Breedon Holdings Limited

Directors' report and financial statements

Registered number 06773575

For the year ended 31 December 2015

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Principal activities

The principal activities of the Company are the provision of management services and finance to fellow group companies, being subsidiaries of Breedon Aggregates Limited (collectively "the Breedon Aggregates Group").

Business review

Overview

The operating loss for the year amounted to £4,872,000 *(2014: £3,504,000).*

Strategy

The Company will continue to provide management services and finance to the Breedon Aggregates Group.

Risk management

The Board is ultimately responsible for risk management and continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk, but they cannot entirely eliminate it. The Board has identified the following key areas of risk to the business:

- Availability of finance – the unavailability of sufficient borrowing facilities to enable the servicing of liabilities will impact on the Company's activities. To mitigate this risk, the Company monitors forecasts and cash flows and available facilities to ensure sufficient headroom is maintained above peak requirement. The Company maintains good communications with all providers of finance.
- Loss of key employees – failure to recruit and retain the right people could have an adverse impact on the Company. The Company has appropriate remuneration and incentive packages to assist in the attraction and retention of key individuals.

Health and safety

Health and safety remains core to the Company's business. The Company utilises the Breedon Aggregates Group's health and safety function to place additional resource in this important area.

Corporate social responsibility (CSR)

The Breedon Aggregates Group recognises the importance of balancing the interest of key stakeholders – customers, employees, lenders, investors, suppliers and the wider community in which it operates. The Company remains committed to continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation.

Dividends

No dividend has been declared or paid in the year ended 31 December 2015 *(2014: £Nil).*

Directors

The directors who held office during the year were as follows:

AK Mackenzie
PWG Tom
SN Vivian (resigned 8 March 2016)
R Wood

On 8 March 2016 Mr PR Ward and Mr RE McDonald were appointed as directors of the Company.

Political contributions

The Company made no political donations in either year.

Directors' report

Disclosure of information to auditor

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

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

RE McDonald
Secretary

Breedon Quarry
Main Street
Breedon on the Hill
Derby
DE73 8AP

24 June 2016

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including *FRS 101 Reduced Disclosure Framework.*

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Breedon Holdings Limited

We have audited the financial statements of Breedon Holdings Limited for the year ended 31 December 2015 set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including *FRS 101 Reduced Disclosure Framework.*

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Breedon Holdings Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Darren Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

28 June 2016

Profit and loss account

for the year ended 31 December 2015

	Note	**2015**	2014
		£000	£000
Administrative expenses		**(6,147)**	(4,179)
Other operating income		**1,275**	675
Operating loss	*2*	**(4,872)**	(3,504)
Interest receivable and similar income	*5*	**4,498**	4,824
Interest payable and similar charges	*6*	**(1,822)**	(2,254)
Loss on ordinary activities before taxation		**(2,196)**	(934)
Tax on loss on ordinary activities	*7*	**10**	-
Loss for the financial year		**(2,186)**	(934)

All operating activities were derived from continuing activities.

Statement of Comprehensive Income
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Loss for the year		**(2,186)**	(934)
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**	72
Taxation on items taken directly to other Comprehensive Income		**(4)**	(14)
Other Comprehensive Income for the year		**15**	58
Total Comprehensive Income for the year		**(2,171)**	(876)

Balance sheet
at 31 December 2015

	Note	2015 £000	£000	2014 £000	£000
Fixed assets					
Tangible assets	8		55		36
Investments	9		-		-
			55		36
Current assets					
Debtors	10	80,891		115,446	
Cash		9,150		3,437	
		90,041		118,883	
Creditors: amounts falling due within one year	11	(123,222)		(5,748)	
Net current assets			(33,181)		113,135
Total assets less current liabilities			(33,126)		113,171
Creditors: amounts falling due after more than one year	12		(359)		(144,485)
Net liabilities			(33,485)		(31,314)
Capital and reserves					
Called up share capital	13		1		1
Share premium account			11,025		11,025
Cash flow hedge reserve			(36)		(51)
Profit and loss account			(44,475)		(42,289)
Shareholder's deficit			(33,485)		(31,314)

These financial statements were approved by the board of directors on 24 June 2016 and were signed on its behalf by:

R Wood
Director

Company number: 06773575

Statement of changes in equity
for the year ended 31 December 2015

	Share capital	Share premium	Cash flow hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2014	1	11,025	(109)	(41,355)	(30,438)
Total Comprehensive Income for the year	-	-	58	(934)	(876)
Balance at 31 December 2014	1	11,025	(51)	(42,289)	(31,314)
Total Comprehensive Income for the year	-	-	15	(2,186)	(2,171)
Balance at 31 December 2015	**1**	**11,025**	**(36)**	**(44,475)**	**(33,485)**

Notes
(forming part of the financial statements)

1 Accounting policies

Breedon Holdings Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 22.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2014.

The Company's ultimate parent undertaking, Breedon Aggregates Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Breedon Aggregates Limited are prepared in accordance with International Financial Reporting Standards and may be obtained from the Company Secretary, Breedon Aggregates Limited, Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

Notes *(continued)*

1 Accounting policies *(continued)*

As the consolidated financial statements of Breedon Aggregates Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The nature of the Company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information and after making appropriate enquiries, taking into account the available banking facilities and the support from the Company's principal bankers, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

Derivative financial statements

The Company uses financial instruments to manage financial risks associated with the Company's underlying business activities and the financing of those activities. The Company 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 remeasured in future periods at their fair value. The gain or loss on the remeasurement 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 Company's exposure to movements on interest rates.

The fair value of interest rate caps is the estimated amount that the Company would receive to terminate the cap at the reporting date, taking into account current interest rates and the current credit-worthiness 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, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the 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.

Notes *(continued)*

1 Accounting policies *(continued)*

Derivative financial statements *(continued)*

To qualify for hedge accounting, the hedging relationship must met 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 h edging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designed as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Company 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.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 Company intends to settle its current tax assets and liabilities on a net basis.

Post retirement benefits

The Company participated in defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The amount charged against profit represents the contributions payable to the schemes during the year.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company, Breedon Aggregates Limited. The fair value of options granted are expensed. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, these are also accounted for as equity settled in the accounts of this Company. Share based payments are recharged by the ultimate parent company to participating subsidiary undertakings on an annual basis.

Notes *(continued)*

2 Operating loss

	2015	2014
	£000	£000
Operating loss is stated after charging		
Auditor's remuneration:		
Auditor's remuneration – audit of these financial statements	5	5
Depreciation – owned assets	18	4
Operating lease rentals:		
Plant and machinery	3	3

Amounts receivable by the Company's auditor in respect of services to the Company other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent undertaking, Breedon Aggregates Limited.

3 Remuneration of directors

The disclosures below represent the costs recharged to the Company in respect of the directors' services to the Company:

	2015	2014
	£000	£000
Directors' emoluments	**1,713**	1,679
Company contributions to defined contribution pension schemes	-	-
	1,713	1,679

The aggregate of emoluments of the highest paid director was £1,077,000 *(2014: £1,088,000)*. No company pension contributions were made on his behalf in either year. No retirement benefits are accruing to any director.

4 Staff numbers and costs

All UK staff are employed by Breedon Group Services Limited, the Breedon Aggregates Limited group employment services company. The disclosures below represent the underlying costs recharged in respect of those persons working for the Company.

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

	Number of employees	
	2015	2014
Administration	**5**	5

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**2,075**	**1,751**
Social security costs	**281**	**236**
Other pension costs	**19**	**22**
Equity-settled share based payments	**785**	**172**
	3,160	2,181

Notes *(continued)*

5 Other interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	**17**	30
Group interest receivable	**4,481**	4,794
	4,498	4,824

6 Interest payable and similar charges

	2015 £000	2014 £000
On bank loans and overdrafts	**1,822**	2,254

7 Taxation

Analysis of credit in the year

	2015 £000	2014 £000
UK corporation tax		
Current tax credit for the year	-	-
Deferred tax		
Current year	**(84)**	-
Adjustment in respect of prior years	**94**	-
Total deferred tax	**10**	-
Tax on loss on ordinary activities	**10**	-

Factors affecting the tax credit for the current year

The tax credit for the year is lower *(2014: lower)* than the standard rate of corporation tax in the UK of 20.25% *(2014: 21.5%)*. The differences are explained below:

	2015 £000	2014 £000
Tax reconciliation		
Loss on ordinary activities before tax	**(2,196)**	(934)
Current tax at 20.25% *(2014: 21.5%)*	**(445)**	(201)
Effects of:		
Expenses not deductible for tax purposes	**320**	244
Unrecognised temporary differences	-	(753)
Group relief surrendered	**209**	710
Adjustment in respect of prior years	**(94)**	-
Total tax credit (see above)	**(10)**	-

Notes *(continued)*

7 Taxation *(continued)*

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2015.

8 Tangible fixed assets

	Plant and machinery £000
Cost	
At beginning of year	40
Additions	37
At end of year	**77**
Depreciation	
At beginning of year	4
Charge for the year	18
At end of year	**22**
Net book value	
At 31 December 2015	**55**
At 31 December 2014	36

9 Investments

	Shares in subsidiary undertaking £000
Cost and net book value	
At beginning and end of year	-

Details of the investments in subsidiary undertakings at the end of the year are as follows:

Name of company	**Country of incorporation**	**Description of shares**	**Proportion held**	**Nature of business**
Held directly				
Enneurope Holdings Limited	England	Ordinary	100%	Non-trading
Held indirectly				
Enneurope Limited	England	Ordinary	100%	Non-trading

Notes *(continued)*

10 Debtors

	2015	2014
	£000	£000
Amounts owed by Group undertakings	**77,142**	113,953
Other debtors	**3,443**	1,461
Deferred tax	**19**	13
Financial instrument derivatives	**8**	-
Prepayments and accrued income	**279**	19
	80,891	115,446

The derivatives represent the fair value of interest rate caps.

Included within amounts owed by Group undertakings is £70,600,000 (2014: £106,100,000) due after more than one year.

11 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	**574**	300
Amounts owed to Group undertakings	**117,308**	1,506
Other creditors	**1,445**	1,036
Accruals and deferred income	**3,895**	2,906
	123,222	5,748

Amounts owed to Group undertakings are payable on demand.

12 Creditors: amounts falling due after more than one year

	2015	2014
	£000	£000
Bank loans and overdrafts	**359**	69,103
Amounts owed to Group undertakings	**-**	75,382
	359	144,485

Bank loans and overdrafts falling due after more than one year are all part of the UK facilities agreement which, together with the UK overdrafts, are secured by a floating charge over the assets of the UK group. All borrowings under the UK facilities agreement are due to be repaid on 11 July 2018.

Notes *(continued)*

13 Deferred tax assets

Movement in deferred tax during the year

	1 January 2015 £000	**Recognised in income £000**	**Recognised in equity £000**	**31 December 2015 £000**
Property, plant and equipment	**-**	**5**	**-**	**5**
Financial instruments - derivatives	**13**	**-**	**(4)**	**9**
Working capital and provisions	**-**	**5**	**-**	**5**
	13	**10**	**(4)**	**19**

Movement in deferred tax during the prior year

	1 January 2014 £000	Recognised in income £000	Recognised in equity £000	31 December 2014 £000
Property, plant and equipment	-	-	-	-
Financial instruments - derivatives	27	-	(14)	13
Working capital and provisions	-	-	-	-
	27	-	(14)	13

14 Called up share capital

	2015 £	2014 £
Allotted, called up and fully paid		
85,571 ordinary shares of 1p each	**856**	856

Notes *(continued)*

15 Share based payments

Performance Share Plan

On 23 May 2011, the Breedon Aggregates Group ("the Group"), of which the Company is a member, adopted the Breedon Aggregates Performance Share Plan (the "PSP") to increase the interest of employees in the Group's long term business goals and performance through share ownership. Under the PSP, awards may be granted as conditional shares or as nil paid (or nominal cost) options. Awards will normally vest three years after grant subject to satisfaction of the Performance Condition.

Initial award

On 23 May 2011, the Group awarded conditional awards over 1,572,111 shares under the PSP (the "Initial Award") in respect of the Company. 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 Group's total shareholder return over the Performance Period must be at least 12.5% per annum. During 2013, the Performance Condition was met and all awards vested during the 2014.

Valuation of PSP awards

The fair value of the Initial Award was calculated using a binomial valuation model which valued the awards at £165,000 which was recognised over the period to 23 May 2014. In the current year, £Nil *(2014: £55,000)* has been recognised as an expense in the Profit and Loss Account in respect of the Initial Awards.

2014 Award

On 2 April 2014, the Group granted conditional awards over 1,677,527 shares under the PSP (the "2014 Award") in respect of the Company.

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 Group's EPS growth must match or exceed 11.1% 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 award at £765,000 which will be recognised over the period to 2 April 2017. In 2015, £351,000 *(2014: £96,000)* has been recognised as an expense in the Profit and Loss account in respect of the 2014 Award.

Notes *(continued)*

15 Share based payments *(continued)*

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	1,677,527
Expected volatility	118%
Risk-free rate	1.12%
Expected term	3 years

2015 Award

On 2 April 2015, the Group granted conditional awards over 1,748,792 shares under the PSP (the "2015 Award") in respect of the Company.

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 Group'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 2015 Award was calculated using a binomial model which valued the award at £796,000 which will be recognised over the period to 2 April 2018. In 2015, £199,000 *(2014: £Nil)* has been recognised as an expense in the Profit and Loss account in respect of the 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	1,748,792
Expected volatility	27%
Risk-free rate	0.65%
Expected term	3 years

Share options

During the year, the Breedon Aggregates 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 in respect of the Company are as follows:

	Weighted average exercise price	**Number of options**
At beginning of year	16.0p	193,917
Granted during the year	42.7p	21,076
Exercised during the year	16.6p	(27,075)
At end of year	**33.9p**	**187,918**

Notes *(continued)*

15 Share based payments *(continued)*

***Share option** (continued)*

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

	2015 Number	2014 Number	Exercise price	Exercise period
5 year options granted 2011	**41,133**	41,133	15.0p	1 May 2016 to 31 October 2016
3 year options granted 2012	**-**	27,075	16.6p	1 May 2015 to 31 October 2015
3 year options granted 2014	**30,471**	30,471	41.4p	1 June 2017 to 30 November 2017
5 year options granted 2014	**95,238**	95,238	37.8p	1 June 2019 to 30 November 2019
3 year options granted 2015	**21,076**	-	42.7p	1 May 2018 to 31 October 2018
	187,918	193,917		

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

Date of grant	April 2015	April 2014	April 2014
Fair value at measurement date	38.3p	37.4p	40.6p
Share price at date of grant	46.0p	47.0p	47.0p
Exercise price	42.7p	41.4p	37.8p
Expected volatility	159.9%	128.3%	125.9%
Option life	3 years	3 years	5 years
Expected dividend yield	0%	0%	0%
Risk free interest rate	0.79%	1.12%	1.93%

16 Contingent liabilities

The Company has guaranteed the loans and overdrafts of Breedon Aggregates Limited and its fellow UK subsidiary undertakings. At 31 December 2015, the amount outstanding was £Nil *(2014: £Nil).*

The Company has guaranteed the finance lease liabilities of certain of its fellow UK subsidiaries. The amount outstanding at 31 December 2015 was £1,493,000 *(2014: £2,837,000).*

17 Commitments

The Company has no commitments at the end of the financial year *(2014: £Nil).*

18 Pension scheme

The Company contributes to the Breedon Aggregates Group Personal Pension Plan (the "Breedon Scheme") which is a contract based defined contribution scheme funded by way of an HMRC approved salary sacrifice arrangement.

The pension costs charged during the year, which include the portion of salary sacrificed, were £19,000 *(2014: £22,000)* in respect of the Breedon Scheme. There were no outstanding contributions at the end of the current or prior financial year in respect of the scheme.

Notes *(continued)*

19 Related party transactions

The Company is a wholly-owned subsidiary of Breedon Aggregates Limited, a company whose financial statements are publicly available and therefore is exempt from the requirement to disclose transactions with entities which are part of the Breedon Aggregates Limited group or investees of the Breedon Aggregates group qualifying as related parties.

The Company contracts with Alba Traffic Management Limited, a 75% subsidiary undertaking within the Breedon Aggregates Limited group, in respect of the recharge of insurance costs on an arm's length basis. It had the following transactions with this related party during the year.

	2015 £000	2014 £000
Revenue transactions:		
Recharges to Alba Traffic Management Limited	59	-
Balances outstanding at the year end:		
Due from Alba Traffic Management Limited	59	-

20 Ultimate parent undertaking

The Company's immediate parent undertaking is Marwyn Materials Investments Limited, a company incorporated in Jersey and the Company's ultimate parent undertaking is Breedon Aggregates Limited, also a company incorporated in Jersey.

The consolidated results of Breedon Aggregates Limited include the results of the Company and copies of its consolidated financial statements can be obtained from the Company Secretary, Breedon Aggregates Limited, Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT.

21 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.

Deferred taxation

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

Notes *(continued)*

22 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing the FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	1 January 2014			**31 December 2014**		
	UK GAAP	Effect of transition to FRS 101	FRS 101	**UK GAAP**	**Effect of transition to FRS 101**	**FRS 101**
	£000	£000	£000	**£000**	**£000**	**£000**
Fixed assets						
Tangible assets	-	-	-	**36**	-	**36**
Current assets						
Debtors	103,081	(136)	102,945	**115,497**	**(51)**	**115,446**
Cash at bank and in hand	5,884	-	5,884	**3,437**	-	**3,437**
	108,965	(136)	108,829	**118,934**	**(51)**	**118,883**
Creditors: amounts due within one year	(4,080)	-	(4,080)	**(5,748)**	-	**(5,748)**
Net current assets	104,885	(136)	104,749	**113,186**	**(51)**	**113,135**
Total assets less current liabilities	104,885	(136)	104,749	**113,222**	**(51)**	**113,171**
Creditors: amounts falling due *after more than one year*	(135,214)	-	(135,214)	**(144,485)**	-	**(144,485)**
Provisions for liabilities						
Deferred tax liability	-	27	27	-	-	-
Net liabilities	(30,329)	(109)	(30,438)	**(31,263)**	**(51)**	**(31,314)**
Capital and reserves						
Called up share capital	1	-	1	**1**	-	**1**
Share premium account	11,025	-	11,025	**11,025**	-	**11,025**
Cash flow hedge reserve	-	(109)	(109)	-	**(51)**	**(51)**
Profit and loss account	(41,355)	-	(41,355)	**(42,289)**	-	**(42,289)**
Shareholders' deficit	(30,329)	(109)	(30,438)	**(31,263)**	**(51)**	**(31,314)**

Notes *(continued)*

23 Explanation of transition to FRS 101 from old UK GAAP *(continued)*

Reconciliation of profit and loss for the year ended 31 December 2014

	Note	UK GAAP £000	2014 Effect of transition to FRS 101 £000	FRS 101 £000
Administrative expenses		(4,179)	-	(4,179)
Other operating income		675	-	675
Operating loss		(3,504)	-	(3,504)
Interest receivable and similar income		4,824	-	4,824
Interest payable and similar charges		(2,254)	-	(2,254)
Loss on ordinary activities before taxation		(934)	-	(934)
Tax on profit on ordinary activities		-	-	-
Loss for the year		(934)	-	(934)

Notes

Financial instruments - derivatives

Under UK GAAP, the purchase cost of derivatives were held in prepayments and other debtors at cost and amortised over the life of the derivative. Under IFRS, derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently remeasured in future periods at their fair value. Additionally, where the derivative qualifies for hedge accounting, 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. The net result is a decrease in net assets of £109,000 at 1 January 2014 and £51,000 at 31 December 2014.