of 'matches', Mansfield Asphalt plant was declared the winner in January of this year. This has proved to be a highly effective way of embedding a culture of energy conservation throughout the business.

We are also pleased to report that we achieved full compliance with Phase 1 of the Government's mandatory Energy Savings Opportunities Scheme, with at least 90 per cent of our total energy consumption officially audited and a number of energy-saving opportunities identified as a result.

i Financial review
Pages 31–33

i CSR report
Pages 36–43

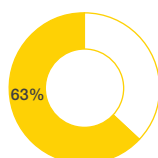
Revenue



£170.8m

2014: £144.9 million **+17.9%**

Underlying EBIT



£27.0m

2014: £16.0 million **+68.5%**

About Breedon Aggregates England

Headquarters

Breedon on the Hill,
Derbyshire

Regional coverage

Central and eastern England,
north and mid-Wales



535
employees



14
quarries



9
asphalt plants



22
ready-mixed concrete
and mortar plants



1
concrete
products plant



2
regional contract
surfacing operations

as at 31 December 2015

Outlook promising

We are cautiously optimistic that there will continue to be reasonably strong demand again throughout 2016, provided the sector remains strong and all site openings go ahead as planned.

A promising market, coupled with the benefits of investment in new plant and machinery and further new business development, gives us confidence that we will continue to deliver on our strategy in 2016.

Tim Hall

Chief Executive
Breedon Aggregates England
9 March 2016

Strategic Report

Business Review: Breedon Aggregates Scotland



Alan Mackenzie
Chief Executive of Breedon Aggregates Scotland

A challenging but successful year

We had a challenging but successful year in Scotland. In the first half we experienced strong demand for our products, but the second half became more difficult as we saw delays to larger projects and the significant effects of cuts in Scottish Executive and local authority spending – which also impacted our associate company, BEAR Scotland. These challenges drove us to look for new sources of business outside our mainstream markets and we succeeded in securing a number of high-profile concrete supply contracts and new customers for our high-value PSV and decorative stone.

Whilst up 12 per cent year-on-year, asphalt volumes were hit hardest by cuts in local authority spending and delays to major contracts such as the Forth Crossing and the widening of the A9, and so ended the year somewhat lower than our expectations. Fortunately, falling hydrocarbon prices helped mitigate the impact of lower volumes; however, this is unlikely to remain the case for very much longer as competition for available volumes becomes more pronounced.

“We had a challenging but successful year in Scotland.”

Aggregates and concrete volumes held up at strong levels, despite further delays to major projects such as the widening of the A9 and construction of the Aberdeen Western Peripheral Route (‘AWPR’), and ended the year 32 per cent and 21 per cent respectively ahead of 2014.

A year of two halves

The market in Scotland was mixed. A strong first half was followed by a subdued, and weather impacted, end to the year, resulting in overall demand remaining generally flat over the year as a whole. Local authority cuts and delays to projects were recurring themes.

There were sharp regional variations, with competition particularly fierce in the Tayside and Fife markets and new challenges in and around Aberdeen, where the downturn in the oil industry severely impacted demand.

Despite the difficult market conditions, we secured several large projects which underpinned our performance in 2015 and in some cases carried over into 2016. We were also delighted that after many months of determined effort, early this year we secured supply and lay orders for the A9 Kincaig to Dalraddy project and, in joint venture with Whitemountain Quarries Limited (‘Whitemountain’), for the supply and lay of asphalt on the AWPR; the Group’s largest ever contract win.



Capital expenditure delivering savings

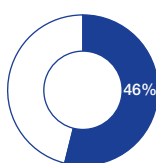
We focused significant capital expenditure during the year on modernising production equipment and investing in new mobile plant in all our units, particularly those acquired with Barr Quarries Limited in 2014, delivering substantial savings in plant hire and maintenance costs.

A new asphalt plant was erected at Daviot quarry to replace the 40-year-old plant on the site. It brings with it additional capacity, flexibility and cost-efficiency and is located strategically close to the A9 and A96 corridors which will see numerous infrastructure and dualling projects over the next decade.

In the south-west, a new mobile crushing train was purchased to improve productivity across several units in the former Barr business. This investment is delivering greater production capacity at a substantially lower cost and has helped us develop our high-PSV quarries at Barbae and Tongland to meet the current strong demand for these products throughout the UK.

We also invested heavily in our fleet of owned mixers and tippers, including the purchase of a number of innovative walking-floor articulated lorries which have greater carrying capacity, better fuel efficiency and marked safety improvements.

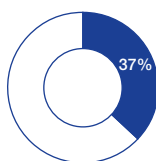
Revenue



£147.6m

2014: £124.7 million **+18.4%**

Underlying EBIT



£16.1m

2014: £11.6 million **+39.3%**

Wins for 2016

At the end of 2015 we finalised our largest ever contract: the £55 million contract to supply and lay asphalt on the £745 million Aberdeen Western Peripheral Route, in joint venture with Whitemountain. We announced this in January 2016, closely followed by a £10 million contract to supply material to the first stage of the £3 billion A9 dualling project.



Under construction: the Aberdeen Western Peripheral Route.



The new asphalt plant at Daviot, near Inverness, commissioned at the beginning of 2016.

Investment yielding energy savings

Our significant capital investment has focused on replacing older units with modern efficient plant and this has brought with it significant energy savings, with marked reductions in fuel and electricity consumption.

We achieved full compliance with Phase 1 of the Government's mandatory Energy Savings Opportunities Scheme. There have been a number of energy-saving opportunities identified through this scheme and progressing these will be a key focus in 2016.

Strategic Report

Business Review: Breedon Aggregates Scotland continued

About Breedon Aggregates Scotland

Headquarters

Ethiebeaton (near Dundee)

Regional coverage

Eastern, northern, western and south west
Scotland and the Hebrides



716
employees



38
quarries



17
asphalt plants



36
ready-mixed concrete
and mortar plants



2
concrete products
plants



6
regional contract
surfacing operations



1
traffic management
services company

as at 31 December 2015

Optimistic outlook

We entered 2016 with a degree of optimism. While we expect our underlying markets to remain very challenging, securing the A9 and AWPR contracts has underpinned our ability to deliver further growth over the next two years.

Once more we have a substantial capital investment programme planned which focuses on cost-cutting and value-adding projects to improve our margins further and enhance the business.

Our emphasis in the current year will be on further developing new markets for value-added product lines such as high-PSV aggregates, armour stone and specialist concrete.

Finally, of course, we look forward to securing further growth through a continuing programme of bolt-on acquisitions. This, coupled with the benefits of new contracts won and substantial capital investment in our core business, enables us to be cautiously optimistic about our prospects in 2016.

Alan Mackenzie

Alan Mackenzie
Chief Executive
Breedon Aggregates Scotland
9 March 2016

Financial Review

“We delivered another year of strong earnings growth in 2015 and announced the £336 million acquisition of Hope Construction Materials, an acquisition consistent with our strategy of consolidating the smaller end of the UK heavyside building materials sector.”



Rob Wood
Group Finance Director

Revenue and underlying operating profit

During the year we again delivered strong organic growth, particularly in England. Group aggregates volumes for the year were up 13.5 per cent at 8.7 million tonnes, asphalt volumes were up 18.3 per cent at 1.8 million tonnes and ready-mixed concrete volumes were up 13.3 per cent at 0.9 million cubic metres.

Revenue for the year at £318.5 million was 18.1 per cent ahead of 2014 (2014: £269.7 million). Underlying earnings before our share of associate and joint venture, interest, tax, depreciation and amortisation ('EBITDA') were £54.9 million, 42.6 per cent ahead of 2014 (2014: £38.5 million). Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

EBITDA margins across the business in England and Scotland improved year-on-year. Overall the EBITDA margin for the Group increased to 17.2 per cent from 14.3 per cent in 2014.

£318.5m

Revenue
2014: £269.7 million **+18.1%**

£37.8m

Underlying EBIT
2014: £24.3 million **+55.5%**

11.9%

Underlying EBIT margin
2014: 9.0% **+2.9ppt**

With our medium-term EBITDA margin target achieved, we are now focusing on underlying EBIT as our principal performance measure and have set a new medium-term underlying EBIT margin target of 15 per cent, which we believe is achievable by 2020.

Underlying EBIT for the year at £37.8 million was 55.5 per cent ahead of 2014 (2014: £24.3 million) and underlying EBIT margins increased to 11.9 per cent from 9.0 per cent in 2014.

Underlying profit before taxation was £35.0 million, 66.7 per cent ahead of 2014 (2014: £21.0 million).

In November we announced the planned £336 million acquisition of Hope Construction Materials Limited ('Hope'), a leading independent producer of cement, concrete and aggregates. The transaction is subject to the approval of the Competition and Markets Authority and is expected to complete in mid-2016.

The consideration payable for Hope will be satisfied by the payment of £202 million in cash and the issue of 259,120,245 new shares (valued at £134 million at the time of the announcement of the acquisition). The cash consideration of £202 million will be primarily financed by a new £300 million revolving credit facility (see 'Bank facilities').

Associate and joint venture

Share of profit from associate and joint venture (net of tax) included BEAR Scotland Limited and Breedon Bowen Limited.

Interest

Net finance costs in the year totalled £2.8 million (2014: £3.3 million) and included interest on the Group's bank facilities, amortisation of bank arrangement fees and interest on finance leases. The lower costs in 2015 reflects the level of borrowings and finance leases and the lower costs under the new bank facility put in place in July 2014 (see 'Bank facilities').

Tax

An underlying tax charge of £6.3 million (2014: £4.3 million) was recorded in the year, resulting in an underlying effective tax rate for the full year of 18.1 per cent, reflecting the beneficial effect of the reduced future UK corporation tax rate on deferred tax liabilities and income from associates already being taxed, offset by costs incurred in Jersey for which no tax relief can be obtained.

Strategic Report

Financial Review
continued

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

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

- it takes appropriate tax advice and support from reputable professional firms and the parameters which govern its approach are set by the Board, which regularly reviews the Group's tax strategy;
- it is open and transparent in its dealings with HM Revenue & Customs and deals with any queries in a timely and open manner and, in particular, responds to any tax queries quickly and on a full-disclosure basis;
- all tax affairs are administered in a lawful and responsible manner; and
- all its tax liabilities arise in the subsidiary companies in the UK and in terms of the UK corporation tax position, all years up to 2013 are agreed.

The Group makes a significant contribution to the economy through taxation, either borne by the Group or collected on behalf of, and paid to, HM Revenue & Customs. In 2015, the total taxes borne and collected by the Group amounted to over £50 million.

Non-underlying items

Non-underlying items in the year amounted to a net pre-tax cost of £3.8 million (2014: net income of £0.3 million), consisting mainly of acquisition-related costs. The net income in 2014 included a gain on the sale of property of £2.1 million offset by acquisition-related costs of £1.3 million.

2.68p

Underlying basic earnings
per share2014: 1.64p **+63.4%**

£233.2m

Net assets

2014: £167.2 million **+39.5%**

£62.1m

Cash generated from
operating activities2014: £40.6 million **+53.0%**

Earnings per share

Basic earnings per share ('EPS') for the year were 2.33 pence (2014: 1.68 pence), reported after the non-underlying items mentioned above. Underlying basic EPS for the year totalled 2.68 pence (2014: 1.64 pence).

Dividends

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

Statement of financial position

Net assets at 31 December 2015 were £233.2 million (2014: £167.2 million).

The net assets are underpinned by the mineral reserves and resources of the Group, which at the end of December 2015 had a book value of £114.4 million (2014: £117.9 million).

Cash flow

Cash generated from operating activities was £62.1 million (2014: £40.6 million).

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

During 2015 the Group made no acquisitions (2014: £33.4 million), but incurred a cash spend on capital expenditure projects of £14.4 million (2014: £11.9 million). The 2014 acquisitions comprised Huntsman's Quarries Limited and Barr Quarries Limited. Further details of these and the investment in capital expenditure can be found in the Business Reviews on pages 25 to 30.

Proceeds from the sale of property, plant and equipment totalled £4.5 million in 2015 (2014: £6.0 million) and included a further instalment of £2.8 million (2014: £2.8 million) from last year's sale of the 60-acre Doseley site near Telford in Shropshire for £11.0 million. The land is on the site of a former concrete products plant and has outline planning consent for 460 homes.

At the time of announcement of the planned Hope acquisition we also raised a net £39.1 million through the issue of shares which we intend to use to part-fund the cash consideration in respect of the acquisition of Hope. In addition, we raised £0.1 million (2014: £0.3 million) through the issue of shares in connection with the exercise of certain savings-related share options.

Net cash/debt

Net cash at 31 December 2015 was £10.3 million (2014: net debt £66.3 million).

Key movements are shown in the chart below and include: EBITDA of £54.9 million (2014: £38.5 million); favourable, but partly unsustainable, working capital movements of £10.3 million (2014: £3.9 million); purchase of property, plant and equipment of £21.5 million (2014: £16.1 million), including £7.1 million (2014: £4.2 million) financed by way of new finance leases; and the net £39.2 million (2014: £0.3 million) raised from the issue of shares.

As a result of the movements in cash and debt, the Group at 31 December 2015 is temporarily in a net cash position until the expected completion of the planned Hope transaction in mid-2016.

Bank facilities

The Group's £100 million committed revolving credit facility, which includes an additional £50 million accordion option, is not due to expire until July 2018.

£10.3m

Net cash

2014: net debt £66.3 million
+£76.6 million

£21.5m

Capital expenditure

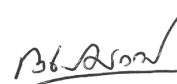
2014: £16.1 million **+33.5%**

It is subject to a floating interest rate based on LIBOR plus margin. At 31 December 2015, the total undrawn facility available to the Group amounted to £98.5 million (2014: £29.0 million). The facility is subject to Group leverage and Group interest cover covenants which are tested half-yearly.

At 31 December 2015, the Group comfortably complied with these two covenants. Based on our current estimates, we expect to comply with all our covenants for the foreseeable future.

The Group has in place an interest rate hedge which mitigates the risk of interest rate rises on the Group's bank loans (see note 20 to the Financial Statements).

At the time of signing the agreement for the planned acquisition of Hope, we entered into a new £300 million revolving credit facility agreement with Barclays Bank PLC, HSBC Bank plc, The Royal Bank of Scotland plc and Santander UK plc. This new facility will only become effective on completion of the planned Hope transaction and will replace the existing facility. It has a four-year term with an option to extend by one year and a £100 million accordion option. The pricing is in line with our existing facility, as are the covenants and testing regime.

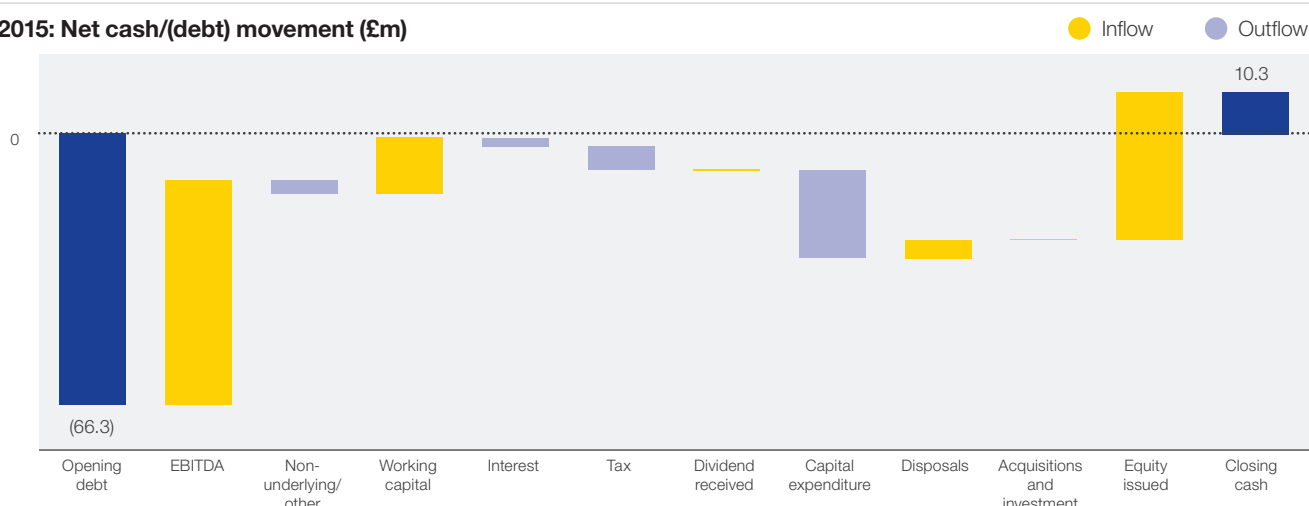


Rob Wood

Group Finance Director

9 March 2016

2015: Net cash/(debt) movement (£m)



Strategic Report

Hope Construction Materials: a major step forward

A transformational acquisition

On 18 November 2015, we announced our intention to acquire Hope Construction Materials Limited ('Hope') for £336 million on a cash and debt-free basis. This acquisition is conditional upon the approval of the UK Competition and Markets Authority and is expected to complete in the summer of 2016.



The Hope cement plant in Derbyshire.

The prospective combined group

Pro forma volumes³



35%
of pro forma
aggregates
volumes
from Hope




72%
of pro forma
concrete
volumes
from Hope



48%
of pro forma
revenue
from Hope



39%
of pro forma
underlying
EBIT
from Hope


750mt
mineral reserves
and resources


1
cement plant
↓
1.6mt*


58
quarries
↓
13.3mt*


26
asphalt plants
↓
1.7mt*


211
ready-mixed concrete
and mortar plants¹
↓
3.2m m³*


3
strategic
rail links


3
concrete products plants


9
depots and wharves²


8
regional contract
surfacing operations


1
traffic management
services company

The strategic rationale

The acquisition of Hope is in line with our published strategy and is expected to be earnings-enhancing in the first full year following completion. It will complement our business geographically, operationally, culturally and financially.

Strengthened market position

Market consolidation

Improved product mix

Increased scale

Extended UK coverage



Operational improvements



Great financial capacity



Strengthened management



Favourable economic backdrop



¹ Includes co-located concrete sites and sites presently mothballed

² Includes sites currently under construction

³ For the 12 months ended 30 June 2015 (unaudited)

* Pro forma sales that the Group would have reported for the 12 months ended 30 June 2015 (unaudited). Cement volumes include cement volumes purchased and sales of GGBS

Strategic Report

Corporate & Social Responsibility Review

“Underpinning our business model are a range of corporate, social and community activities that we need to get right if we are to create value in the long term.”



Peter Tom CBE
Executive Chairman

Taking a balanced approach to corporate responsibility

For our business to be sustainable we must balance the need to create value for our shareholders with the requirement also to be a good corporate citizen, mindful of the needs of all of our key stakeholders.

Our responsibilities in relation to our business model

Securing mineral supplies

Things we need to get right

- Good relationships with local authorities
- Strong environmental and restoration track record
- Community engagement

Quarrying

Things we need to get right

- Safety procedures
- Environmental noise control
- Strong input supplier relationships

Adding value

Things we need to get right

- Operational efficiency
- Safety procedures
- Using local suppliers when we can

Marketing and distribution

Things we need to get right

- Understanding customer needs
- High service standards
- Professional employees
- Minimising our impact on local communities

Restoration activities

Things we need to get right

- Community engagement
- Long-term planning

Our key stakeholders

Customers

Our commitments

Same high standards no matter what size the job, minimal distance between our people and those buying our products

Employees

Our commitments

Protection of employees' safety and wellbeing; engagement in the business and personal development

Suppliers

Our commitments

Using locally sourced goods and services wherever possible and looking after our suppliers' safety when at our operations

Investors

Our commitments

Creating value through our strategy and deployment of our asset portfolio; communicating in a timely and transparent manner

Communities

Our commitments

Listening to their concerns; tackling local issues; supporting local causes and respecting our shared environment

"A key focus for the Group in 2016, following the acquisition of Hope, will be to align our health and safety standards and maintain a strong performance, particularly during the integration phase."

Peter Tom CBE
Executive Chairman



Strategic Report

1. Health and safety

Our approach

We are committed to maintaining a safe environment at all of our operations and we comply with all relevant health and safety legislation. In 2010 we set ourselves the goal of achieving Zero Harm across the entire business, and we encourage the involvement of our employees in our pursuit of continual improvement in health and safety standards.

How we measure and monitor

We continually monitor and review our safety record and a comprehensive health and safety report is regularly produced for the Board. We aim for continuous improvement in health and safety KPIs, including our Lost Time Injury Frequency Rate ('LTIFR') and Lost Time Injury Severity Rate. We report monthly on the number of near-misses as we firmly believe that today's near-miss is tomorrow's preventable incident.

How we performed

It was disappointing that the Group's LTIFR increased in 2015 to 2.72 compared to 2.63 in 2014, the figures now being shown as LTIs per million hours worked to bring it into line with general industry practice (having previously been reported per 200,000 hours worked). The principal reasons for the increase were falls resulting from uneven and slippery surfaces and inadequate lighting and, again, the behaviour of individuals. During 2015 we maintained our success in near-miss reporting with an increase of 18.8 per cent in the number of near-miss cards raised compared to 2014.



Our Visible Felt Leadership ('VFL') programme, to engage employees in dialogue about safer working, continued, with an increase in VFL visits of 17 per cent compared to the previous year.

Key focus areas for 2016

We will make greater efforts to improve safety, particularly in:

- changing the safety culture and behaviour of individuals;
- competence-awareness training and Continued Professional Development;
- traffic management;
- incidents of slips, trips and falls; and
- the management of contractors on our sites.

2015 reported focus areas	Progress
Changing the culture and behaviour of individuals.	This is a journey rather than a destination and is ongoing within the business. Our <i>Stop & Think!</i> safety campaign has been instrumental in moving us closer to our goal of Zero Harm.
Roll-out of new health and safety database.	The roll-out of the new health and safety database has been put on hold as we review business requirements in light of acquisitions and as we develop the Breendon Safety Management System.
Implementation of safety leadership and root cause analysis.	This is an ongoing focus as we monitor accidents and near-misses to establish learning points and implement corrective actions.

Investment to improve safety

We have invested in plant and equipment that not only improves efficiency and reduces energy consumption, but also improves safety by giving operators better visibility of other people in the vicinity.



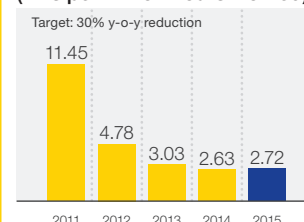
Innovation recognised

We were runners-up in two categories at the 2015 MPA Health and Safety Awards, with recognition for the innovative drama-based safety training that we launched in Scotland and have now replicated in England, and for our work to improve the safety of bucket elevator chain links assembly.

Targeting year-on-year reduction in LTIFR

Group KPI

Yearly LTIFR
(LTIs per million hours worked)



Consistent approach with Breedon Safety Management System



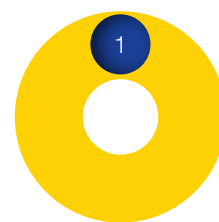
We are developing a new Breedon Safety Management System that will address inconsistencies that have developed across the Group, as a consequence of our acquisition programme, in the way that health and safety is managed. Whilst we have a consistent health and safety policy throughout the Group, inconsistencies have arisen at site level as Breedon acquired other businesses. The Breedon Safety Management System will ensure we have a uniform approach to how accidents are investigated, how risk assessments are carried out, how contractors are managed on our sites, signage and the induction of new staff. With all our acquisitions, we conduct assessments of health and safety and, where necessary, ensure changes to processes and procedures are implemented immediately. With the acquisition of Barr quarries, we spent approximately £3 million to upgrade mobile plants, crushing trains, asphalt assets and new vehicles.

Stop & Think! – one year on – an update

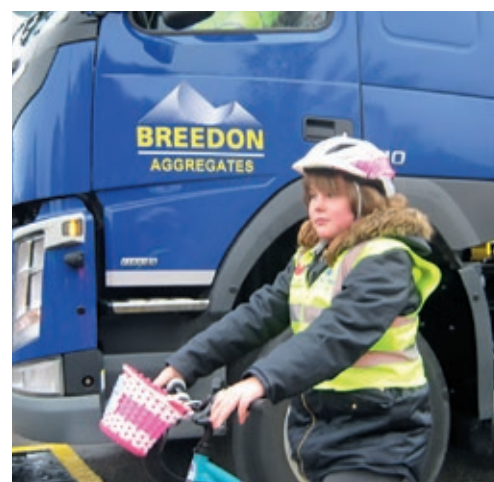
As part of our ongoing *Stop & Think!* safety campaign, we brought safety to life by launching a series of hard-hitting safety videos that were shown to all our colleagues.

Consultation with colleagues

We are committed to involving all our colleagues on our journey towards Zero Harm. We conducted a candid *Stop & Think!* survey to secure input from our people on how to make the campaign more effective and the results of that survey will be used in the future development of the campaign.



School events promote safety for cyclists

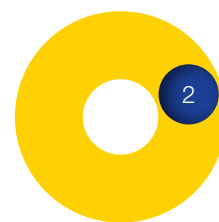


Ardchronie quarry's cycle safety event helped children learn the dangers of approaching large vehicles.

During 2015 we organised safe-cycle events in Scotland, one at a school near one of our quarries and the other which took place over two days and involved 400 children from three schools. We took Breedon Aggregates vehicles to the events and used blind-spot mats to show the children and teachers the dangers of coming up the nearside of vehicles in the driver's blind spot. By letting children sit in the vehicle's cab we demonstrated what the driver can and can't see. We also showed the children and teachers what Breedon Aggregates has done to improve safety by fitting nearside cameras, cyclist signs and audible left-turn alarms at the rear of our trucks. At the school cycle-safety events, we supplied the children with high-visibility vests and police reported that they were pleased to see a large number of the vests being worn by children after the events took place.

Strategic Report

2. Environment



We recognise that our activities and operations can have a significant impact on the wider social, environmental and economic well-being of the areas in which we operate.

Our approach

We have made a commitment to reduce electricity and fossil fuel consumption by 10 per cent by the end of 2016, based on 2013 data. We involve all our colleagues in seeking ways in which we can make further reductions in energy use.

How we measure and monitor

As part of the Government's Energy Saving Opportunity Scheme ('ESOS') we submitted our audit of energy use, identification of significant areas of energy consumption and identification of cost-effective energy recommendations. We are preparing detailed action plans based on the ESOS audits. We measure carbon emissions and have set a target for a 10 per cent reduction in emissions between 2013 and 2016.

How we performed

During 2015 energy and fossil fuel usage and carbon emissions increased, as a direct result of the growth of the business, with production increasing by 20 per cent. Carbon emissions per tonne of production rose by just under 2 per cent, demonstrating the need for continued improvement at many of our sites to bring them up to our required standard. We have begun using solar power generation at some of our sites to reduce our reliance on the National Grid. The amount of asphalt produced which contained Reclaimed Asphalt Planings ('RAP'), the waste material created when roads are resurfaced, was increased during 2015 by 78 per cent compared to the 2014 level and we increased the storage capacity available on our sites for RAP.

We are also constructing an artificial sand martin habitat at Naunton quarry to provide them with a safe nesting environment away from the quarry workings. The same location is also home to the largest population of Cotswold Pennycress— one of the UK's rarest wildflowers – in the country.

Key focus areas for 2016

- We will make greater efforts to recycle materials. Our new asphalt plants at Daviot quarry near Inverness and Tom's Forest, near Aberdeen will have the ability to use RAP and we will continue to expand our storage capacity for RAP; and
- we will increase our use of hybrid vehicles to reduce our reliance on petrol and diesel.

Breedon Aggregates' energy-saving initiative

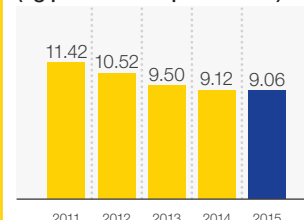
Breedon Aggregates' business brings with it high energy costs associated with conveyors, crushers, and the biggest energy user of all, asphalt burners. A key energy-saving initiative is the Breedon Energy Cup. Operated in England, the competition pits site against site every month, with the sites making the greatest energy saving compared to the previous month moving up the league. Regular publication of *Breedon Energy News* helps to share the energy-saving ideas implemented across Breedon Aggregates England.



*The more we **think** energy the more we **save energy!!***

Group KPI

Carbon emissions (kg per tonne of production)



2015 reported focus areas

Ensure each of our acquired businesses achieves accreditation to the environmental standard BS EN ISO 14001 at the earliest opportunity.

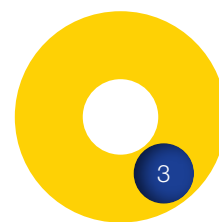
Breedon Aggregates England's operations to be accredited to Issue 3 of the BES 6001 Framework.

Progress

All sites within Breedon Aggregates England have been audited and we are awaiting confirmation that the most recently acquired operations are now accredited to the standard. In Scotland, all units are accredited to BS EN ISO 14001.

During 2015 Breedon Aggregates England achieved its objective of attaining accreditation to Issue 3 of BES 6001 Framework for the concrete, mortar and asphalt operations.

3. Employees



It is above all the high calibre of our employees that drives Breedon's success. We ensure they have the skills and incentives they need to perform to the best of their ability.

Our approach

We operate the business so that it is as inclusive as possible. For example, our savings-related share option scheme enables our employees to have a direct stake in the Group. Over the last five years, colleagues participating in the ShareSave scheme have enjoyed an increase in the total value of their shareholdings worth more than £1 million.

We have also made two separate grants of free shares to our colleagues since the creation of Breedon, which has resulted in most of our employees owning a stake in the business.

Our apprenticeship scheme is gathering pace across the business. During 2015 we had five apprentices and a number of trainees working in the business, giving them the opportunity to develop the skills that we need for the future.

In an industry which is unquestionably dominated by men, we are proud of our gender diversity. Around 10 per cent of our employees are women, who are playing key roles at all levels in the business and we expect to recruit more female employees in the future.

How we measure and monitor

Our Breedon GoodQuarry scheme continues to raise operational standards across the Group, identifying best practice and highlighting underperforming units. Three more sites achieved Breedon GoodQuarry status during 2015, the fourth year that the scheme has run.



Following the success of the GoodQuarry scheme, we have also launched the Breedon GoodContracting scheme, encouraging similar levels of excellence across our surfacing contracting operations.

How we performed

We encourage our colleagues to study for business-related qualifications and we assist them financially to do so. One of our Quarry and Recycling Managers took three top awards from the Institute of Quarrying for his coursework during 2015.

Key focus areas for 2016

- We will recruit additional apprentices to work in the business;
- we will increase the number of employees given an opportunity to study for industry-recognised qualifications; and
- we plan to carry out further GoodContracting audits in Scotland and roll out the scheme to England.

We're listening to our colleagues

Our *Best of Breedon* scheme was launched in 2010 and since then we have received almost 400 ideas and suggestions from employees, the great majority of which have been of real, practical value to the Group. The ideas have led to improvements in performance and associated cost savings and, in particular during 2015, to safety improvements.



We intend to relaunch this initiative in 2016 once the Breedon Aggregates and Hope businesses have come together.

Encouraging excellence outside of work

We help our employees to pursue excellence outside work by sponsoring them in activities that range from a wide range of sporting activities to the organisation of a local Reiki circle.

2015 reported focus areas

Re-audit of surfacing operations in Scotland as part of the GoodContracting scheme and roll out of the scheme in England.

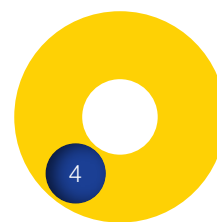
Progress

Health and safety formed a large part of the audits carried out in Scotland in 2014 and we have introduced direct monitoring of contracting operations which has proved to be an effective way of improving health and safety in these operations.

A reorganisation of our contracting operations in England meant a postponement of the GoodContracting roll-out in England.

Strategic Report

4. Customer service & innovation



Through our strategy of organic growth coupled with bolt-on acquisitions, we are building a nationwide business that already provides a local service to customers extending from the Hebrides to Essex, from Wales to Norfolk.

Our approach

Customer service is about more than being a local supplier – we work with our customers to provide solutions to their projects. Whether it is on the mainland, out at sea on an island, or up in remote mountainous regions, we have the expertise to get the job done through product innovation and creative logistics.

How we measure and monitor

The diversity of the projects we work with and the products we supply are measures of our success in providing our customers with innovative solutions to their needs.

In a year which was notable for widespread flooding, we supplied significant amounts of rock armour for the rebuilding of the country's coastal defences. One of our most striking innovations was the supply of a specially designed concrete to the new V&A Museum of Design being built in Dundee, which had to be poured into a series of curved and constricted shapes to create the distinctive lines of the museum. A more recent innovation was our new 'egg-laying' plant in the Cotswolds, which has substantially boosted our production to around 2.5 million concrete blocks each year.

Key focus areas for 2016

- UKAS accreditation will be sought for the Cloud Hill laboratory to provide enhanced support for our surfacing operations.
- The development of new and innovative asphalt and concrete products will be continued, including low temperature asphalts, and using smaller sized, locally sourced aggregates.

Seeing the job through

Concrete from Banavie Concrete Plant at Fort William was used in work on the Inverie dam on the Knoydart Peninsula, to improve security of electricity supply and increase generation capacity. Only accessible by sea, the final part of the concrete order was helicoptered to the site.



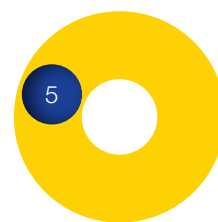
A helicopter lifts concrete to the Inverie dam project in a remote area of western Scotland.

Investing in R&D

Our Technical Department has built a reputation for innovative concrete products, such as the concrete used to help complete the Kirkcaldy sea-wall project. The concrete, carefully designed to have the right flow and high-strength characteristics, was chosen by the civil engineers for use throughout the entire project.



5. Community engagement



We are at the heart of the communities in which we operate and we engage with them to ensure we are good neighbours.

Our approach

We understand both the positive and negative impacts that our operations can have on local communities. We welcome and encourage visits to our sites so that we can explain what we do and we go out into the communities to talk to teachers and schoolchildren. Our wide range of products can, and do, literally build the future and we are always willing to listen and where possible donate products to help local people to create better communities.

How we measure and monitor

Through our community liaison groups we encourage dialogue between our businesses and local communities, tackle planning and development issues, discuss transport and road usage and consider how best we can help our local communities. The number of repeat requests we get for visits to our sites shows a high demand from schools and adult groups to learn more about what we do at our sites.

Key focus areas for 2016

- During 2016 we aim to develop greater direct contact with communities through an increased frequency of open days; and
- we aim to make more visits to schools to explain to a greater number of schoolchildren what the site on their doorstep does and to enable us to do more to impart wide-ranging safety messages.

How we engage with and support our local communities

During 2015 we supplied Breedon Golden Amber gravel to help produce the television programme *The Autistic Gardener*, which helped young adults diagnosed with autism to conduct garden makeovers. We also supplied materials for the television programme *DIY SOS: The Big Build* as part of a life-changing transformation to a family's home in Cheltenham.

We helped, amongst others, a Scout group, a sheltered housing complex and a dog rescue centre. Our materials helped complete cycle paths in Scotland and in England we provided the materials for the public access paths at the Rocks By Rail exhibition centre in Rutland.

We also made available the rock face at Breedon quarry to enable Leicestershire Fire and Rescue Service to better train its crews. It enabled firefighters to practise rescuing people from rock faces and learn about working at height far more authentically than by the use of traditional fire station towers.

Our managers in Scotland are specifically tasked with making visits to schools as part of the performance assessment process.

We continued to sponsor the Highland League Cup and supported numerous grass-roots sports teams in our local communities, particularly those catering for children.



Busy bees get Breedon help

A garden area at Cleethorpes was transformed with aggregates from Kettleby quarry.

A number of bulk bags were donated to Gilbert Sutcliffe Court, a sheltered housing complex for the elderly in the Lincolnshire town.

The garden used to be tended by some of the residents, but it had become overgrown. It was an area where youngsters congregated and residents were concerned about safety and security. We were pleased to help restore it to something that was no longer an eyesore.

The work was carried out by four girls, known as the 'Busy Bees' and a number of parents, as part of the Operation Lifestyle project, a Humberside Police initiative to encourage young people to do worthwhile things in their local communities.



Children from Breedon on the Hill Primary School are shown round Cloud Hill quarry.

Governance

Corporate Governance Report



Peter Tom CBE
Executive Chairman

The Directors recognise the value of strong corporate governance and the Company has therefore sought to comply, as far as it is appropriate to do so, with the Corporate Governance Code for Small and Mid-size Quoted Companies published by the Quoted Companies Alliance in 2013 (the 'QCA Code'), in respect of the accounting year ended 31 December 2015. As an AIM-listed company, the Company is not required to comply with the UK Corporate Governance Code and it has not voluntarily elected to do so.

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

Board of Directors

The current Board comprises the Executive Chairman, three executive directors, two independent non-executive directors and one non-executive director who is not considered to be independent. Following his retirement as Group Chief Executive in January 2016, it is intended that Simon Vivian will become a non-executive director of the Company. Given his previous employment with the Group, the Board will not consider him to be independent. As noted on page 23, it is expected that, following the completion of the acquisition of Hope Construction Materials Limited ('Hope'), a representative of Hope's current shareholders will join the Board as a non-executive director. As a consequence of the shareholding they will then have in the Company, such representative will not be considered to be independent.

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

Biographical details of the Directors are set out on pages 46 and 47.

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

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

The Board evaluates its performance and considers the tenure and independence of each Director on a regular basis.

In 2014 the Board engaged an independent, external provider to facilitate such an evaluation. Each director received a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires were designed to develop both quantitative and qualitative analysis of the strengths and weaknesses of the Board, its committees and its members. Once completed, the responses were analysed by the provider who then prepared a summary of the

results which was then considered by the Board. For the evaluation of the Chairman, the results were discussed with the Senior Independent Director who then discussed them with the Chairman prior to further distribution to the remaining Directors.

The evaluation of the Board and the Chairman concluded that the Board members and the Chairman are contributing to the overall effectiveness of the Board with a focus on accountability, strong governance and effective management of risk in the delivery of the Group's overall strategy. It did not identify any areas of concern. The Directors intend that, following the anticipated changes in the composition of the Board referred to above, a further evaluation exercise will be conducted during 2016.

The Directors explain their responsibilities for preparing the Financial Statements on page 57 and the Independent Auditor's Report on page 59 contains a statement of its reporting responsibilities.

Board committees

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

Remuneration Committee

Throughout the year, the Remuneration Committee comprised solely of non-executive directors. David Williams, David Warr and Susie Farnon served on the Remuneration Committee throughout the year. David Williams is chairman of the Committee. The Executive Chairman makes himself available to the Committee to discuss the performance of other executives and to make proposals as necessary. The Remuneration Committee's responsibilities are to make recommendations to the Board on terms of service, remuneration and benefits of the executive directors and senior executives of the Group. Where it considers it prudent to do so, the Committee engages external remuneration consultants to advise and assist it. Further details of the terms of reference of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 50 to 53 and are available on the Group's website.

Audit Committee

David Warr and Susie Farnon served on the Audit Committee throughout the year. David Warr is Chairman of the Committee. Written terms of reference have been agreed for the Audit Committee and these are available on the Group's website, and further details of the activities of the Committee are given in the Audit Committee Report on pages 48 and 49.

Nomination Committee

The Board has reviewed the possible requirement for a Nomination Committee and it has concluded that, in anticipation of the increase in the size of the Board referred to above, it is now appropriate to establish such a committee. Accordingly, in January 2016 the Board agreed to establish a Nomination Committee and agreed its terms of reference. These are available on the Group's website.

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.

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

The Company complies with the recommendation of the UK Corporate Governance Code that the notice of the Annual General Meeting and related papers should be sent to shareholders at least 20 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.

Risk management process and internal control

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

The Board is responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. The Audit Committee reviews the suitability and effectiveness of risk management processes and controls on behalf of the Board.

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

The Board has reviewed the effectiveness of the Group's system of internal control including financial, operational, compliance and risk management controls, which mitigate the significant risks identified. It has concluded that the Group maintained sound risk management and internal control systems throughout the year. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.



Peter Tom CBE
Executive Chairman
9 March 2016

Meeting attendance

The Board met formally six times during the year and the attendance of the Directors, who held office at 31 December 2015, at each meeting together with attendance at committee meetings, is set out in the table on the right. 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	6	6	–	–	–	–
Simon Vivian	6	6	–	–	–	–
Rob Wood	6	6	–	–	–	–
Susie Farnon	5	6	3	3	6	6
David Warr	6	6	3	3	4	6
David Williams	6	6	–	–	5	6

Governance

Board of Directors

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



1. Peter Tom CBE

Executive Chairman

Appointed to Board: 2008

Independent: No

Core strengths and experience:

- Over 50 years' experience in the aggregates industry.

Other positions currently held:

- Chairman of Leicester Rugby Football Club (Leicester Tigers) since 1993.
- Chairman of Jacksons (CI) Ltd.

Background

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

Following the acquisition of Aggregate Industries by Swiss building materials Group Holcim Limited for £1.8 billion, he served as non-executive Chairman of Aggregate Industries until his resignation in December 2007. He has been Executive Chairman of Breendon Aggregates Limited since its formation in 2010 through the reverse acquisition of Breendon Holdings by Marwyn Materials, the AIM-listed company he co-founded with Simon Vivian in 2008 to consolidate the smaller end of the heavyside building materials industry. Peter has been Chairman of Leicester Rugby Football Club (Leicester Tigers) since 1993. He is also Chairman of Jacksons (CI) Ltd.

2. Pat Ward

Group Chief Executive

Appointed to Board: 2016

Independent: No

Core strengths and experience:

- Over 30 years' experience in the aggregates and construction industries in the UK, USA and Middle East.
- Former CEO of Aggregate Industries Europe (AI), a subsidiary of LafargeHolcim.

Background

Pat has spent the last 20 years with Aggregate Industries in various roles across their UK and US businesses. He joined them in 1995 and in 1999 was given the opportunity to relocate to Denver as Vice President of the Colorado business. At the time of leaving the USA, Pat had responsibilities for the businesses in Nevada, Colorado, Texas, Oklahoma and the Mid-Atlantic region. He was appointed CEO of Aggregate Industries Europe in April 2014. Pat joined Breendon Aggregates in January 2016.

3. Rob Wood

Group Finance Director

Appointed to Board: 2014

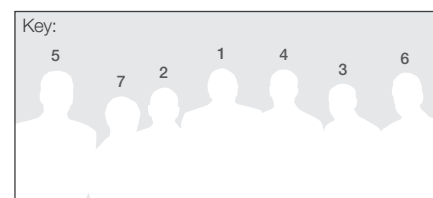
Independent: No

Core strengths and experience:

- Over 10 years' experience in the building materials industry, including Hanson PLC and HeidelbergCement AG.
- Qualified Chartered Accountant with M&A experience.

Background

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



4. Simon Vivian

Executive Director

Appointed to Board: 2008

Independent: No

Core strengths and experience:

- Over 25 years' experience in the aggregates and construction industries.
- Execution and integration of acquisitions.
- Global safety and environmental responsibilities.

Other positions currently held:

- Chairman of the Mineral Products Association.

Background

Simon held a number of roles during his time with Hanson PLC, ultimately as main board director and Chief Executive of the European Building Materials business. From 2004 to 2006 Simon was Chief Executive of Mowlem PLC, until its sale to Carillion plc in 2006 when he left to work with private equity group CVC Partners. He became Group Chief Executive of Breedon Aggregates Limited when it was formed in 2010 and he retired from this post in January 2016, whilst remaining as a director. Simon is the Chairman of the Mineral Products Association.

5. David Williams 2

Non-executive Director

Appointed to Board: 2008

Independent: No

Core strengths and experience:

- Significant experience in investment markets.
- Public and private market experience.

Background

David has significant experience in the investment market. He has served as Chairman in executive and non-executive capacities for a number of companies, both public and private. He has built a reputation for creating significant shareholder value through both organic and acquisitive growth, as well as leading turnaround situations. David founded Marwyn, a business bringing talented management teams to AIM. During his 10 years as Chairman of Marwyn, more than £1 billion was raised for its investee companies. One of them, Marwyn Materials, went on to become Breedon Aggregates.

6. David Warr 1 2

Non-executive Director

Appointed to Board: 2008

Independent: Yes

Core strengths and experience:

- Chartered Accountant with experience in the financial services industry.

Other positions currently held:

- Non-executive director of a number of listed and unlisted companies.

Background

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

7. Susie Farnon 1 2 3

Non-executive Director

Appointed to Board: 2010

Independent: Yes

Core strengths and experience:

- Chartered Accountant with significant experience in the financial services industry.
- Listed company directorships.

Other positions currently held:

- Non-executive director of a number of listed and unlisted companies.

Background

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

Board of Directors

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

Governance

Audit Committee Report

“The Audit Committee maintained its focus on ensuring high standards of financial governance during the year.”



David Warr
Chairman, Audit Committee

Members	Attendance
David Warr, Chairman	3/3 meetings
Susie Farnon, Senior Independent Director	3/3 meetings

Key activities carried out in the year:

During the year, the Committee met three times and discussed the following:

- Audit Planning
- Auditor's fees and independence
- Auditor's effectiveness
- Interim report and annual report
- Internal audit
- Internal controls and risk management
- Taxation
- Going concern and viability statement
- Significant accounting matters
- Audit partner rotation

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

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

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

The Audit Committee was chaired by David Warr throughout the year and comprised David Warr and Susie Farnon. Both members of the Audit Committee have relevant and recent financial experience at a senior level. The Audit Committee met three times formally in 2015.

The principal activities of the Audit Committee in respect of the year ended 31 December 2015, and the manner in which it discharged its responsibilities, were as follows:

Financial Statements

The Audit Committee reviewed and agreed the external auditor's strategy and approach in advance of their audit for the year ended 31 December 2015, reviewed the reports from the external auditor on the outcome of their audits and reviewed the 2015 Preliminary Results Announcement and the 2015 Annual Report.

The Audit Committee also reviewed the 2015 Interim Results Announcement and the 2015 Interim Report.

Significant accounting matters

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

- **Valuation of mineral reserves and resources:** The Audit Committee considered the valuation of mineral reserves and resources in its review of the Financial Statements and noted that there were no issues identified in the report it received from the external auditor.
- **Impairment of goodwill:** The Audit Committee received communications from management and the external auditor and reviewed the disclosure in note 9 to the Financial Statements and agreed that no impairment of goodwill was necessary.

- **Going concern:** The Audit Committee reviewed the report from management prepared to support the going concern assumption and, taking into account the external auditor's review of this report, concluded that management's recommendation to prepare the accounts on a going concern basis was appropriate.

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

External auditor

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

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

The Audit Committee also receive a report from the external auditor setting out to its satisfaction how its independence and objectivity is safeguarded when providing non-audit services. During the year, the value of non-audit services provided by KPMG amounted to £146,000 (2014: £299,000) principally in respect of tax compliance and advisory services, pension advisory services and transaction-related services. During the year there were no circumstances where KPMG was engaged to provide services which might have led to a conflict of interest.

KPMG Channel Islands Limited has acted as auditor to the Group since its formation in 2008. The Audit Committee notes the new requirement of the revised Corporate Governance Code, although not mandatory for AIM-listed companies, that the external audit contract be put out to tender at least every 10 years. The Audit Committee continues to be satisfied with the work of KPMG and that they continue to remain objective and independent. The lead audit partner rotates every five years to assure independence. The current lead audit partner's five year term will end after the audit of these Financial Statements. It is proposed that the audit will then transfer to KPMG LLP, Birmingham office. The Audit Committee has therefore recommended to the Board that a resolution be put to the shareholders for the appointment of KPMG LLP as auditor at the Annual General Meeting of the Company.

Internal audit

The Group does not have an internal audit function. The Audit Committee presently consider this is appropriate given the size of the Group and the close involvement of the executive directors and senior management on a day to day operational basis. However the need for an internal audit function is kept under regular review by the Audit Committee on behalf of the Board.



David Warr
Chairman, Audit Committee
9 March 2016

Significant accounting matters

Valuation of mineral reserves and resources:

The Audit Committee noted that there were no material issues identified.

Impairment of goodwill:

The Audit Committee agreed that no impairment of goodwill was necessary.

Going concern:

The Audit Committee concluded that management's recommendation to prepare the accounts on a going concern basis was appropriate.

Governance

Directors' Remuneration Report

"The Group needs to ensure that its pay and benefits practices are competitive but consistent with its circumstances."



David Williams
Chairman, Remuneration Committee

Members	Attendance
David Williams, Chairman	5/6 meetings
Susie Farnon, Senior Independent Director	6/6 meetings
David Warr, Independent Director	4/6 meetings

Key activities carried out in the year:

During the year, the Committee met six times and discussed the following:

- Executive salaries
- Annual bonuses
- Long-term incentives
- Terms of appointment for new Group Chief Executive
- Remuneration benchmarking
- Pay and benefit levels across the Group

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

Remuneration Committee

The Remuneration Committee was chaired by David Williams throughout the year and comprised David Williams, David Warr and Susie Farnon. The Committee met six times formally in 2015.

The role of the Remuneration Committee is broadly to determine the terms of employment, including remuneration and other benefits, for individual directors and senior management, within the overall policy as agreed by the Board as a whole. The Remuneration Committee gives full consideration to the provisions of the UK Corporate Governance Code concerning remuneration policy, service contracts and compensation.

The Remuneration Committee takes into account remuneration packages of comparable companies and has access to professional advice from both internal and external sources in order to determine and develop its recommendations.

Remuneration policy

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

A review of executive remuneration was carried out in 2013 and updated in 2015. In light of the outcome of that review, the approach that we have adopted since 2014 is set out in the table opposite.

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

Basic salary

To provide a competitive base salary reflective of the particular skills and experience of an individual.

Operation	Maximum Opportunity	Performance Conditions
<p>Reviewed annually or on a significant change of responsibilities.</p> <p>Salaries are determined by reference to the skills and personal performance of the individual.</p> <p>The Remuneration Committee also takes into account external market data and pay and employment conditions elsewhere in the Group when considering increases to base salary levels.</p>	<p>Following review, the Committee determined the following salaries/fees for executive directors with effect from 1 January 2015:</p> <ul style="list-style-type: none"> £319,000 for the Executive Chairman (unchanged from 2014) £440,000 for the Group Chief Executive (unchanged from 2014) £240,000 for the Group Finance Director 	None

Annual cash bonus

To incentivise the delivery of annual financial, strategic and safety objectives.

Operation	Maximum Opportunity	Performance Conditions
<p>Executive directors may participate in the annual bonus scheme.</p> <p>Performance measures and targets are set by the Remuneration Committee at the start of the financial year and, based on performance, bonuses are paid in cash shortly after the determination of the annual results.</p>	<p>For Executive Directors, the maximum opportunity is 125 per cent of salary.</p> <p>This level of incentive opportunity reflects the Committee's desire to retain a high proportion of remuneration on variable pay and to reflect the fact that no long-term incentives can vest until the next PSP award vests in 2017 as we move to a rolling programme of long-term incentive grants.</p> <p>Bonuses are not pensionable.</p>	<p>Performance is based on a sliding scale of demanding EBITDA targets.</p> <p>A moderator may also be applied to increase or decrease the outturn dependent on average capital employed performance against targets subject to the 125 per cent of salary limit. From 2016 it is intended that performance conditions based on elementary EBIT targets will be set.</p> <p>In addition, the bonus may also be reduced or eliminated if safety performance or accident records reach unacceptable levels.</p>

Performance share plans ('PSP')

To drive superior performance of the Group, delivery of the Group's long-term objectives, aid retention and to align Directors' interests with those of the Company's shareholders.

Operation	Maximum Opportunity	Performance Conditions
<p>Annual share-based awards with a three year performance period.</p>	<p>In line with best and market practice, it is currently intended that rolling annual awards will be made.</p> <p>The maximum award limit in any financial year under the scheme rules is 250 per cent of base salary.</p> <p>In 2015 awards with a face value of 100 per cent of salary were made to executive directors and it is expected that a similar level of awards will be made in 2016.</p> <p>Certain other members of the Group's senior executive management team also participate in the PSP. Further details of the awards made under the PSP are set out in note 19 to the Financial Statements.</p>	<p>The 2015 awards are subject to underlying EPS targets over the three year period ending 31 December 2017. It is expected that the 2016 awards will be subject to similar targets measured over the three year period ending 31 December 2018.</p>

Pension

To aid recruitment and retention by allowing the Directors to make provision for long-term retirement benefits comparable with similar roles in similar companies.

Operation	Maximum Opportunity	Performance Conditions
<p>A salary supplement equivalent to the contribution that would otherwise be made to a defined contribution pension plan.</p>	<p>The Group Chief Executive and the Group Finance Director receive a salary supplement of 17.5 per cent of their base salary in lieu of a pension contribution.</p> <p>The Executive Chairman does not receive a contribution towards his pension.</p>	None

Other benefits

To provide market-competitive cost-effective benefits.

Operation	Maximum Opportunity	Performance Conditions
<p>Other benefits may include private medical insurance, a company car allowance and the reimbursement of certain travel costs.</p>	<p>Based on costs determined by third-party providers</p>	None

Governance

Directors' Remuneration Report

continued

Service agreements/letters of appointment of the Directors

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

(i) Non-executive directors

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

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

The appointments can be terminated by either party without notice. During 2015, the non-executive directors each received a fee for their services of £30,000 per annum and they are entitled to be reimbursed all reasonable expenses, properly incurred in the course of performing their duties. In addition, Susie Farnon received £5,000 per annum in recognition of her additional responsibilities as Senior Independent Director, David Warr received £5,000 per annum in recognition of his responsibilities as Chairman of the Audit Committee and David Williams received £5,000 per annum in recognition of his responsibilities as Chairman of the Remuneration Committee. With effect from 1 April 2016 the Board has determined that the fees payable to the non-executive directors should be increased to £40,000 per annum and the payments in respect of additional responsibilities should increase to £10,000 per annum. No other benefits are payable. The letters of appointment are governed by Jersey law.

(ii) Executive directors

Peter Tom CBE

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

The agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Mr Tom.

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

Simon Vivian

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

The Board has agreed with Mr Vivian that the service agreement will terminate with effect from 31 March 2016 with no further payments being due to Mr Vivian under it after that date.

It is intended that Mr Vivian will be appointed as a non-executive director of the Company following the termination of his employment and the Company will enter into an appropriate letter of appointment with him at that time.

Pat Ward

On 20 January 2016, the Company entered into a service agreement with Pat Ward pursuant to which he is employed as Group Chief Executive. He became a director of the Company on 8 March 2016.

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

Rob Wood

On 27 February 2014, the Company entered into a service agreement with Rob Wood pursuant to which he is employed as Group Finance Director.

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

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

Succession planning

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

Details of remuneration

The remuneration of the Directors for the year ended 31 December 2015 was as shown in the table below.



David Williams

Chairman, Remuneration Committee
9 March 2016

	Salary	Bonus (Note 1)	2015 Fees (Note 2)	Benefits (Note 3)	Total
Peter Tom CBE	–	–	717,750	–	717,750
Simon Vivian	523,663	550,000	–	3,579	1,077,242
Rob Wood	287,138	344,150	–	4,317	635,605
Susie Farnon	–	–	35,000	–	35,000
David Warr	–	–	35,000	–	35,000
David Williams	–	–	35,000	–	35,000
	810,801	894,150	822,750	7,896	2,535,597

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

Notes:

1. The bonuses payable to Messrs Vivian and Wood were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme or at the discretion of the Remuneration Committee.
2. Included in fees above is an amount of £319,000 (2014: £319,000) in respect of services provided by Rise Rocks Limited, a company in which Mr Tom has a beneficial interest, and the sum of £398,750 (2014: £398,750) which was paid or payable to Rise Rocks Limited as bonuses pursuant to the consultancy agreement between the Company and Rise Rocks Limited.
3. Benefits for Messrs Vivian, Wood and Peters comprise the provision of private medical insurance and the reimbursement of certain travel costs.
4. Mr Peters resigned as a director on 10 March 2014.

Governance

Directors' Report

The Directors present their report, together with the audited Financial Statements, for the year ended 31 December 2015.

Principal activity and business review

Breedon Aggregates Limited's principal activity is as a holding company for companies involved in the quarrying, production and sale of aggregates and related activities. Further details of the Group's activities and future developments are included in the Review of 2015 and the Business Reviews on pages 22 to 30.

Risk management

The Board is responsible for the Group's system of risk management and continues to develop policies and procedures that reflect the nature and scale of the Group's business. Further details of the key areas of risk to the business identified by the Group are included on pages 17 to 19. Details of the Group's operational Key Performance Indicators are shown on page 16.

Results and dividends

For the year to 31 December 2015, the Group's profit before tax was £31.3 million (2014: £21.4 million) and after tax was a profit of £25.0 million (2014: £17.2 million). Subject to availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so.

Stated capital

Details of the Company's shares in issue are set out in note 18 to the Financial Statements.

Directors

The following Directors served during the year.

Peter Tom CBE	Executive Chairman
Simon Vivian	Group Chief Executive*
Rob Wood	Group Finance Director
Susie Farnon	Independent Non-executive Director
David Warr	Independent Non-executive Director
David Williams	Non-executive Director

Biographical details of the Directors can be found on pages 46 and 47 and details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 50 to 53.

* Simon Vivian retired as Group Chief Executive in January 2016 but remained as a director of the Company. Pat Ward was appointed as a director of the Company on 8 March 2016.

Directors' interests

The Directors in office at 31 December 2015 had interests in the issued share capital of the Company as shown in the table below.

	Ordinary shares	
	31 December 2015	31 December 2014
Peter Tom CBE	48,091,867	48,091,867
Simon Vivian	16,509,371	16,509,371
Rob Wood	100,000	100,000
Susie Farnon	1,914,365	1,914,365
David Warr	5,555,556	5,555,556
David Williams	21,710,636	15,479,342

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

	Non-employee Performance Share Plan		Performance Share Plan		Savings-Related Share Option Scheme	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Peter Tom CBE	1,402,196	701,098	–	–	–	–
Simon Vivian	–	–	1,934,066	967,033	–	–
Rob Wood	–	–	1,010,989	483,516	79,365	79,365

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

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

All the interests are beneficial, unless indicated otherwise. 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 2016 and 9 March 2016.

Substantial shareholdings

The Company is aware that, as at 23 February 2016, other than the Directors, the interests of shareholders holding 3 per cent or more of the issued share capital of the Company was as shown in the table below.

Beneficial Holder	Ordinary shares	
	Number	%
Invesco Asset Management	311,000,265	27.06
Woodford Investment Management	152,314,888	13.25
AXA Investment Management	114,510,375	9.96
Threadneedle Asset Management	100,519,194	8.75
Ravenscroft Investment Management	63,524,135	5.53
Lansdowne Partners	43,928,412	3.82

Employees

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

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

Political contributions

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

Annual General Meeting

Shareholders are being asked at the forthcoming Annual General Meeting to grant the Directors authority to allot up to 395,000,000 ordinary shares, being approximately one third of the issued ordinary share capital of the Company as at 9 March 2016 (as adjusted for the potential exercise of outstanding warrants). Shareholders are also being asked to grant the Directors authority to allot, for cash otherwise than in connection with a rights issue, up to 59,238,810 ordinary shares, being 5 per cent of the issued ordinary share capital of the Company as at 9 March 2016 (as adjusted for the potential exercise of the outstanding warrants without first offering the securities to existing shareholders). The Company did not purchase any of its ordinary shares during the year. However, the approval of shareholders is being sought to renew the existing authority to purchase its own shares.

If granted, and unless previously renewed, varied or revoked, each of the authorities described above shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017.

Governance

Directors' Report

continued

Going concern

The Group meets its day-to-day working capital and other funding requirements through its banking facility, which includes an overdraft facility, which expires in July 2018. At the time of signing the Hope Construction Materials Limited ('Hope') acquisition agreement, we entered into a new four-year facility agreement which will only become effective on completion of the Hope transaction and will replace the existing facility. Further details of the Group's bank facilities are given on page 33.

The Group actively manages its financial risks as set out in note 20 to the Financial Statements and operates Board approved financial policies, including interest rate hedging policies, that are designed to ensure that the Group maintains an adequate level of headroom and effectively mitigates financial risks.

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

Viability statement

The Directors have assessed the viability of the Group over a period to June 2018. This is the period over which financial projections were prepared to specifically consider the prospects of the enlarged Group, and its future performance and funding requirements, following the planned completion of the acquisition of Hope in mid-2016.

In making their assessment, the Directors have taken into account the Group's current position, the effects of acquiring Hope and the potential impact of the principal risks and uncertainties set out on pages 17 to 19 on its business model, future performance, solvency or liquidity. They have also stress tested their analysis by running a number of credible scenarios and considered the availability of mitigating actions.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to June 2018.

In making this statement, the Directors have assumed that financing remains available and that mitigating actions are effective.

Disclosure of information to Auditor

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

Auditor

In accordance with Article 113 of the Companies (Jersey) Law 1991, a resolution to appoint KPMG LLP as the Auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Peter Tom CBE
Executive Chairman
9 March 2016



Simon Vivian
Director

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.

Financial Statements

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

We have audited the Consolidated Financial Statements (the 'Financial Statements') of Breedon Aggregates Limited (the 'Group') for the year ended 31 December 2015 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 57, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on the 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 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

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

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

Andrew P. Quinn

for and on behalf of KPMG Channel Islands Limited
Chartered Accountants
St Helier, Jersey
9 March 2016

Notes:

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

Financial Statements

Consolidated Income Statement

for the year ended 31 December 2015

	Note	Underlying £000	2015 Non- underlying* (note 3) £000	Total £000	Underlying £000	2014 Non- underlying* (note 3) £000	Total £000
Revenue	1,2	318,452	–	318,452	269,657	–	269,657
Cost of sales		(211,395)	–	(211,395)	(189,098)	–	(189,098)
Gross profit		107,057	–	107,057	80,559	–	80,559
Distribution expenses		(43,737)	–	(43,737)	(35,584)	–	(35,584)
Administrative expenses		(26,266)	(3,754)	(30,020)	(21,827)	347	(21,480)
Group operating profit	2	37,054	(3,754)	33,300	23,148	347	23,495
Share of profit of associate and joint venture (net of tax)	11	728	–	728	1,147	–	1,147
Profit from operations		37,782	(3,754)	34,028	24,295	347	24,642
Financial income	6	25	–	25	39	–	39
Financial expense	6	(2,776)	–	(2,776)	(3,319)	–	(3,319)
Profit before taxation		35,031	(3,754)	31,277	21,015	347	21,362
Taxation	7	(6,347)	33	(6,314)	(4,312)	100	(4,212)
Profit for the year		28,684	(3,721)	24,963	16,703	447	17,150
Attributable to:							
Equity holders of the parent		28,629	(3,721)	24,908	16,622	447	17,069
Non-controlling interests		55	–	55	81	–	81
Profit for the year		28,684	(3,721)	24,963	16,703	447	17,150
Basic earnings per ordinary share	24	2.68p		2.33p	1.64p		1.68p
Diluted earnings per ordinary share	24	2.59p		2.25p	1.52p		1.56p

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Profit for the year		24,963	17,150
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Effective portion of changes in fair value of cash flow hedges		19	135
Taxation on items taken directly to other comprehensive income	7	(4)	(14)
Other comprehensive income for the year		15	121
Total comprehensive income for the year		24,978	17,271
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		24,923	17,190
Non-controlling interests		55	81
		24,978	17,271

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Consolidated Statement of Financial Position

as at 31 December 2015

	Note	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	8	210,858	207,604
Intangible assets	9	22,546	22,583
Trade and other receivables	14	–	2,750
Investment in associate and joint venture	11	5,078	4,825
Total non-current assets		238,482	237,762
Current assets			
Inventories	13	12,569	13,027
Trade and other receivables	14	58,779	62,907
Cash and cash equivalents		23,522	15,785
Total current assets		94,870	91,719
Total assets		333,352	329,481
Current liabilities			
Interest-bearing loans and borrowings	15	(5,338)	(5,317)
Trade and other payables	16	(65,110)	(59,066)
Current tax payable		(3,391)	(2,636)
Provisions	17	(184)	(210)
Total current liabilities		(74,023)	(67,229)
Non-current liabilities			
Interest-bearing loans and borrowings	15	(7,934)	(76,814)
Provisions	17	(11,141)	(11,050)
Deferred tax liabilities	12	(7,012)	(7,216)
Total non-current liabilities		(26,087)	(95,080)
Total liabilities		(100,110)	(162,309)
Net assets		233,242	167,172
Equity attributable to equity holders of the parent			
Stated capital	18	178,637	139,139
Cash flow hedging reserve	18	(36)	(51)
Capital reserve	18	1,516	1,516
Retained earnings		52,958	26,406
Total equity attributable to equity holders of the parent		233,075	167,010
Non-controlling interests		167	162
Total equity		233,242	167,172

These Financial Statements were approved by the Board of Directors on 9 March 2016 and were signed on its behalf by:

Simon Vivian
Director

Rob Wood
Group Finance Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	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 2014	138,005	(172)	1,516	9,513	148,862	131	148,993
Shares issued	1,134	–	–	(803)	331	–	331
Expenses of share issue	–	–	–	–	–	–	–
Dividend to non-controlling interests	–	–	–	–	–	(50)	(50)
Total comprehensive income for the year	–	121	–	17,069	17,190	81	17,271
Credit to equity of share-based payments	–	–	–	627	627	–	627
Balance at 31 December 2014	139,139	(51)	1,516	26,406	167,010	162	167,172
Shares issued	41,194	–	–	(252)	40,942	–	40,942
Expenses of share issue	(1,696)	–	–	–	(1,696)	–	(1,696)
Dividend to non-controlling interests	–	–	–	–	–	(50)	(50)
Total comprehensive income for the year	–	15	–	24,908	24,923	55	24,978
Credit to equity of share-based payments	–	–	–	1,896	1,896	–	1,896
Balance at 31 December 2015	178,637	(36)	1,516	52,958	233,075	167	233,242

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Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the year		24,963	17,150
<i>Adjustments for:</i>			
Depreciation and amortisation		17,898	15,395
Financial income		(25)	(39)
Financial expense		2,776	3,319
Share of profit of associate and joint venture (net of tax)		(728)	(1,147)
Net gain on sale of property, plant and equipment		(1,320)	(2,779)
Equity-settled share-based payment expenses		1,896	627
Taxation		6,314	4,212
Operating cash flow before changes in working capital and provisions		51,774	36,738
Decrease/(increase) in trade and other receivables		4,187	(4,708)
Decrease in inventories		458	71
Increase in trade and other payables		5,959	9,031
Decrease in provisions		(264)	(537)
Cash generated from operating activities		62,114	40,595
Interest paid		(1,463)	(1,688)
Interest element of finance lease payments		(624)	(694)
Dividend paid to non-controlling interest	10	(50)	(50)
Income taxes paid		(5,767)	(1,171)
Net cash from operating activities		54,210	36,992
Cash flows used in investing activities			
Acquisition of businesses	26	–	(33,429)
Purchase of interest in joint venture		–	(3,471)
Purchase of property, plant and equipment		(14,447)	(11,851)
Proceeds from sale of property, plant and equipment		4,501	6,027
Repayment of loan to joint venture		100	–
Interest received		25	39
Dividend from associate	11	375	1,125
Net cash used in investing activities		(9,446)	(41,560)
Cash flows (used in)/from financing activities			
Proceeds from the issue of shares (net)	18	39,246	331
Proceeds from new loans raised		–	79,675
Repayment of loans		(69,000)	(71,024)
Repayment of finance lease obligations		(7,214)	(6,079)
Purchase of financial instrument – derivative		(59)	–
Net cash (used in)/from financing activities		(37,027)	2,903
Net increase/(decrease) in cash and cash equivalents		7,737	(1,665)
Cash and cash equivalents at 1 January		15,785	17,450
Cash and cash equivalents at 31 December		23,522	15,785
Cash and cash equivalents		23,522	15,785
Bank overdraft	15	–	–
Cash and cash equivalents at 31 December		23,522	15,785

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 9 March 2016.

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

The Financial Statements have been prepared on a going concern basis based on the assessment made by the Directors as described in the Directors' Report on page 56.

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 27.

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

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

Parent company information has not been provided in accordance with Article 105 (11) of Companies (Jersey) Law 1991.

New IFRS standards and interpretations adopted during 2015

In 2015, no new standards and amendments became effective and required adoption by the Group.

New IFRS standards and interpretations not adopted

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

Effective for periods beginning on or after 1 February 2015.

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

Effective for periods beginning on or after 1 January 2016.

- Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- Amendments to IFRS 7 – Financial Instruments: Disclosures
- Amendments to IFRS 11 – Joint Arrangements
- Amendments to IAS 1 – Presentation of Financial Statements
- Amendments to IAS 19 – Employee Benefits
- Amendments to IAS 34 – Interim Financial Reporting

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

Financial Statements

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 is exposed to or has rights to variable returns from its investment with the investee and has the ability to effect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Ordinarily, the Group considers a company a subsidiary when it holds more than 50 per cent of the shares and voting rights. The Financial Statements of subsidiary undertakings are included in the Group financial information from the date that control commences until the date that control ceases.

Associates are those entities in which the Group holds more than 20 per cent of the shares and voting rights and has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, requiring unanimous consent for strategic financial and operating decisions. The Group financial information includes the Group's share of the total comprehensive income of associate and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

Financial instruments

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

Trade receivables and trade payables

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

Cash and cash equivalents

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

Bank and other borrowings

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

Derivative financial instruments

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

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

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

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

Cash flow hedges

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

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

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

Mineral reserves and resources

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

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

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

Property, plant and equipment

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

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

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

• Freehold buildings	–	50 years
• Long leasehold land and buildings	–	life of the lease
• Fixtures and fittings	–	10 years
• Office equipment	–	3–5 years
• Fixed plant	–	30 years
• Loose plant and machinery	–	5–10 years
• Motor vehicles	–	4–10 years

No depreciation is provided on freehold land.

Intangible assets and goodwill

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

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

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

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

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

Financial Statements

Notes to the Financial Statements continued

1 Accounting policies continued

Impairment

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

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

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

Non-current assets held exclusively with a view to resale

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

Inventories

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

Retirement benefits

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

Provisions

Restoration provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The initial cost of creating a provision on commencement of the exploitation of the raw materials is included in property, plant and equipment and depreciated over the life of the site. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of the related asset. All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Other provisions

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

Revenue

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

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 includes any adjustment to tax payable in respect of previous years.

Deferred tax

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

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

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

Share-based transactions

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

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

Dividends

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

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2 Segmental analysis

Segmental information is presented in respect of the Group's business segments in line with IFRS 8 – Operating Segments which requires segmental information to be presented on the same basis as it is viewed internally. The Group's Board of Directors, considered as the Group's 'Chief Operating Decision Maker' views the business on a geographical basis. As such, two operating segments (England and Scotland) have been identified as reportable segments. A description of the activities of each segment is included on pages 25 to 30. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, related products and services.

Income statement	2015		2014	
	Revenue £000	EBITDA* £000	Revenue £000	EBITDA* £000
England	170,841	35,837	144,949	23,714
Scotland	147,611	25,092	124,708	19,213
Central administration and Group properties	–	(6,014)	–	(4,422)
Group	318,452	54,915	269,657	38,505

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

Reconciliation to reported profit

Group EBITDA as above	54,915	38,505
Depreciation and mineral depletion	(17,861)	(15,357)
Underlying operating profit		
England	26,997	16,022
Scotland	16,088	11,552
Central administration and Group properties	(6,031)	(4,426)
	37,054	23,148
Share of profit of associate and joint venture	728	1,147
Underlying profit from operations (underlying EBIT)	37,782	24,295
Non-underlying items (note 3)	(3,754)	347
Profit from operations	34,028	24,642
Net financial expense	(2,751)	(3,280)
Profit before taxation	31,277	21,362
Taxation	(6,314)	(4,212)
Profit for the year	24,963	17,150

2 Segmental analysis continued

	2015 Total assets £000	Total liabilities £000	2014 Total assets £000	Total liabilities £000
Statement of financial position				
England	152,685	(36,731)	154,183	(32,964)
Scotland	154,026	(28,993)	153,889	(31,144)
Central administration and Group properties	3,119	(10,711)	5,624	(6,218)
Total operations	309,830	(76,435)	313,696	(70,326)
Current tax	–	(3,391)	–	(2,636)
Deferred tax	–	(7,012)	–	(7,216)
Net cash/(debt)	23,522	(13,272)	15,785	(82,131)
Total Group	333,352	(100,110)	329,481	(162,309)
Net assets		233,242		167,172

England total assets include £3,502,000 (2014: £3,483,000) and Scotland total assets include £1,576,000 (2014: £1,342,000) in respect of investments in a joint venture and an associate respectively.

	Mineral depletion £000	Depreciation £000	Amortisation of intangible assets £000	Additions to property, plant and equipment £000
Analysis of depletion, depreciation, amortisation and capital expenditure				
2015				
England	2,803	6,037	2	8,716
Scotland	1,461	7,543	35	13,228
Central administration and Group properties	–	17	–	37
Total	4,264	13,597	37	21,981
2014				
England	2,663	5,029	2	9,026
Scotland	998	6,663	36	7,006
Central administration and Group properties	–	4	–	40
Total	3,661	11,696	38	16,072

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

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3 Non-underlying items

As required by IFRS 3 – Business Combinations, acquisition costs have been expensed as incurred. Additionally, the Group incurred redundancy costs in respect of the reorganisation of parts of the business. Non-underlying items also include property items, the amortisation of acquisition intangible assets and related tax items.

	2015 £000	2014 £000
Included in administrative expenses:		
Redundancy costs	(306)	(455)
Acquisition costs	(3,837)	(1,271)
Gain on property disposals	426	2,085
Net refinancing costs	–	26
Amortisation of other intangible assets	(37)	(38)
Total non-underlying items (pre-tax)	(3,754)	347
Non-underlying taxation	33	100
Total non-underlying items (after tax)	(3,721)	447

4 Expenses and auditor's remuneration

	2015 £000	2014 £000
<i>Group operating profit has been arrived at after charging/(crediting)</i>		
Depreciation of property, plant and equipment:		
Owned assets	14,903	13,003
Assets held under finance lease	2,958	2,354
Amortisation of other intangible assets	37	38
Gain on sale of property	(426)	(2,085)
Gain on sale of plant and equipment	(894)	(694)
Operating lease rentals:		
Plant, equipment and vehicles	2,133	2,012
Other	2,674	2,287
<i>Auditor's remuneration</i>		
Audit of the Company's annual accounts	11	11
Audit of the Company's subsidiary undertakings	147	130
Services relating to corporate finance transactions	10	155
Taxation compliance services	62	53
Taxation advisory services	37	71
Other non-audit services	37	20
	304	440

5 Remuneration of Directors, staff numbers and costs

Details of the remuneration received by Directors is summarised below:

	2015 £000	2014 £000
Salaries and short-term employee benefits	1,683	1,679
Directors' fees	823	813
Equity-settled share-based payments (note 19)	700	125
	3,206	2,617

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

	Number of employees	
	2015	2014
England	529	489
Scotland	701	607
Central administration	10	10
	1,240	1,106

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

	2015 £000	2014 £000
Wages and salaries	45,365	38,035
Social security costs	4,796	4,014
Other pension costs	2,073	1,715
Equity-settled share-based payments (note 19)	1,896	627
	54,130	44,391

6 Financial income and expense

	2015 £000	2014 £000
Interest income		
Bank deposits	25	39
Financial income	25	39
Interest expense – bank loans and overdrafts	(1,567)	(2,112)
Amortisation of prepaid bank arrangement fee	(256)	(203)
Interest expense – finance leases	(624)	(694)
Unwinding of discount on provisions	(329)	(310)
Financial expense	(2,776)	(3,319)

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7 Taxation

	2015 £000	2014 £000
<i>Recognised in the Consolidated Income Statement</i>		
Current tax expense	6,894	3,365
Adjustments in respect of prior years	(372)	(322)
Total current tax	6,522	3,043
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences		
Current year	(149)	1,050
Prior year	(59)	119
Total deferred tax	(208)	1,169
Total tax charge in the Consolidated Income Statement	6,314	4,212

	2015 £000	2014 £000
<i>Taxation on items taken directly to Other Comprehensive Income</i>		
<i>Deferred tax expense</i>		
Relating to cash flow hedges	4	14

	2015 £000	2014 £000
<i>Reconciliation of effective tax rate</i>		
Profit before taxation	31,277	21,362
Tax at the Company's domestic rate of 0%*	–	–
Effect of tax in UK at UK rate*	7,307	4,868
Expenses not deductible for tax purposes	466	743
Property sales	–	(133)
Unrecognised temporary differences utilised	(51)	(757)
Income from associate and joint venture already taxed	(147)	(246)
Effect of change in rate	(830)	(60)
Adjustment in respect of prior years	(431)	(203)
Total tax charge	6,314	4,212

* The Company is resident in Jersey and has a zero per cent tax rate. The Group has subsidiary operations in the UK which pay tax at a higher rate of 20.25 per cent (2014: 21.5 per cent).

Reductions in the UK corporation tax rate from 23 per cent to 21 per cent (effective from 1 April 2014) and 20 per cent (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19 per cent (effective 1 April 2017) and to 18 per cent (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2015 and 31 December 2014 has been calculated based on these rates.

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 2014	104,092	27,894	88,499	220,485
Acquisitions through business combinations (see note 26)	25,491	879	5,535	31,905
Additions	268	287	15,517	16,072
Disposals	–	(7,974)	(1,886)	(9,860)
Balance at 31 December 2014	129,851	21,086	107,665	258,602
Balance at 1 January 2015	129,851	21,086	107,665	258,602
Additions	836	448	20,697	21,981
Disposals	–	(403)	(2,560)	(2,963)
Balance at 31 December 2015	130,687	21,131	125,802	277,620
Depreciation				
Balance at 1 January 2014	8,318	1,521	27,104	36,943
Depreciation charge for the year	3,661	732	10,964	15,357
Disposals	–	(8)	(1,294)	(1,302)
Balance at 31 December 2014	11,979	2,245	36,774	50,998
Balance at 1 January 2015	11,979	2,245	36,774	50,998
Depreciation charge for the year	4,264	715	12,882	17,861
Disposals	–	(67)	(2,030)	(2,097)
Balance at 31 December 2015	16,243	2,893	47,626	66,762
Net book value				
At 31 December 2014	117,872	18,841	70,891	207,604
At 31 December 2015	114,444	18,238	78,176	210,858

Leased plant and machinery

At 31 December 2015, the net carrying amount of leased plant and machinery was £19,073,000 (2014: £17,123,000).

Depreciation charged on these assets in the year was £2,958,000 (2014: £2,354,000). Details of finance lease obligations are set out in note 15.

Depreciation

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

	2015 £000	2014 £000
Cost of sales	17,075	14,753
Administration expenses	786	604
	17,861	15,357

Security

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

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Notes to the Financial Statements
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9 Intangible assets

	Goodwill £000	Other £000	Total £000
Cost			
At 1 January 2014	14,652	744	15,396
Additions	7,545	–	7,545
At 31 December 2014	22,197	744	22,941
At 1 January 2015	22,197	744	22,941
Additions	–	–	–
At 31 December 2015	22,197	744	22,941
Amortisation			
At 1 January 2014	–	320	320
Amortisation for the year	–	38	38
At 31 December 2014	–	358	358
At 1 January 2015	–	358	358
Amortisation for the year	–	37	37
At 31 December 2015	–	395	395
Net book value			
At 31 December 2014	22,197	386	22,583
At 31 December 2015	22,197	349	22,546

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

Impairment tests for cash-generating units containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of cash generating units according to the level at which management monitor that goodwill. At 31 December 2015, goodwill of £8,310,000 (2014: £8,310,000) has been allocated to Scotland and £13,887,000 (2014: £13,887,000) has been allocated to England.

For impairment testing, the recoverable amount of goodwill attaching to cash generating units is determined using value in use calculations. These calculations use cash flow projections based on actual operating results and budgeted forecasts for 2016. The key assumptions on which the budgeted forecasts are based include sales growth, product mix and operating costs. These forecasts are then extrapolated forward for a 30 year period, being an appropriate period reflecting the long term nature of the underlying assets, assuming a 2.0 per cent (2014: 2.0 per cent) annual growth rate, based on management's estimate of the industry's revenue and cost growth discounted at a pre-tax rate of 8.4 per cent (2014: 9.1 per cent) and a post-tax rate of 8.3 per cent (2014: 8.9 per cent). Directors estimate discount rates reflecting current market assessment of the time value of money and the risks specific to the cash generating units ('CGU'). As each CGU is considered to have similar risks and long-term prospects, the same discount rate has been applied. The Directors have determined that there has been no impairment.

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment that would be material to these Consolidated Financial Statements. This demonstrated that neither a 1.0 per cent increase in the post-tax discount rate, nor a 1.0 per cent reduction in the annual growth rate, would cause an impairment.

10 Principal Group companies

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

	Country of incorporation	Percentage of ordinary shares held	Principal activity
Subsidiary undertakings			
<i>Ordinary shares held directly</i>			
Marwyn Materials Investments Limited	Jersey	100%	Holding company
<i>Ordinary shares held indirectly</i>			
Breedon Aggregates England Limited	England	100%	Production and sale of aggregates
Breedon Aggregates Scotland Limited	Scotland	100%	Production and sale of aggregates
Breedon Aggregates SW Limited	Scotland	100%	Non-trading
Huntsman's Quarries Limited	England	100%	Non-trading
Breedon Group Services Limited	England	100%	Service company
Breedon Properties Limited	England	100%	Property holding company
Breedon Holdings Limited	England	100%	Service company
Alba Traffic Management Limited	Scotland	75%	Traffic management

Associated undertaking

Ordinary shares held indirectly

BEAR Scotland Limited	Scotland	37.5%	Road maintenance contracting
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Joint venture

Ordinary shares held indirectly

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

The Consolidated Statement of Financial Position includes total assets of £1,022,000 (2014: £1,166,000) and total liabilities of £251,000 (2014: £430,000) in respect of Alba Traffic Management Limited, the Group's 75 per cent subsidiary undertaking.

11 Investment in associate and joint venture

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

	Associate £000	Joint venture £000	Total £000
Carrying value			
At 1 January 2014	1,332	–	1,332
Addition	–	3,471	3,471
Share of profit of associate and joint venture (net of tax)	1,135	12	1,147
Dividends received	(1,125)	–	(1,125)
At 31 December 2014	1,342	3,483	4,825
At 1 January 2015	1,342	3,483	4,825
Share of profit of associate and joint venture (net of tax)	609	119	728
Dividends received	(375)	–	(375)
Loan repayment	–	(100)	(100)
At 31 December 2015	1,576	3,502	5,078

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11 Investment in associate and joint venture continued

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

	2015		2014	
	BEAR Scotland £000	Breedon Bowen £000	BEAR Scotland £000	Breedon Bowen £000
Non-current assets	9,741	5,239	8,605	5,141
Current assets	9,804	2,395	13,754	2,076
Current liabilities	(7,548)	(1,405)	(14,270)	(1,266)
Non-current liabilities	(7,794)	(1,489)	(4,510)	(1,449)
Net assets	4,203	4,740	3,579	4,502
Revenue	74,508	3,924	89,685	1,439
Net profit	1,624	238	3,027	24

The Group's share of net assets of Breedon Bowen Limited amounts to £2,370,000 (2014: £2,251,000). In addition, the Group has made a loan to Breedon Bowen Limited of £470,000 (2014: £570,000) and recognised goodwill of £662,000 (2014: £662,000).

12 Deferred tax

	1 January 2015 £000	Acquisitions (note 26) £000	Recognised in income £000	Recognised in equity £000	31 December 2015 £000
Property, plant and equipment	(9,638)	–	208	–	(9,430)
Intangible assets	(77)	–	11	–	(66)
Financial instruments – derivatives	13	–	–	(4)	9
Working capital and provisions	2,481	–	(19)	–	2,462
Tax value of loss carry-forwards	5	–	8	–	13
	(7,216)	–	208	(4)	(7,012)

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

There are no unrecognised deferred tax assets (2014: £Nil).

13 Inventories

	2015 £000	2014 £000
Raw materials and consumables	4,950	5,701
Finished goods and goods for resale	7,619	7,326
	12,569	13,027

Inventories (being directly attributable costs of production) of £191,990,000 (2014: £172,609,000) were expensed in the year.

14 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	49,388	51,822
Trade receivables due from associate and joint venture (note 23)	854	3,410
Other receivables and prepayments	8,529	10,425
Financial instruments – derivatives	8	–
	58,779	65,657
Non-current	–	2,750
Current	58,779	62,907
	58,779	65,657

The derivatives represent the fair value of interest rate caps.

15 Interest-bearing loans and borrowings

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

	2015 £000	2014 £000
Non-current liabilities		
Secured bank loans	359	69,103
Finance lease liabilities	7,575	7,711
	7,934	76,814
Current liabilities		
Secured overdrafts	–	–
Current portion of finance lease liabilities	5,338	5,317
	5,338	5,317

During the prior year, the Group refinanced its bank loans and overdrafts. The bank loans and overdrafts carried a rate of interest of 3.0 per cent above LIBOR prior to the refinancing. Since July 2014 they have carried a rate of interest of between 1.7 per cent and 1.5 per cent above LIBOR and are secured by a floating charge over the assets of the Company and its subsidiary undertakings and have a final repayment date of 11 July 2018.

In November 2015, the Group entered into a new four year £300 million facility agreement to become effective on completion of the acquisition of Hope Construction Materials Limited and which will replace the existing facilities.

Finance lease liabilities

	2015			2014		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	5,779	441	5,338	5,907	590	5,317
Between one and five years	7,852	277	7,575	8,042	331	7,711
More than five years	–	–	–	–	–	–
	13,631	718	12,913	13,949	921	13,028

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

Net cash/(debt)

	2015 £000	2014 £000
Net cash/(debt) comprises the following items:		
Cash and cash equivalents	23,522	15,785
Current borrowings	(5,338)	(5,317)
Non-current borrowings	(7,934)	(76,814)
	10,250	(66,346)

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16 Trade and other payables

	2015 £000	2014 £000
Trade payables	40,060	38,168
Trade payables due to joint venture (note 23)	40	32
Other payables and accrued expenses	17,014	11,422
Other taxation and social security costs	7,996	9,444
	65,110	59,066

17 Provisions

	Restoration £000	Other £000	Total £000
At 1 January 2014	8,556	863	9,419
Amounts arising from business combinations (note 26)	1,591	370	1,961
Utilised during the year	(302)	(139)	(441)
Released to income statement	11	–	11
Unwinding of discount	310	–	310
At 31 December 2014	10,166	1,094	11,260
At 1 January 2015	10,166	1,094	11,260
Utilised during the year	(227)	(127)	(354)
Charged to income statement	90	–	90
Unwinding of discount	329	–	329
At 31 December 2015	10,358	967	11,325

Included in provisions is £184,000 (2014: £210,000) in respect of current amounts and £11,141,000 (2014: £11,050,000) in respect of non-current amounts.

Restoration provisions, of which £90,000 (2014: £Nil) are current, principally comprise provisions for the cost of restoring sites subject to extraction where an obligation arises so as to comply with contractual, environmental, planning and other legislation. The obligation is calculated on a site by site basis and is regularly reviewed to ensure it is adequate. The obligation has been discounted and will be settled through to the end of the production lives of the related quarries which is not anticipated to result in a cash outflow within the next 12 months.

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

18 Capital and reserves

Stated capital

	Number of ordinary shares	
	2015	2014
Issued ordinary shares at beginning of year	1,022,540,561	1,006,766,588
Issued in connection with:		
Placing	78,782,825	–
Exercise of savings-related share options	826,524	2,027,313
Employee bonus issue	304,750	–
Vesting of Performance Share Plan awards	–	6,979,451
Purchase of Participation Shares	46,936,068	6,767,209
	1,149,390,728	1,022,540,561

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.

18 Capital and reserves continued

Stated capital continued

On 26 January 2015, the Company issued 2,391,065 ordinary shares of no par value; on 12 February 2015, it issued 11,574,474 ordinary shares of no par value; and on 25 March 2015, it issued 32,970,529 ordinary shares of no par value, all in connection with the purchase of the remaining Marwyn Participation Shares (see note 19).

On 28 September 2015, the Company issued 304,750 ordinary shares of no par value in connection with a bonus issue of shares to all employees.

On 20 November 2015, the Company issued 78,782,825 ordinary shares of no par value at 51.79 pence per share wholly for cash, raising a total of £40,802,000 before expenses and £39,106,000 after expenses.

During 2015, the Company issued 826,524 ordinary shares of no par value raising £140,000 in connection with the exercise of certain savings-related options.

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

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

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

Cash flow hedging reserve

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

Capital reserve

The capital reserve at 31 December 2015 comprised the fair value of warrants to subscribe for 35,370,667 (2014: 35,370,667) ordinary shares in the Company at 12.0 pence per share. A total of 55,266,667 warrants were issued on 6 September 2010 as part of the consideration for the acquisition of Breedon Holdings Limited and were valued at fair value at acquisition using a modified Black-Scholes model at a value of £2,369,000. They are exercisable at any time until 2 September 2017. No warrants were exercised during 2015 or 2014.

19 Employee benefits

Pension plans

During both the current year and prior year, the Group has contributed to the Breedon Aggregates Group Personal Pension Plan (the 'Breedon Scheme') which is a contract based defined contribution scheme.

The pension costs charged during the year in respect of the Breedon Scheme were £1,926,000 (2014: £1,600,000). Contributions outstanding at 31 December 2015 amounting to £164,000 (2014: £153,000) are included in payables.

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

The pension costs charged during the year in respect of the People's Pension were £147,000 (2014: £115,000). Contributions outstanding at 31 December 2015 amounting to £12,000 (2014: £56,000) are included in payables.

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19 Employee benefits continued

Share-based payments

	2015 £000	2014 £000
Performance Share Plan shares	1,051	284
Share options	682	343
Employee bonus shares	163	–
Employee share-based payments (note 5)	1,896	627

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 Marwyn Management Partners LP, ('Marwyn Participation Shares').

On being offered, the Company could purchase the Participation Shares either for cash or for the issue of new ordinary shares at its discretion. The Company has now settled all these through the issue of new ordinary shares. The value of the Participation Shares is discussed below. The Participation Shares could only be sold on this basis if both the Growth and Vesting Conditions were satisfied. Both of these conditions were satisfied during 2013.

Details of the Participation Shares in issue and purchased during the year and outstanding at the year end are shown below. None of the Participation Shares were forfeited or expired during the year. At 31 December 2015, there were no Participation Shares in issue (2014: 6,380 shares).

Growth Condition

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

Vesting Condition

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

Value

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

Marwyn Participation Shares

The Group entered into a performance participation agreement with Marwyn Management Partners LP ('Marwyn') under which Marwyn agreed to assist the Company in meeting its business strategy. In exchange, the Group issued Participation Shares to Marwyn. During the year, the Company purchased all remaining 6,380 (2014: 1,000) Marwyn Participation Shares satisfied by the issue of new ordinary shares of no par value in the Company ('Breedon Shares') in accordance with the above provisions. Details of the Marwyn Participation Shares at the beginning of the year, purchased and at the end of the year are as shown in the table below:

31 December 2015	Participation in increase in Shareholder Value	Issue price	Nominal value of Participation Shares	Number of Participation Shares 1 January 2015	Number of Participation Shares purchased	Number of Participation Shares 31 December 2015	Number of Breedon Shares issued
Marwyn Participation Shares	10%	£0.10	£1,000	6,380	(6,380)	–	46,936,068
31 December 2014	Participation in increase in Shareholder Value	Issue price	Nominal value of Participation Shares	Number of Participation Shares 1 January 2014	Number of Participation Shares purchased	Number of Participation Shares 31 December 2014	Number of Breedon Shares issued
Marwyn Participation Shares	10%	£0.10	£1,000	7,380	(1,000)	6,380	6,767,209

David Williams, a director of the Company, by reason of his previous role at Marwyn, retained an indirect interest in the Marwyn Participation Shares. During 2013, Marwyn transferred part of its holding to certain of its partners and, as a consequence, David Williams became directly interested in 2,073 Participation Shares. During the prior year, the Company purchased 1,000 Participation Shares from Mr Williams, issuing 6,767,209 Breedon Shares to him. During the current year, the Company purchased the remaining 1,073 Participation Shares from Mr Williams, issuing 7,998,503 Breedon Shares to him. At 31 December 2015, Mr Williams has no further interest in Participation Shares.

19 Employee benefits continued

Valuation of Participation Shares

When the Participation Shares were issued, the Company was an unlisted shell company and had not entered into any transactions up to that date other than the issue of two ordinary shares for £2. The initial fair value estimation placed on the Participation Shares took into account the lack of trading history of the Company and the absence of any deals or transactions to date. The total amount paid for the Participation Shares, being the nominal value of £3,500, was considered to be the best estimation of the initial fair value at the date of issue. In accordance with IFRS 2 – Share-Based Payment, on modification in 2010, the fair value of the Participation Shares was calculated using a binomial valuation model both immediately prior to and immediately after the modification. The increase in the fair value amounted to £93,000 which was recognised over the period to 6 September 2013. In the current year, £Nil (2014: £Nil) has been recognised as an expense in the Consolidated Income Statement in respect of Participation Shares.

During the year, £31,000 (2014: £5,000) has been transferred to stated capital in respect of the Participation Shares purchased.

Performance Share Plan

On 23 May 2011, the Group adopted the Breedon Aggregates Performance Share Plan (the 'PSP') as a means of attracting, rewarding, motivating and retaining certain key senior employees. Under the PSP, awards may be granted as conditional shares or as nil paid (or nominal) cost options. Awards will normally vest three years after grant subject to satisfaction of the Performance Condition. The interests of the Directors in PSP awards are disclosed in the Directors' Report.

Initial Award

On 23 May 2011, the Group granted conditional awards over 6,979,451 shares under the PSP (the 'Initial Award'). These awards all vested during 2014.

Performance Period

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

Performance Condition

The Performance Condition applicable to the Initial Award was that the average annual growth in the Company's total shareholder return over the Performance Period must be at least 12.5 per cent per annum. During 2013, the performance condition was met, and all the awards vested during 2014.

Valuation of PSP awards

The fair value of the Initial Award was calculated using a binomial model which valued the awards at £730,635 which was recognised over the period to 23 May 2014. In 2015, £Nil (2014: £101,463) has been recognised as an expense in the Consolidated Income Statement in respect of the Initial Award.

2014 Award

On 2 April 2014, the Group granted conditional awards over 2,520,385 shares under the PSP (the '2014 Award').

Performance Period

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

Performance condition

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

Valuation of PSP awards

The fair value of the 2014 Award was calculated using a binomial model which valued the awards at £1,150,000 which will be recognised over the period to 2 April 2017. In 2015, £527,000 (2014: £144,000) has been recognised as an expense in the Consolidated Income Statement in respect of the 2014 Award.

The binomial valuation model uses the following assumptions:

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

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Notes to the Financial Statements continued

19 Employee benefits continued

2015 Award

On 2 April 2015, the Group granted conditional awards over 2,671,868 shares under the PSP (the '2015 Award').

Performance Period

The Performance Period applicable to the 2015 Award is the three financial years commencing with the financial year in which the award is granted.

Performance condition

The Performance Condition applicable to the 2015 Award is that the growth in the Company's EPS in excess of the growth in RPI over the performance period must equal or exceed 56 per cent for any part of the Award to vest.

Valuation of PSP awards

The fair value of the 2015 Award was calculated using a binomial model which valued the awards at £1,216,000 which will be recognised over the period to 2 April 2018. In 2015, £304,000 (2014: £Nil) has been recognised as an expense in the Consolidated Income Statement in respect of 2015 Award.

The binomial valuation model uses the following assumptions:

Date of grant	April 2015
Share price at date of grant	45.5 pence
Total shares under award	2,671,868
Expected volatility	27%
Risk-free rate	0.65%
Expected term	3.0 years

Non-Employee Performance Share Plan

On 3 March 2014, the Group adopted the Breedon Aggregates Non-Employee Performance Share Plan (the 'NEPSP') as a means of attracting, rewarding, motivating and retaining certain key persons who provide services to the Company either as an individual or through a personal service company and who are not otherwise an employee of any group company (a 'consultant'). Under the NEPSP, awards may be granted as conditional shares or as nil paid (or nominal) cost options. Awards will normally vest three years after grant subject to satisfaction of the Performance Condition. No NEPSP awards were forfeited, exercised or expired during the year.

2014 Option

On 15 April 2014, the Group granted an option over 701,098 shares under the NEPSP to Rise Rocks Limited, a company in which Mr Tom, a director of the Company, has a beneficial interest (the '2014 Option').

Performance Period

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

Performance Condition

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

Valuation of NEPSP award

The fair value of the 2014 Option was calculated using a binomial model which valued the award at £314,000 which will be recognised over the period to 15 April 2017. In 2015, £142,000 (2014: £39,000) has been recognised as an expense in the Consolidated Income Statement in respect of the 2014 Option.

The binomial valuation model uses the following assumptions:

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

19 Employee benefits continued

2015 Option

On 2 April 2015, the Group granted an option over shares under the NEPSP to Rise Rocks Limited, a company in which Mr Tom, a director of the Company, has a beneficial interest (the '2015 Option').

Performance Period

The Performance Period applicable to the 2015 Option is the three financial years commencing with the financial year in which the award is granted.

Performance Condition

The Performance Condition applicable to the 2015 Option is that the growth in the Company's EPS in excess of the growth in RPI over the Performance Period must equal or exceed 56 per cent for any part of the Option to vest.

Valuation of NEPSP award

The fair value of the 2015 Option was calculated using a binomial model which valued the award at £312,000 which will be recognised over the period to 15 April 2018. In 2015, £78,000 (2014: £Nil) has been recognised as an expense in the Consolidated Income Statement in respect of the 2015 Option.

The binomial valuation model uses the following assumptions:

Date of grant	April 2015
Share price at date of grant	45.5 pence
Exercise price	1.0 pence
Total shares under option	701,098
Expected volatility	27%
Risk-free rate	0.65%
Expected term	3.0 years

Sharesave Scheme

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

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

	Weighted average exercise price	Number of options
At 1 January 2014	16.1p	7,364,877
Granted during the year	39.7p	3,271,004
Exercised during the year	16.4p	(2,027,313)
Lapsed during the year	28.3p	(325,435)
At 31 December 2014	24.8p	8,283,133
At 1 January 2015	24.8p	8,283,133
Granted during the year	40.5p	3,284,077
Exercised during the year	17.1p	(826,524)
Lapsed during the year	31.5p	(538,317)
At 31 December 2015	30.2p	10,202,369

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Notes to the Financial Statements continued

19 Employee benefits continued

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

	Number		Exercise Price	Exercise period
	2015	2014		
5 year option granted 2011	2,023,742	2,243,803	15.0p	1 May 2016 to 31 October 2016
3 year option granted 2012	–	648,718	16.6p	1 May 2015 to 31 October 2015
5 year option granted 2012	1,130,506	1,215,372	15.2p	1 May 2017 to 31 October 2017
3 year option granted 2013	380,395	389,673	19.4p	1 May 2016 to 31 October 2016
5 year option granted 2013	642,112	675,819	17.8p	1 May 2018 to 31 October 2018
3 year option granted 2014	1,421,232	1,615,807	41.4p	1 June 2017 to 30 November 2017
5 year option granted 2014	1,403,466	1,493,941	37.8p	1 June 2019 to 30 November 2019
3 year option granted 2015	1,272,977	–	42.7p	1 May 2018 to 31 October 2018
5 year option granted 2015	1,927,939	–	39.0p	1 May 2020 to 31 October 2020
	10,202,369	8,283,133		

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

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

	3 year options Granted 2015	5 year options Granted 2015	3 year options Granted 2014	5 year options Granted 2014
Fair value at measurement date	38.3p	44.1p	35.4p	40.6p
Share price at date of grant	46.0p	46.0p	47.0p	47.0p
Exercise price	42.7p	39.0p	41.4p	38.0p
Expected volatility	159.9%	178.8%	128.3%	125.9%
Option life	3 years	5 years	3 years	5 years
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	0.79%	1.17%	1.12%	1.93%

Employee bonus issue

On 28 September 2015, the Company issued 304,750 ordinary shares to all employees of the Group in celebration of the fifth anniversary of the creation of the Group. The shares were valued 53.5 pence per share, being the market price on the day of issue and accordingly, £163,000 (2014: £Nil) has been charged to the Consolidated Income Statement in respect of this bonus issue.

20 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

20 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 private sector customers. At the reporting date, there were no significant concentrations of credit risk.

Exposure to credit risk

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

	Carrying amount 2015 £000	2014 £000
Receivables	58,771	65,657
Financial instruments – derivatives	8	–
Cash and cash equivalents	23,522	15,785
	82,301	81,442

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 2015 £000	2014 £000
England	25,584	26,994
Scotland	23,804	24,828
	49,388	51,822

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

The ageing of trade receivables at the reporting date was:

	2015 Gross £000	Impairment £000	2014 Gross £000	Impairment £000
Not past due	45,138	–	46,309	–
Past due 0–30 days	2,475	–	3,871	–
Past due 31–60 days	1,471	(5)	1,389	(18)
Past due more than 60 days	1,838	(1,529)	1,178	(907)
	50,922	(1,534)	52,747	(925)

The movement in provisions for impairment of trade receivables is as follows:

	2015 £000	2014 £000
At 1 January	925	695
Charged to the Consolidated Income Statement during the year	725	518
Utilised during the year	(116)	(288)
At 31 December	1,534	925

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continued**20 Financial instruments** continued**Liquidity risk**

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

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

31 December 2015	Carrying amount £000	Contractual cash flows £000	Within one year £000	One to five years £000	More than five years £000
Non-derivative financial liabilities					
UK secured bank loans	359	1,060	20	1,040	–
Finance lease liabilities	12,913	13,631	5,779	7,852	–
Other liabilities	57,114	57,114	57,114	–	–
	70,386	71,805	62,913	8,892	–

31 December 2014	Carrying amount £000	Contractual cash flows £000	Within one year £000	One to five years £000	More than five years £000
Non-derivative financial liabilities					
UK secured bank loans	69,103	75,583	1,540	74,043	–
Finance lease liabilities	13,028	13,949	5,907	8,042	–
Other liabilities	49,622	49,622	49,622	–	–
	131,753	139,154	57,069	82,085	–

The capital element of the UK secured bank loans is currently repayable at the earlier of July 2018 or the acquisition of Hope Construction Materials Limited, in which case it will be replaced by a new, four year, committed facility.

Market risk

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

Interest rate risk

The Group currently borrows at floating and fixed interest rates. The Group uses interest rate caps to manage its exposure to changes in floating interest rates.

The Group had an interest rate cap effective from March 2013 until September 2015 with a notional contract amount of £30,000,000 (2014: £30,000,000) which caps interest rates (excluding margin) at 2.0 per cent.

In addition, the Group has an interest rate cap effective from September 2015 until July 2018 with a notional contract amount of £30,000,000 (2014: £Nil) which caps interest rates (excluding margin) at 3.5 per cent.

The Group classifies interest rate caps as cash flow hedges and states them at fair value. The fair value of the caps at 31 December 2015 was an asset of £8,000 (2014: £Nil). This amount was recognised as a fair value derivative and the effective portion of the fair value is recognised in the cash flow hedge reserve.

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

Carrying amount	2015 £000	2014 £000
Fixed rate instruments		
Financial liabilities	(12,913)	(13,028)
Variable rate instruments		
Financial liabilities*	(359)	(69,103)
Financial assets	23,522	15,785
	10,250	(66,346)

* Variable rate financial liabilities include £359,000 (2014: £30,000,000) of notional debt subject to an interest rate cap (see above).

20 Financial instruments continued

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates in respect of variable rate instruments at the reporting date would have decreased equity and income and expenditure for a full year by £10,000 (2014: £700,000). A decrease of 100 basis points would have increased equity and income and expenditure for a full year by £5,000 (2014: £350,000). These analyses assume that all other variables remain constant.

Fair values versus carrying amounts

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

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

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

	Level 1 £000	2015 Level 2 £000	Level 3 £000	Total £000
Derivative financial asset	–	8	–	8
	Level 1 £000	2014 Level 2 £000	Level 3 £000	Total £000
Derivative financial asset	–	–	–	–

At 31 December 2015, the Group did not have any assets or liabilities classified at Level 1 in the fair value hierarchy (2014: £Nil). There have been no transfers in any direction in the year. The fair value of the derivative financial asset, being an interest rate swap, is based on a bank's valuation.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board closely monitors the shareholder base and earnings per share. Subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, for now, the main focus of the Group will be on delivering capital growth for shareholders.

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

There are financial covenants associated with the Group's borrowings which, since the Group's refinancing in July 2014, are a maximum leverage ratio and a minimum interest cover. The Group complied with its covenants at 31 December 2015 and 31 December 2014.

21 Operating leases

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

	2015		2014	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	1,606	1,896	1,514	1,925
Between one and five years	5,743	4,651	5,540	5,385
More than five years	12,873	263	9,697	640
	20,222	6,810	16,751	7,950

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

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22 Capital commitments

During the year ended 31 December 2015, the Group entered into contracts to purchase property, plant and equipment for £3,828,000 (2014: £1,203,000). These commitments are expected to be settled in the following financial year.

23 Related parties

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

	Revenue £000	Purchases £000	Receivables £000	Payables £000
2015				
BEAR Scotland Limited	21,488	15	805	–
Breedon Bowen Limited	90	413	49	40
	21,578	428	854	40
2014				
BEAR Scotland Limited	23,422	72	3,314	–
Breedon Bowen Limited	80	27	96	32
	23,502	99	3,410	32

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

	Revenue £000	Purchases £000	Receivables £000	Payables £000
2015				
Alba Traffic Management Limited	1,773	647	202	163
2014				
Alba Traffic Management Limited	1,480	293	120	–

Parent and ultimate controlling party

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

Transactions with Directors and Directors' shareholdings

Details of transactions with Directors and Directors' shareholdings are given in the Directors' Report and the Directors' Remuneration Report on pages 54 to 56 and 50 to 53 respectively.

24 Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders of £24,908,000 (2014: £17,069,000) and on the weighted average number of ordinary shares in issue during the year of 1,069,794,307 (2014: 1,013,408,839).

The calculation of underlying earnings per share is based on the profit for the year attributable to ordinary shareholders, adjusted to add back the non-underlying items, of £28,629,000 (2014: £16,622,000) and on the weighted average number of ordinary shares in issue during the year as above.

Diluted earnings per ordinary share is based on 1,106,582,360 (2014: 1,090,713,822) shares and reflects the effect of all dilutive potential ordinary shares.

25 Contingent liabilities

The Group has guaranteed the hire purchase liabilities in respect of vehicles operating under the Group's owner driver scheme. The maximum contingent liability in respect of these guarantees amounts to £Nil (2014: £5,000).

The Group has guaranteed its share of the banking facilities of BEAR Scotland Limited, the Company's associated undertaking. The maximum liability at 31 December 2015 amounted to £1,838,000 (2014: £1,838,000).

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

26 Acquisitions

There have been no acquisitions in the year ended 31 December 2015.

Prior year acquisitions

Huntsman's Quarries Limited

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

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

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

The fair value adjustments comprised adjustments to:

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

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

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

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

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26 Acquisitions continued

Barr Quarries Limited

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

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

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

The fair value adjustments comprised adjustments to:

- Revalue certain mineral reserves and resources, land and buildings and plant and equipment to reflect fair value at the date of acquisition
- Inventories to reflect fair/net realisable value
- Trade and other receivables to reflect recoverable amounts
- Trade and other payables to reflect contractual liabilities
- Current tax payable to reflect tax liabilities at acquisition
- Provisions to reflect costs to comply with environmental, planning and other legislation
- Deferred tax balances

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

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

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

If both this acquisition and the acquisition of Huntsman's Quarries Limited had occurred on 1 January 2014, the results of the Group for the year ended 31 December 2014 would have shown revenue of £300,383,000, underlying EBITDA, before share of associated undertaking, of £42,845,000 and underlying operating profit for the year of £26,070,000.

26 Acquisitions continued

Cash flow effect

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

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

27 Accounting estimates and judgements

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

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

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

Fair values of assets on business combinations

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

Mineral reserves and resources

A number of key assumptions have been made in determining the annual depletion charge. These assumptions include the amount of consented and unconsented reserves available for extraction; the estimated residual value; extraction rates; and the gaining of additional planning consents. The Group uses independent experts, where appropriate, to assist with the determination of reserves available for extraction.

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 affected by prevailing market and economic factors outside the Group's control. Further information is included in note 9.

Restoration provisions

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

Deferred taxation

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

Additional Information

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 (the 'Meeting') will take place in the La Seigneurie Suite, St. Pierre Park Hotel, Rohais, St. Peter Port, Guernsey GY1 1FD on Tuesday, 26 April 2016 at 2.00pm, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 7 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions:-

Ordinary Business

Ordinary Resolutions

1. THAT the Financial Statements of the Company for the year ended 31 December 2015, together with the reports of the Directors and Auditor thereon be received and adopted.
2. THAT KPMG LLP, who have indicated their willingness to act, be and are hereby appointed as the Auditor of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which Financial Statements are laid before the Company.
3. THAT the Directors of the Company be and are hereby authorised to determine the fee payable to the Auditor in respect of the year ending 31 December 2016.
4. THAT Patrick Ward be reappointed as a director of the Company.
5. THAT Susie Farnon be reappointed as a director of the Company.
6. THAT David Williams be reappointed as a director of the Company.

Special Business

Ordinary Resolution

7. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Article 6.2 of the Company's Articles of Association (the 'Articles') to exercise all the powers of the Company to allot relevant securities (as defined in Article 6.2 of the Articles) in the Company, including, but not limited to, ordinary shares in the Company, and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company up to a maximum of 395,000,000 ordinary shares.

The authority conferred on the Directors under this Resolution shall take effect after the passing of this Resolution and expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require ordinary shares to be allotted or rights to subscribe for, or to convert any security into, ordinary shares to be granted after such expiry and the Directors may allot ordinary shares or grant rights to subscribe for, or to convert any security into, ordinary shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

8. THAT the Directors be and they are hereby empowered pursuant to Article 6.7 of the Articles to allot equity securities (within the meaning of Article 6.6 of the Articles) for cash or otherwise pursuant to the authority conferred by Resolution 7 above, as if Article 6.3 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities consisting of, or the right to subscribe for, or convert any security into shares in the Company, up to a maximum of 59,238,810 ordinary shares in the Company.

The authority conferred on the Directors under this Resolution 8 shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require ordinary shares to be allotted or rights to subscribe for, or to convert any security into, ordinary shares to be granted after such expiry and the Directors may allot ordinary shares or grant rights to subscribe for, or to convert any security into, ordinary shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

9. 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 57,470,276 (being 5 per cent of the issued ordinary share capital of the Company as at 23 March 2016);
 - (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 per cent of the average middle market quotation of an ordinary share taken from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which any ordinary share is contracted to be purchased by the Company;

- (d) The Directors of the Company can, prior to each such purchase, make the solvency statement required by the Law and fulfil all other requirements of the Law in relation to purchases of a company's own shares;
- (e) this authority will expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this Resolution is passed or, if earlier, 18 months after that date;
- (f) this authority shall only be capable of variation, revocation or renewal by Special Resolution of the Company; and
- (g) the Company may make a contract or contracts to purchase ordinary shares under this authority before this authority expires which will or may be executed and completed wholly or partly after its or their expiration and may make a purchase of ordinary shares in pursuance of any such contract or contracts after its or their expiration.

By order of the Board

Breedon Aggregates Limited
23 March 2016

Notes

1. Under Jersey law a special resolution requires a two thirds rather than three quarters majority of those voting at the Meeting in person or by proxy to vote in favour of the resolution.
2. Every member who is present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder.
3. A form of proxy is enclosed. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must reach the Registrar at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than forty-eight hours before the time appointed for holding the Meeting or adjournment or the taking of a poll at which the person named in the proxy form proposes to vote.
4. A member entitled to attend and vote at the Meeting convened by this notice is also entitled to appoint one or more proxies. If a proxy other than the Chairman is desired, strike out 'the Chairman of the AGM or' and insert the name or names preferred and initial the alteration. A proxy need not be a member of the Company but must attend the Meeting in person.
5. If a member wishes his proxy to speak on his behalf at the Meeting, he or she will need to appoint his own choice of proxy (which is not the Chairman) and give instructions directly to the proxy. The completion and return of a form of proxy will enable you to vote at the Meeting without having to be present at the Meeting, but will not preclude you from attending the Meeting and voting in person if you should subsequently decide to do so.
6. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If you wish to appoint the Chairman as one of your multiple proxies, leave the words 'Chairman of the Meeting' on the relevant proxy form.
7. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly (under CREST participant ID RA10) authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by the latest time(s) for receipt of proxy appointments by 2.00 pm on 24 April 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised. In the case of an individual, the form of proxy must be signed by the individual or his or her attorney duly authorised.
11. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy will be accepted to the exclusion of the votes of any other joint holders and for this purpose seniority will be determined by the order in which the names are recorded in the Register of Members.
12. The Directors of the Company will interpret any ambiguous proxy appointments. The Chairman of the Meeting will, in his capacity as proxy, interpret any voting instructions he receives. Their respective determinations shall be final.
13. Any alterations made to the form of proxy must be initialled by the person who signs it.
14. The Company, pursuant to Article 40 of the Companies Uncertificated Securities (Jersey) Order 1999, specifies that only those members registered in the register of members of the Company as at 2.00pm on 24 April 2016 or, in the event that the Meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting(s), shall be entitled to attend or vote at the Meeting or any adjournment thereof in respect of the number of shares registered in their name at that time. Changes to the register of members after these times will be disregarded in determining the rights of any person to attend or vote at the Meeting or any adjournment thereof.

Additional Information

Advisers and Company information

Company Secretary

JTC (Jersey) Limited
Elizabeth House
9 Castle Street
St Helier
Jersey
JE2 3RT

Independent Auditor

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

Registered office

Elizabeth House
9 Castle Street
St Helier
Jersey
JE2 3RT

Nominated Adviser

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Registered in Jersey

Company number 98465

Legal Adviser

Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD

Shareholder information

Registrar and transfer office

The Company's Registrar is Capita Registrars (Jersey) Limited. The address of the Company's Registrar, to which all enquires concerning shareholdings should be addressed, is Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Shareholder enquiries can also be made to 0871 664 0300. Calls cost 12 pence per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Capita are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales.

Enquiries from outside the UK should be made to +44 203 728 5000.

Email: ssd@capitaregistrars.com

Website: www.capitaassetservices.com

Contact

If you require information regarding Breedon Aggregates, please contact:

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