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This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and is not required to be issued as a prospectus pursuant to section 85 of FSMA, but comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies. Accordingly, this document has not been pre-approved by or filed with the FSA nor any other competent authority. If you have sold or otherwise transferred all or some of your Existing Ordinary Shares, you should immediately send this document, together with the accompanying Form of Proxy to the stockbroker, bank or other agency through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, these documents should not be forwarded in the United States, Canada, Australia, Japan or South Africa or their respective territories or possessions or into any jurisdiction if to do so would constitute a violation of the relevant laws of such other jurisdiction.

The Existing Ordinary Shares are currently admitted to trading on AIM. Application has been made, conditional upon shareholder approval at the Extraordinary General Meeting, to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that First Admission will become effective and that trading in the VCT Placing Shares will commence on AIM at 8.00 a.m. on 2 September 2010. If the Acquisition is approved by holders of Existing Ordinary Shares at the Extraordinary General Meeting to be held on 1 September 2010, it is expected that Second Admission will become effective and dealings in the Enlarged Share Capital will commence at 8.00 a.m. on 3 September 2010. A copy of this document, which is drawn up as an admission document in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading of the Enlarged Share Capital on AIM.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those which apply to companies whose shares are listed on the Official List. It is emphasised that no application is being made for admission of the Enlarged Share Capital to the Official List or any other recognised investment exchange.

Your attention is drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Placing Shares set out in Part III (Risk Factors) of this document. All statements regarding the Company and the Enlarged Group's future business should be viewed in light of these risk factors. **NOTWITHSTANDING THIS, PROSPECTIVE INVESTORS IN THE COMPANY SHOULD READ THE WHOLE TEXT OF THIS DOCUMENT.**

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# MARWYN MATERIALS LIMITED

*(Incorporated in Jersey under the Companies (Jersey) Law 1991 (as amended) with registered no. 98465)*

## **Proposed acquisition of Breedon Holdings Limited**

### **Placing of 416,666,667 Ordinary Shares at 12.0 pence per Ordinary Share**

### **Admission of the Enlarged Share Capital to trading on AIM**

**and**

### **Notice of Extraordinary General Meeting**

## **CENKOS SECURITIES PLC**

*Nominated Adviser and Broker*

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This unregulated exchange-listed fund is not regulated in Jersey. The Jersey Financial Services Commission has neither evaluated nor approved: (a) the scheme or arrangement of the fund; (b) the parties involved in the promotion, management or administration of the fund; or (c) this document. The Jersey Financial Services Commission has no ongoing responsibility to monitor the performance of the fund, to supervise the management of the fund or to protect the interests of investors in the fund.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 ("COBO") to the issue of the Ordinary Shares and under Article 4 of COBO to the issue of the Warrants. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under that law.

Capita Registrars (Jersey) Limited are registered by the Jersey Financial Services Commission pursuant to Article 9 of the Financial Services (Jersey) Law 1998 (the "FSJ Law") to carry out its functions as registrar to the Company. The Jersey Financial Services Commission is protected by the FSJ Law against liability arising from its functions under the FSJ Law.

The Directors, whose names appear on page 5 of this document, and the Company, accept individual and collective responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (having taken all reasonable care to ensure such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Cenkos Securities is authorised and regulated by the Financial Services Authority in the United Kingdom and is acting exclusively as nominated adviser and broker to the Company (for the purposes of the AIM Rules for Companies) and no one else in connection with Admission, the Placing and the matters set out in this document. Cenkos Securities will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Cenkos Securities nor for providing advice in relation to the transactions and arrangements detailed in this document for which the Company and the Directors are solely responsible and no liability is accepted by Cenkos Securities for the accuracy of any information or opinions contained in this document or for omissions of any material information for which it is not responsible. Cenkos Securities is not making any representation or warranty, express or implied, as to the contents of this document. **The responsibilities of Cenkos Securities as the Company's nominated adviser and broker for the purposes of the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company, any Director, or to any other person in respect of his decision to invest in the Company in reliance on any parts of this document.**

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for Ordinary Shares by any person in any jurisdictions: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

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Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Cenkos Securities, 6.7.8 Tokenhouse Yard, London EC2R 7AS and the Company's website [www.marwynmaterials.com](http://www.marwynmaterials.com) from the date of this document until the date which is one month from the date of Admission.

Notice of an Extraordinary General Meeting to be held at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL at 10.00 a.m. on 1 September 2010 is set out at the end of this document. The action to be taken in respect of the Extraordinary General Meeting is set out on pages 21 and 22 of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you plan to attend the Extraordinary General Meeting, please complete and sign the Form of Proxy and return it in accordance with the instructions printed on the Form of Proxy by post or by hand at the Company's Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time appointed for the Extraordinary General Meeting. The completion and return of the Form of Proxy will not prevent you from attending and voting in person at the Extraordinary General Meeting, or any adjournment thereof, should you wish to do so.

#### **Forward looking statements**

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company and the Directors concerning, amongst other things, the investment strategy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and dividend policy of the Enlarged Group and the markets in which it will operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's and the Enlarged Group's actual investment performance, results of operations, financial condition, liquidity, dividend policy and the development of their financing and growth strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend policy of the Company or of the Enlarged Group (as the case may be), and the development of their financing and growth strategies, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in general market conditions, legislative or regulatory changes, changes in taxation regimes, the availability and cost of capital for future investments, the availability of suitable non-recourse financing and the development of the business sector and industry in which the Company operate.

These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the AIM Rules for Companies), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

## **IMPORTANT NOTICE**

**The attention of potential investors is drawn to the Risk Factors set out in Part III (Risk Factors) of this document.**

- 1. Investment in the Company will involve certain risks and special considerations. Investors should be able and willing to withstand the loss of their entire investment.**
- 2. The price of the Ordinary Shares can go up as well as down.**
- 3. The investments of the Company are subject to market fluctuations and the risks inherent in all investments and there can be no assurance that an investment will retain its value or that appreciation will occur.**
- 4. The Ordinary Shares are suitable only for investors who understand or who have been advised of, the potential risk of capital loss from an investment in the Ordinary Shares and for whom an investment in the Ordinary Shares is part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved with an individual investment in such a portfolio. There may be limited liquidity in the Ordinary Shares.**

### **General**

No broker, dealer or other person has been authorised by the Company, its Directors, or Cenkos Securities to issue any advertisement or to give any information or make any representation in connection with the offering or sale of any Ordinary Shares (including the Placing Shares) other than those contained in this document and if issued, given or made, that advertisement, information or representation must not be relied upon as having been authorised by the Company, its Directors, or Cenkos Securities.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, repurchase or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, repurchase or other disposal of Ordinary Shares which they might encounter; and (c) the income or other taxation consequences which may apply in their own countries as a result of the purchase, holding transfer, repurchase or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants as to legal, taxation, investment and other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales (and, where relevant, Jersey) and are subject to change therein.

### **Rights of Shareholders and Warrant Holders governed by Jersey Law**

The Company is a limited company that has been formed and registered under the laws of Jersey. The rights of Shareholders and Warrant Holders are governed by the laws of Jersey and the Memorandum and Articles of Association. As a result, the rights of Shareholders and Warrant Holders may differ in material respects from the rights that would be applicable if the Company were organised under the laws of a different jurisdiction. In particular, some of the protections and safeguards that investors may expect to find in relation to a public company under the UK Companies Act 2006 are not provided for under Jersey law. The enforcement of Shareholders' and Warrant Holders' rights may involve different considerations and may be more difficult than would be the case if the Company had been incorporated in a different jurisdiction.

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Peter William Gregory Tom CBE ( <i>Chairman</i> ) Simon Neil Vivian ( <i>Chief Executive</i> ) James Henry Merrick Corsellis ( <i>Non-executive Director</i> ) David John Warr ( <i>Non-executive Director</i> ) David Jeffreys Williams ( <i>Non-executive Director</i> )		
<b>Company Secretary</b>	JTC Management Limited Elizabeth House 9 Castle Street St Helier Jersey JE4 2QP	<b>Registered Office</b>	Elizabeth House 9 Castle Street St Helier Jersey JE4 2QP Tel: +44 (0)1543 700 000
<b>Financial Adviser</b>	Marwyn Capital LLP 11 Buckingham Street London WC2N 6DF	<b>Nominated Adviser and Broker to the Company</b>	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
<b>Solicitors to the Company</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL	<b>Legal advisors to the Company (Jersey)</b>	Carey Olsen 47 Esplanade St Helier Jersey JE1 0BD
<b>Reporting Accountants on Breedon</b>	KPMG Audit Plc One Snowhill Snowhill Queensway Birmingham B4 6GH	<b>Auditors</b>	KPMG Channel Islands Limited PO Box 453 St Helier Jersey JE4 8WQ
<b>Principal Bankers</b>	Barclays Private Clients International Limited PO Box 8 St Helier Jersey JE4 8NE	<b>Solicitors to the Nominated Adviser and Broker</b>	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
<b>Registrars</b>	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT	<b>ISIN</b>	JE00B2419D89
<b>TIDM as at the date of this document</b>	MMAT	<b>TIDM as at Completion</b>	BREE
<b>Website as at the date of this document</b>	www.marwynmaterials.com www.marwynmaterials.co.uk	<b>Website as at Completion</b>	www.breedonaggregates.com www.breedonaggregates.co.uk

## Expected Timetable of Principal Events

2010

Publication of this document	17 August 2010
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 30 August 2010
Extraordinary General Meeting	10.00 a.m. on 1 September 2010
First Admission becomes effective and dealings commence in the VCT Placing Shares	8.00 a.m. on 2 September 2010
Delivery into CREST of the VCT Placing Shares to be held in uncertificated form	2 September 2010
Cancellation of dealing facility for the Existing Ordinary Shares and the VCT Placing Shares	8.00 a.m. on 3 September 2010
Completion of the Acquisition; Second Admission becomes effective and dealings commence in the General Placing Shares and dealings recommence in the Existing Ordinary Shares and the VCT Placing Shares	8.00 a.m. on 3 September 2010
Delivery into CREST of the General Placing Shares to be held in uncertificated form	3 September 2010
Despatch of definitive share certificates (where applicable) in respect of the Placing Shares to be held in certificated form	during the week commencing 13 September 2010

***Each of the dates and times in the above timetable are subject to change at the absolute discretion of the Company and Cenkos Securities and satisfaction of all conditions contained in the Acquisition Agreements are assumed.***

## Placing Statistics

Number of Existing Ordinary Shares	136,000,000
Existing Ordinary Shares as a percentage of the Enlarged Share Capital <sup>1</sup>	24.6 per cent.
Placing Price	12.0 pence
Number of Placing Shares being issued and allotted pursuant to the Placing <sup>1</sup>	416,666,667
Placing Shares as a percentage of the Enlarged Share Capital <sup>1</sup>	75.3 per cent.
Number of VCT Placing Shares <sup>1</sup>	12,500,000
VCT Placing Shares as a percentage of Enlarged Share Capital <sup>1</sup>	2.3 per cent.
Number of General Placing Shares <sup>1</sup>	404,166,667
General Placing Shares as a percentage of Enlarged Share Capital <sup>1</sup>	73.0 per cent.
Market capitalisation of the Company at the Placing Price on Admission <sup>1</sup>	£66,440,000
Gross proceeds of the Placing <sup>1</sup>	£50,000,000
Estimated proceeds of the Placing net of expenses <sup>1</sup>	£44,250,000
Enlarged Share Capital immediately following Admission <sup>2</sup>	553,666,667

<sup>1</sup> Assuming the Resolutions are passed at the Extraordinary General Meeting and the Acquisition Agreements and the Placing Agreement become unconditional in all respects.

<sup>2</sup> Includes 1,000,000 Ordinary Shares being issued to the Executives pursuant to the bonus arrangements set out in paragraph 8.1.4 of Part VII (Additional Information).

## PART I

### LETTER FROM THE DIRECTORS OF MARWYN MATERIALS LIMITED

### MARWYN MATERIALS LIMITED

*(Incorporated in Jersey under the Companies (Jersey) Law 1991 (as amended) with registered no. 98465)*

*Directors:*

Peter Tom CBE (*Chairman*)  
Simon Vivian (*Chief Executive*)  
James Corsellis (*Non-executive Director*)  
David Warr (*Non-executive Director*)  
David Williams (*Non-executive Director*)

*Registered Office:*

Elizabeth House  
9 Castle Street  
St Helier  
Jersey JE4 2QP

#### **To the Shareholders of Marwyn Materials Limited**

Dear Shareholders

**Proposed acquisition of Breedon Holdings Limited**  
**Placing of 416,666,667 Ordinary Shares at 12.0 pence per share**  
**Admission of the Enlarged Share Capital to trading on AIM**  
**Notice of Extraordinary General Meeting**

#### **1. Introduction**

The Board announced today that Marwyn Materials Investments Limited, a subsidiary of the Company, had entered into the Acquisition Agreements for the purposes of acquiring the entire issued share capital of Breedon, a large independent UK aggregates producer, for a total consideration of £2.25 million in cash and warrants to subscribe for 55,266,667 Ordinary Shares at an exercise price of 12.0 pence per share (representing 10.0 per cent. of the Enlarged Share Capital of the Company).

The Company also announced today that it has conditionally raised £50.0 million (before expenses) by the issue of 416,666,667 Placing Shares at the Placing Price. The net proceeds of approximately £44.25 million will be used to pay down some of the Breedon Group's debt and provide approximately £25.0 million to fund the ongoing working capital of the Enlarged Group and to finance potential future acquisitions.

As part of the Acquisition, a £94.5 million bank facility will be provided by the BHL Lenders (who currently own directly, or within their respective groups, 67 per cent. of Breedon) to the Enlarged Group for five years from Completion. The New Bank Facilities will comprise a £64.5 million term loan to be used to refinance the existing facility with the Breedon Group and revolving credit facilities totalling £30.0 million. Following Completion and payment of the Placing proceeds, and as a result of the Placing the Enlarged Group is expected to have approximately £10.0 million of undrawn revolving credit facility available to fund the ongoing working capital requirements of the Enlarged Group and approximately £15.0 million of undrawn revolving credit facility available to fund the ongoing working capital requirements of the Enlarged Group, to finance capital expenditure and to finance potential future acquisitions.

Breedon is a fully integrated aggregates producer with 29 quarries, 19 asphalt plants and 27 concrete plants in England and Scotland, and the Directors believe it will provide the Company with a robust platform for accelerated growth through consolidation of the UK heavyside building materials sector. The business is backed by a strong asset base with approximately 181 million tonnes of mineral reserves and resources, providing an estimated life of approximately 50 years at current output levels. The Directors also believe that the business is well invested with a substantial amount of new plant in good condition.

The Company was admitted to AIM on 12 June 2008 as a special purpose vehicle with initial funding of £13.6 million (before expenses). As at that date, the stated strategy of the Company was to acquire



controlling stakes in one or more quoted or unquoted profitable businesses or companies in the UK and international building materials industry by way of a reverse takeover and to use these as a platform for further acquisitions, creating shareholder value through market consolidation. The Directors have reviewed a number of potential acquisition targets since the Company was admitted to AIM and believe that the acquisition of Breedon represents an exciting opportunity within this strategy.

In view of the size of Breedon, the Acquisition will constitute a reverse takeover pursuant to Rule 14 of the AIM Rules for Companies and as such will require the approval of the Shareholders which will be sought at the Extraordinary General Meeting convened for 10.00 a.m. on 1 September 2010 at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL.

The Acquisition remains conditional upon (amongst other things) approval of the Acquisition by the Shareholders in the Extraordinary General Meeting, the Placing Agreement becoming unconditional in all respects and Admission taking place. Applications have been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM, subject to these conditions having been met, and trading is expected to commence in the VCT Placing Shares at 8.00 a.m. on 2 September 2010 and in the General Placing Shares and recommence in the Existing Ordinary Shares and VCT Placing Shares at 8.00 a.m. on 3 September 2010.

The purpose of this document is to set out the principal terms of and seek Shareholder approval for (amongst other things) the Acquisition, the Placing and Admission, to explain why the Directors believe that the Acquisition is in the best interests of the Company and Shareholders as a whole and to recommend that you vote in favour of all of the Resolutions at the Extraordinary General Meeting.

## **2. Market overview**

### ***Aggregates***

There are two main types of aggregates in the UK, namely, sand and gravel and crushed rock. Land based quarries satisfy approximately 76 per cent. of aggregates demand in the UK, with recycled and secondary aggregates contributing approximately 19 per cent. and marine dredged aggregates providing approximately 5 per cent. Approximately 90 per cent. of aggregates are used for construction purposes, with the majority used in the production of other building materials such as asphalt, ready mixed concrete, and other concrete products. The size of the crushed rock, sand and gravel market in the UK during 2009 was approximately £1.4 billion.

### ***Asphalt***

Asphalt production plants are often situated in quarries to derive efficiencies from integration of the production processes and to avoid double handling and transportation of materials although some plants are situated at satellite locations to enable customers to collect the asphalt more easily. Breedon has both integrated and stand alone asphalt plants throughout Scotland, the Midlands and East Anglia. The production process involves blending the primary aggregates and heating them to a temperature suitable for coating with a bitumen binder. Inputs into the process are varied to suit the requirements of the end user including increased durability, reduced noise and skid resistance.

Asphalt is resilient and versatile and is used to surface 95 per cent. of roads in the UK as well as airport runways, car parks and playgrounds. In 2009, output from the production of asphalt in the UK was worth approximately £975 million.

### ***Ready mix concrete***

Ready mix concrete is made from a mix of aggregates, cement and water and, similarly to asphalt, plants are situated both in quarries and at satellite locations. Ready mix concrete needs to be used by the end customer within a short time period of being mixed and therefore plants tend to be situated closer to the end-use market. Delivery of ready mix concrete is undertaken using specialist vehicles.

Ready mix concrete is widely used in all types of construction providing the strength in foundations, floors, walls and roofs and also partners other structural materials such as steel, timber, brick and glass. The market size of ready mix concrete in the UK during 2009 was approximately £1.1 billion.



### ***UK Building Materials Market***

In 1990 there were nine fully-listed big name UK aggregates companies including Blue Circle, Tarmac, Hanson, RMC and Aggregate Industries, but following significant market consolidation during the last 20 years, there are now none. The UK building materials market is dominated by the four major global cement companies: Holcim, Heidelberg, Cemex and Lafarge, together with Tarmac. Many of these global players have significant debt burdens and hence are currently less focused on pursuing acquisitions. The smaller end of the aggregates market is still highly fragmented with over 200 businesses currently operating in the UK, some of which are available for acquisition, providing an opportunity for a smaller, more focused independent supplier to increase market share by acquisition and by providing a first-class localised service to customers.

In 2009 the UK construction industry declined 12 per cent., its sharpest annual decline in output since 1974. Consequently aggregates volumes declined by approximately 24 per cent. reflecting the greater severity of the recession on the heavy building materials sector. The UK construction industry is expected to face a further decline in output during 2010 before returning to marginal growth from 2011 driven by recovery in the private sector. Based on their extensive experience during previous recessions, the Directors believe that investing at the current cyclical low point presents an opportunity to create significant value.

Further details on the market are contained in Part II (Market Information) of this document.

### **3. Information on Breedon**

#### ***History of the business of Breedon***

Breedon's trading history dates back to 1996 as the former Ennstone plc. By 2007, Ennstone had become, through a series of bolt-on acquisitions, the largest independent UK aggregates producer after the four major global cement companies and Tarmac. Ennstone's operations included the production of aggregates, asphalt, ready mix concrete, other concrete products and contracting services in the UK, the production of aggregates and ready mix concrete in the US, and the production of aggregates and ready mix concrete production in Poland.

Up until 2007, Ennstone delivered consistently strong historical returns. However, the recent general economic downturn had a harsh impact on the construction industry in each of Ennstone's geographical markets and as a consequence the performance of Ennstone deteriorated. In addition, Ennstone had become highly leveraged, principally due to a number of debt-funded acquisitions and a high level of investment in new equipment funded through finance leases. The deterioration of the UK and US building materials markets resulted in Ennstone being unable to generate sufficient cash flows to meet covenant requirements and debt repayments, particularly at the level of its US subsidiary. Furthermore, certain subsidiaries of Ennstone participated in a defined benefit pension scheme which was in deficit. On 24 February 2009, Ennstone Inc. (Ennstone's US subsidiary) filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code, triggering a parent company guarantee in the UK. Ennstone and certain of its UK subsidiaries consequently went into administration on 9 March 2009.

Breedon was incorporated on 15 December 2008 in advance of a pre-packed administration and on behalf of the BHL Lenders acquired certain assets and trading subsidiaries of Ennstone (comprising Johnston (England), Thistle (Scotland) and Enneurope (Poland)) on the date of administration of Ennstone. At the same time, Breedon entered into a new £140 million bank facility with the BHL Lenders and responsibility for the pension deficit (and for the debt which will be triggered when the Johnston Management Holdings Limited Pension and Life Assurance Scheme winds up) was transferred to a subsidiary of Ennstone which was placed into administration. Accordingly Breedon does not retain any liability for the defined benefit pension scheme. The Pensions Regulator approved the transfer and granted clearance for this administration. As part of the agreement reached with the Pensions Regulator, the Trustee Shares were transferred to the Trustees so that at the date of this document, 67 per cent. of the issued share capital of Breedon is owned by the Vendors with the remaining 33 per cent. share owned by the Trustees.

On 16 August 2010, Breedon transferred the entire issued share capital of Enneurope, the parent company of Ennstone sp. z o.o. to Enneurope Holdings (incorporated on behalf of the BHL Lenders and wholly-owned

by the Vendors) in consideration for assuming £5.5 million of the debt drawn down on the existing facilities agreement.

It is expected that Enneurope Holdings will sell Enneurope or Ennstone Sp. z o.o. to a third party but, if it does not, it has a right to put it back to Breedon for a consideration of £5.5 million pursuant to the Put and Call Option described at paragraph 15.2.6 of Part VII (Additional Information) of this document. If the Put and Call Option is exercised, the acquisition of Enneurope will be subject to certain conditions, including the consent of the President of the Office of Competition and Consumer Protection in Poland and the continued solvency of Enneurope and its subsidiaries and would include only limited warranties as to title and capacity. The acquisition would be funded by a drawdown under the New Facilities Agreement which would increase the total facilities under that agreement by £5.5 million.

Enneurope owns the entire issued share capital in Ennstone Sp. z o.o. which operates three quarries and nine concrete plants located in the north west of Poland. It supplies sand and gravel as well as ready mix concrete and concrete pumping products to this region. It generated profits of £1.4 million in the financial year ended 31 December 2008 from revenue of £18.4 million, with the highest proportion of revenue being generated by the ready mix concrete business.

### ***Principal operations***

The principal activities of Breedon's operations are as follows:

Aggregates – the quarrying of dry product from sites controlled by Breedon using owned or leased plant, which is sold externally or to another member of the Breedon Group;

Asphalt – aggregates are mainly sourced internally and mixed with externally sourced bitumen to produce asphalt, which is sold externally or to another member of the Breedon Group;

Ready mix concrete – aggregates are mainly sourced internally and mixed with externally sourced cement, water and other additives in owned plants to produce ready mix concrete, which is sold externally or to another member of the Breedon Group; and

Contracting – the provision of surfacing services to lay own produced asphalt.

The Breedon Group currently employs approximately 700 employees across two autonomous trading divisions, each with its own management and finance functions.

### ***Johnston***

Johnston is based in the Midlands, and comprises ten quarries (including three that are currently non operational), eight asphalt plants (including one that is currently non-operational) and five concrete plants. It employs approximately 300 people and produces aggregates, ready mix concrete and a range of asphalt products for supply throughout the East Midlands, West Midlands and East Anglia. Its road surfacing business operates in an area from the East Coast to Mid Wales and from the M62 corridor to the South Midlands.

The production of asphalt for road surfacing materials is the largest activity in Johnston by revenue, and is used on trunk roads, driveways and car parks for both new construction and maintenance. The primary aggregates business produces a full range of construction aggregates including decorative aggregates which are used extensively in many of Britain's stately homes and visitor attractions. A significant proportion of aggregates production is used internally to manufacture asphalt and ready mix concrete. The contracting services business supplies contractors undertaking activities including minor road surfacing contracts as well as major infrastructure contracts and is an important route to market for asphalt. The ready mix concrete business has applications across residential, industrial, commercial and infrastructure sectors for small and large contracts as well as the DIY market.

### ***Thistle***

Thistle is based in Northern Scotland and comprises 19 quarries, 11 asphalt plants and 22 concrete plants. Thistle has almost 400 employees in a number of locations across Scotland including Dundee, its head office. The division offers a fully integrated service to customers through its supply of aggregates, ready mix concrete, asphalt and contracting services.

Thistle's asphalt and contracting businesses generate the highest revenue of the division and like Johnston, Thistle services a broad range of activities from small driveways and road surfacing contracts through to large motorway contracts. Through its wholly owned subsidiary, Ennstone Facilities Management Limited, Thistle owns a 37.5 per cent. stake in BEAR (along with its joint venture partners Jacobs UK Limited and Ringway Group Limited). Through this strategic alliance with BEAR, Thistle also generates income from BEAR's management and maintenance of both the North East and South East trunk road networks on behalf of Transport Scotland and from traffic management services through its 90 per cent. owned subsidiary Alba Traffic Management Limited.

### ***Mineral Reserves and Resources***

In England, Johnston currently operates six crushed rock quarries and one sand and gravel quarry in addition to owning some smaller quarries currently not in operation. The mineral types extracted from the quarries include sand and gravel, carboniferous limestone, tuff, basalt and a decorative stone known as "Breedon Golden Amber Gravel".

Thistle currently has 16 crushed rock quarries and three sand and gravel quarries in operation in Scotland. The quarries in Scotland have the following mineral types: sand and gravel, granite, andesite, calcitic and magnesium limestone, schist and basalt.

Rock quarries usually operate for at least 30 years and are developed in distinct benches or steps. Extraction begins with a controlled explosion to release the rock from the working face. The rock is then transported by truck or conveyor to a crusher to go through a series of crushing and screening stages to produce a range of products. Sand and gravel quarries are much shallower than rock quarries and operations are shorter term with progressive restoration normally following closely behind extraction.

A summary of Breedon's consented (that is, planning permission exists for their extraction) and unconsented (resources subject to planning permission) mineral reserves is shown in the table below. Approximately 53 per cent. of Breedon's mineral reserves are consented. At current output levels, the estimated life of Breedon's consented and unconsented aggregates reserves is approximately 50 years.

	<i>Consented Reserves</i> ( '000 tonnes)	<i>Resources subject to planning</i> ( '000 tonnes)	<i>Total</i> ( '000 tonnes)	<i>2009 Output</i> ( '000 tonnes)	<i>Life All</i> (years)	<i>Life Consented Reserves</i> (years)
Johnston	49,242	23,321	72,563	1,823	39.8	27.0
Thistle	46,261	62,403	108,664	1,772	61.3	26.1
<b>Total UK</b>	<b>95,503</b>	<b>85,724</b>	<b>181,227</b>	<b>3,595</b>	<b>50.4</b>	<b>26.6</b>

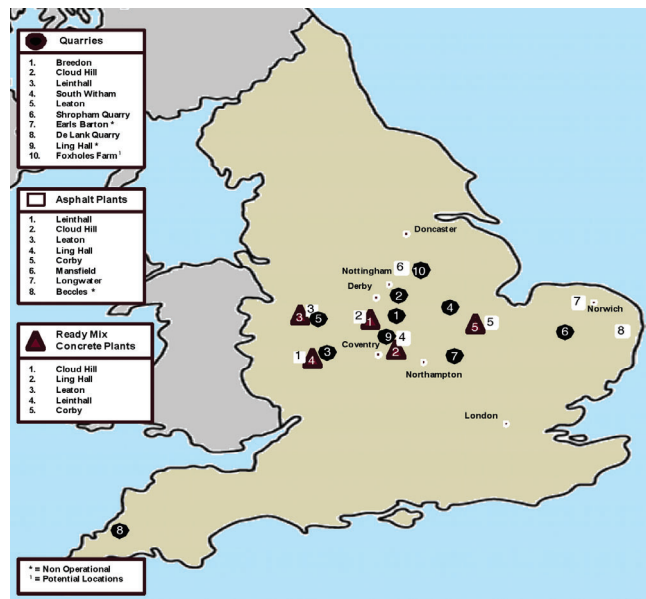
Sources: Gerald Eve – March 2009, Geoplan July 2010 and Breedon unaudited management accounts as at 31 December 2009.

No issues were discovered from the title, property, planning, licences and environmental due diligence processes which are expected to materially adversely affect the effective operation of the Breedon Group's business. No information has been identified that suggests any significant contamination liabilities have occurred on the key sites or any material breaches of consents or permits.

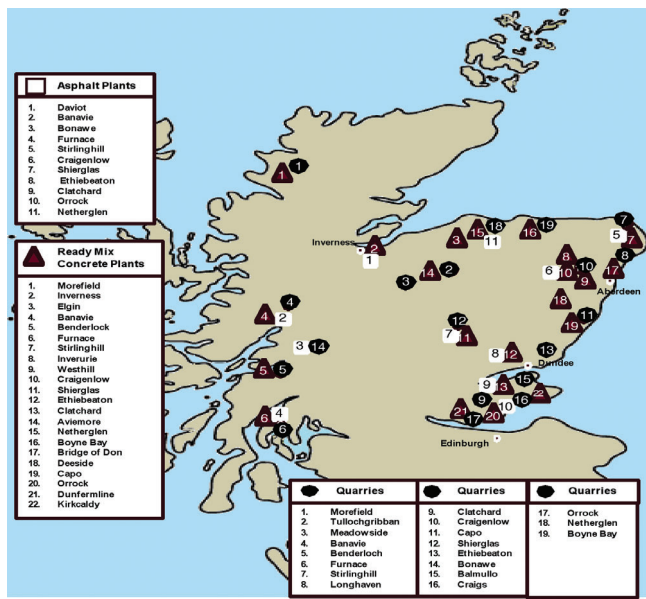
The majority of Breedon's larger quarries have asphalt and concrete plants onsite to derive integration efficiencies. Asphalt plants coat heated aggregates (which are typically sourced internally) with externally sourced bitumen to produce various types of asphalt products. Concrete plants combine aggregates (which are typically sourced internally) with cement sourced externally and water to produce ready mix concrete.

The maps below show the location of Breedon’s quarries, asphalt plants and concrete plants in the UK.

Location of the Johnston sites<sup>1</sup>



Location of the Thistle sites



<sup>1</sup> Potential locations in Johnston represent properties owned by Breedon without planning consent

4. Summary financial information and current trading of Breedon

Audited financial results of the Breedon Group are presented in Part V (Historical Financial Information of Breedon) of this document for the period from when Breedon was incorporated on 15 December 2008 to 31 December 2009, excluding its Polish operations. This period includes only nine months of trading of the Breedon Group from 9 March 2009 being the time of entry into administration of Ennstone and the acquisition of certain businesses and assets by Breedon. Prior to this, the business of Ennstone comprised a number of additional assets and liabilities that are not now part of the Breedon Group (including, but not limited to, Ennstone Inc. which filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code on 24 February 2009, Ennstone Concrete Products Limited which sold the majority of its assets in December 2008 and Enneurope which holds the business in Poland which is not being acquired by the Company, unless the Put and Call Option is exercised) and the business was under significant strain. As

a result, the Directors believe that audited accounts of Ennstone for periods prior to the entry into administration would be materially misleading to Shareholders.

Since mid-2008 the UK construction industry has seen a significant decline in output, recording a 12 per cent. fall in 2009 alone, the sharpest annual fall in 35 years. Building material volumes also fell, with primary aggregates volumes down 24 per cent., asphalt volumes down 18 per cent. and concrete volumes down 28 per cent.

The following financial information has been extracted from the audited company accounts of Johnston and Thistle prepared in accordance with UK GAAP for the three years ended 31 December 2009, 2008 and 2007. This information is included to provide an overview of the recent trading history of each of Johnston and Thistle and does not include head office and other consolidation adjustments:

Johnston:

	<i>12 month period ending 31 December</i>		
	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	57,738	86,216	77,639
EBITDA <sup>1</sup>	5,554	5,320	14,359

Thistle:

	<i>12 month period ending 31 December</i>		
	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	76,269	97,557	83,839
EBITDA <sup>1</sup>	13,926	17,957	15,006

#### NOTES

1. EBITDA represents profit before finance income, finance costs, income tax expense, depreciation, amortisation and impairments and is further adjusted to add back exceptional items and excludes income from associates and Alba Traffic Management Limited.

After a challenging start to the year, turnover during the second quarter of 2010 has been stronger, driven by increased volumes and slightly improved pricing. Price increases, particularly in relation to increased bitumen costs, are gradually being passed on to customers, leading to improving EBITDA margins. Net assets declined by £5 million during the six month period from 31 December 2009 due to a loss before tax which was mainly attributable to the significant payment-in-kind interest accrual. This interest burden is expected to decline significantly after the Acquisition with the £50 million reduction in the level of drawn debt facilities and reduced interest margins on the New Bank Facilities.

The trading information above should be read in conjunction with the full text of this document, including the historical financial information of Breedon excluding the Polish operations contained in Part V (Historical Financial Information of Breedon) of this document.

## 5. Further opportunities

The Directors and Executives of Marwyn Materials believe that they can provide Breedon with strategic direction, re-energise the existing management team and drive earnings improvement in the Breedon Group, particularly by improving commercial performance and boosting operational efficiency. The Directors have identified the following opportunities to increase revenue:

### *Managerial*

The Directors believe Breedon is a strong business but needs strategic direction and improved leadership. There is scope to re-energise the existing management team which has been operating without a Group Chief Executive Officer since September 2009. The operational and commercial performance of the business has suffered over the last few years and will need strengthening.

### ***Financial***

The Directors intend to seek to improve the financial performance of the businesses organically through improved financial controls and working capital management. Acquisitive growth, which will be funded partly through the New Bank Facilities, is also expected to improve the financial performance of Breedon. The Directors have already identified a number of opportunities which are currently under negotiation. These opportunities are all aggregates related and will complement Breedon's existing activities.

### ***Operational***

Drawing on their extensive operating management experience, the Directors have identified a number of operational issues which they intend to address upon the Acquisition, including:

- Improving procurement, particularly for bitumen and cement that are the main raw materials in the production of asphalt and ready mix concrete;
- Increasing productivity at quarrying operations through better cost control;
- Elimination of losses in Johnston's contracting operations;
- Optimisation of haulage performance through better logistics management and increased use of owner drivers;
- Differentiating customer service and forging closer relationships with key customers to drive margin improvement and capture additional market share;
- Building relationships with all stakeholders to facilitate mineral reserves replacement; and
- Securing necessary quality and environmental accreditation to ensure sales opportunities are not missed.

Following the implementation of the organic and acquisition growth strategy, and subject to prevailing market and trading conditions at the time, the Directors intend to make an application to the UK Listing Authority for the Ordinary Shares to be admitted to a standard listing on the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the Main Market.

## **6. Directors**

The Executives are responsible for the overall management and control of the Company and will be appointed directors of Breedon on Completion. The Directors will review the operations of the Company at regular meetings and meet at least six times a year in Jersey.

Between them, the Directors have over 70 years' relevant industry experience and significant broader corporate experience. Together, they provide a necessary combination of both specialist market sector and corporate and acquisition experience that they believe will be key to the successful acquisition and consolidation of building materials businesses.

The Directors intend to appoint another Non-executive Director, who will be independent of both Marwyn and the Directors, to the Board of the Company within three months of Completion.

Brief biographies of the Directors are set out below:

### ***Peter Tom CBE (Chairman)***

Peter has more than 50 years' experience in the aggregates industry. He joined Bardon Hill Quarries Limited as a school-leaver in 1956, becoming Managing Director in 1977 and Chief Executive of Bardon Group plc in 1985, overseeing the company's transition from a privately-owned regional quarrying operation to a publicly-listed building materials group.

Peter expanded the group internationally with a series of acquisitions in the United States in the late 1980s and went on to lead the merger of Bardon and Evered plc in 1991 and the enlarged group's subsequent merger with CAMAS in 1997 to form Aggregate Industries plc.



In 2005 Peter oversaw the negotiations which led to the successful acquisition of Aggregate Industries by Swiss building materials group Holcim Limited for £1.8 billion. He assumed the role of Non-executive Chairman of Aggregate Industries in 2006, a position he held until his resignation in December 2007.

Peter served as Chairman of the aggregates industry's trade association in 1997, managing its amalgamation that year with two related associations to form the Quarry Products Association. In addition, Peter has been Chairman of Leicester Football Club (Leicester Tigers) since 1997.

***Simon Vivian (Chief Executive)***

Simon has over 20 years' experience in the aggregates and construction industries. Most recently, he was Chief Executive of Mowlem plc (June 2004 – July 2006) where he oversaw an organisation with over 25,000 employees, generating revenues of £2.2 billion from operations in the UK, US and Australia. Whilst in the role Simon implemented a group wide operational re-organisation reducing overheads by over £8 million and initiated the disposal of the company's Australian business. In December 2005, Mowlem received a cash offer from Carillion plc and Simon negotiated a final exit price at a premium for shareholders.

Prior to Mowlem, Simon worked in a number of roles with Hanson plc (1987 - 2003), ultimately as the main board director responsible for Hanson plc's European Building Materials business. He oversaw operations in eight European countries employing over 8,000 people and generating EBIT<sup>2</sup> of £154 million. Whilst with Hanson he executed and integrated the £1.5 billion acquisition of Pioneer International Ltd and managed the disposal of the company's waste disposal business.

***David Williams (Non-executive Director)***

David has 36 years' experience in the investment market. He has served as Chairman in both executive and non-executive capacities for a number of companies, both public and private. He has overseen the development of these companies through both organic and acquisitive growth as well as dealing with turnaround situations. David is currently Chairman of Praesepe plc and Zetar plc.

***James Corsellis (Non-executive Director)***

James has a BA (Hons) from London University and was Chief Executive Officer of icollector plc, a leading provider of live auction trading platforms. At Marwyn, James has undertaken 41 transactions raising an aggregate equity of over £1 billion in acquisition funding for Marwyn-backed management teams and special purpose acquisition vehicles. James is currently the Non-executive Chairman of Entertainment One Ltd. He is also a director of Marwyn Value Investors Limited and a partner in Marwyn Investment Management LLP, Marwyn Capital LLP and Marwyn Management Partners LP.

***David Warr (Non-executive Director)***

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

## **7. Structure of the Enlarged Group**

The Company will act as the holding company of the Enlarged Group. Marwyn Materials Investments is a subsidiary of the Company which holds the management incentive arrangements, which are described in more detail at paragraphs 12 and 13 of this Part I and which will be the immediate parent company of Breedon immediately following Completion.

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2 EBIT represents profit before finance income, finance costs and income tax expense (including depreciation and amortisation).

## **8. Principal terms and conditions of the Acquisition**

On 16 August 2010 Marwyn Materials and Marwyn Materials Investments entered into the Main SPA with the Vendors in respect of their 67 per cent. shareholding in Breedon and the Trustee SPA with the Trustees in respect of their 33 per cent. shareholding, pursuant to both of which Marwyn Materials Investments will acquire the entire issued share capital of Breedon.

The consideration payable by Marwyn Materials Investments under the Main SPA is £1, to be satisfied in cash on Completion. Separately, the BHL Lenders will be issued warrants to subscribe for 55,266,667 Ordinary Shares (representing 10.0 per cent. of the Enlarged Share Capital) with an exercise price of 12.0 pence per share and an exercise period of seven years in consideration for the entry into the New Bank Facilities. The consideration payable by Marwyn Materials Investments under the Trustee SPA is £2.25 million, to be satisfied in cash on Completion. Limited warranties as to capacity and title are being provided by the Vendors and the Trustees under the Acquisition Agreements.

Completion of the Acquisition Agreements is conditional, amongst other things, upon:

- The Placing Agreement becoming unconditional (save with respect to Admission);
- The New Bank Facilities becoming unconditional (save with respect to Admission);
- Shareholder approval of the Acquisition at the Extraordinary General Meeting; and
- Admission.

In connection with the Acquisition, the Managers have given certain warranties to Marwyn Materials Investments. Additional information relating to the Management Warranty Deed is set out in paragraph 15.1.8 of Part VII (Additional Information) of this document.

Additional information relating to the Acquisition Agreements are set out in paragraphs 15.1.4 and 15.1.5 of Part VII (Additional Information).

## **9. Principal terms and conditions of the New Facilities Agreement**

On 16 August 2010, the Company and Breedon entered into an amendment and restatement agreement with (amongst others) the BHL Lenders, pursuant to which Breedon's existing facilities agreement will be amended and restated from Completion. The New Bank Facilities, which will be made available on the terms of the New Facilities Agreement, will comprise:

- (a) a £64.5 million term facility, to be made available to Breedon;
- (b) a £15.0 million revolving facility A, to be made available to fund the Enlarged Group's working capital requirements; and
- (c) a £15.0 million revolving facility B, to be made available to fund the Enlarged Group's working capital requirements and to finance capital expenditure and potential future acquisitions.

The New Bank Facilities made available to Breedon will be augmented for the three business days following Completion, until the proceeds of the Placing are received by the Company. It is a requirement of the New Facilities Agreement that the Placing proceeds and existing cash of the Company are used to pay down the New Bank Facilities (as augmented) by £50.0 million within three business days of Completion. It is expected that after this payment approximately £25.0 million of the revolving facilities A and B will be available to be drawn. The BHL Lenders have agreed to extinguish all payment-in-kind interest which has accrued on the existing facilities (in an amount of approximately £11.0 million). The term facility will be increased by £5.5 million if the Put and Call Option is exercised and Breedon becomes obliged to acquire Enneurope.

Additional information relating to the New Facilities Agreement is set out in paragraph 15.1.9 of Part VII (Additional Information) of this document.

## **10. Relationship with Marwyn**

James Corsellis is a partner in Marwyn Capital LLP, Marwyn Investment Management LLP and Marwyn Management Partners L.P. and a shareholder in Marwyn Investments Group Limited. James is also a director of other Marwyn companies and Marwyn portfolio companies; a full list of his relevant directorships is set out at paragraph 6.2 of Part VII (Additional Information) of this document. The Company has entered into a corporate finance agreement with Marwyn Capital LLP, further details of which, together with other related party transactions, are set out in paragraph 16 of Part VII (Additional Information) of this document.

Marwyn Value Investors L.P., a substantial shareholder in the Company, is managed on an arm's length basis by Marwyn Investment Management LLP. Marwyn Value Investors L.P. currently holds 50,010,000 Existing Ordinary Shares via its nominee, Vidacos Nominees Limited, representing 36.8 per cent. of the Existing Ordinary Share capital and approximately 9.0 per cent. of the Enlarged Share Capital.

## **11. Related party transactions**

On 1 June 2008 Marwyn Management Partners L.P. subscribed for the Marwyn Participation Shares. Further details of the Marwyn Participation Shares are set out in paragraph 13 of this Part I.

As part of the Placing, Marwyn Value Investors L.P. and Peter Tom CBE have agreed to subscribe for, in aggregate, 98,972,667 Placing Shares and 8,333,333 Placing Shares, respectively (representing approximately 17.9 per cent. and 1.5 per cent. respectively of the Enlarged Share Capital). Such transactions fall within the definition of related party transactions as defined by the AIM Rules for Companies. Following Admission, Marwyn Value Investors L.P. will hold 148,982,667 Ordinary Shares, representing approximately 26.9 per cent. of the Enlarged Share Capital and Peter will hold 30,683,333 Ordinary Shares, representing approximately 5.5 per cent. of the Enlarged Share capital.

The Directors consider (or in the case of Peter's transaction, the Independent Directors), having consulted with Cenkos Securities as the Company's nominated adviser, that the terms of the related party transaction are fair and reasonable insofar as its shareholders are concerned.

## **12. Management incentive arrangements**

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

The Executives have subscribed for Management Participation Shares in Marwyn Materials Investments. Subject to a number of provisions as described below, if the growth condition (as described below) has been met the Management Participation Shares can be sold to the Company for an aggregate value equivalent to 10 per cent. of the increase in Shareholder Value. Under the Articles, the Company is authorised to purchase the Management Participation Shares either for cash or for the issue of new Ordinary Shares at its discretion.

The Management Participation Shares may only be sold on this basis if both the Growth Condition and vesting condition (as described below) have been satisfied. If these conditions have not been satisfied the Management Participation Shares must be sold to the Company for a nominal amount.

### ***Growth condition***

The growth condition is that the compound annual growth of the Company's share price must be at least 12.5 per cent. per annum. The Growth Condition takes into account the price at which the Consideration Shares and the Placing Shares have been issued, being the Placing Price, and the issue price of any subsequent issue of Ordinary Shares, the date on which they are issued, any dividends paid on the Ordinary Shares and any capital returned to Shareholders. The Growth Condition will be measured between three and five years after Admission and, if earlier, on a sale or change of control of the Company.

### ***Vesting condition***

The Management Participation Shares are subject to a vesting period. The vesting period ends on the third anniversary following Admission. However, if the Growth Condition is not met on the third anniversary, the vesting period will be extended until the fifth anniversary following Admission or, if earlier, when the Growth Condition is met. The vesting period will also end on a sale or change of control of the Company. If the Growth Condition has not been met by the end of the vesting period, the Management Participation Shares must be sold to the Company for a nominal amount.

During the vesting period a participant may not sell any Management Participation Shares unless he leaves the Company's employment. In this case, the participant must sell all the Management Participation Shares to the Company for a nominal amount unless he is a "good leaver".

A good leaver will be someone who leaves employment as a result of death or physical or mental deterioration which prevents the individual from following normal employment. Good leavers will be able to retain their Management Participation Shares until the third anniversary of Admission. If the Growth Condition has been met on the third anniversary of Admission they will be able to sell a time-apportioned percentage of the Management Participation Shares to the Company for an amount that reflects the growth in Shareholder Value of the Company, with the remainder being sold to the Company for a nominal value. If the Growth Condition is not satisfied on the third anniversary of Admission, all of their Management Participation Shares must be sold to the Company for a nominal value.

After the end of the vesting period, and if the Growth Condition has been met, a participant may sell their Management Participation Shares to the Company for an amount that reflects the growth in Shareholder Value of the Company as described above. The Management Participation Shares must be sold to the Company on the fifth anniversary of Admission. The Management Participation Shares may not be sold or transferred to any other party without the permission of the Company.

### **13. Marwyn Participation Shares**

Marwyn Management Partners LP has subscribed for Marwyn Participation Shares in Marwyn Materials Investments. Subject to a number of provisions as described below, if the growth condition (as described below) has been met the Marwyn Participation Shares can be sold to the Company for an aggregate value equivalent to 10 per cent. of the increase in Shareholder Value. Under the Articles, the Company is authorised to purchase the Marwyn Participation Shares either for cash or for the issue of new Ordinary Shares at its discretion.

The Marwyn Participation Shares may only be sold on this basis if both the growth condition and the vesting condition (as described below) have been satisfied. If these conditions have not been satisfied the Marwyn Participation Shares must be sold to the Company for a nominal amount.

### ***Growth condition***

The growth condition is that the compound annual growth of the Company's share price must be at least 12.5 per cent. per annum. The Growth Condition takes into account the price at which the Consideration Shares and the Placing Shares have been issued, being the Placing Price, and the issue price of any subsequent issue of Ordinary Shares, the date on which they are issued, any dividends paid on the Ordinary Shares and any capital returned to Shareholders. The Growth Condition will be measured between three and five years after Admission and, if earlier, on a sale or change of control of the Company.

### ***Vesting condition***

The Marwyn Participation Shares are subject to a vesting period. The vesting period ends on the third anniversary following Admission. However, if the Growth Condition is not met on the third anniversary, the vesting period will be extended until the fifth anniversary following Admission or, if earlier, when the Growth Condition is met. The vesting period will also end on a sale or change of control of the Company. If the Growth Condition has not been met by the end of the vesting period, the Marwyn Participation Shares must be sold to the Company for a nominal amount.

#### **14. Employee incentive schemes**

The Directors believe that the success of the Enlarged Group will depend to a significant extent on the future performance of key employees. The Directors believe that equity incentives are, and will continue to be, an important means of retaining, attracting and motivating key employees. Accordingly, following Completion, the Directors intend to consider the adoption of appropriate share incentive schemes for the benefit of employees. Shareholders' approval to ratify the adoption of any share incentive scheme will be sought at a future general meeting of the Company.

#### **15. Corporate governance**

The Directors recognise the value of strong corporate governance and will endeavour to ensure the Company complies with the Combined Code in respect of the current accounting period and to comply with the Corporate Governance Code in respect of subsequent accounting periods. However, given its size and nature, it does not seek to comply with those aspects of the Combined Code or the Corporate Governance Code (as applicable) which are considered to be more appropriate for a larger public company with shares admitted to the Official List.

The Company seeks to follow the recommendations on corporate governance of the Quoted Companies Alliance for companies whose shares are traded on AIM. The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities.

The audit committee will be chaired by David Warr and its other member will be James Corsellis. The audit committee receives and reviews reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Company, and from Admission, will perform the same function in respect of the Enlarged Group.

The remuneration committee will be chaired by David Williams and its other member will be David Warr. The remuneration committee reviews the scale and structure of the executive Directors' and senior managers' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment for the Non-executive Directors is, and will continue to be, set by the Board. On matters relating to their own remuneration and share options, the relevant Director will not be a party to the decision making or approval process.

Terms of reference for the audit and remuneration committees can be found on the Company's website at [www.marwynmaterials.com](http://www.marwynmaterials.com).

As the Board is small, there is and will be no separate nominations committee and the appointment of new directors of the Company will be considered by the Board as a whole.

The Company takes all reasonable steps to ensure compliance by the Board and employees with the provisions of the AIM Rules for Companies relating to dealings in securities of the Company and has adopted a share dealing code for this purpose. The share dealing code adopted by the Board is appropriate for a company quoted on AIM. The Board will comply with Rule 21 of the AIM Rules for Companies relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules for Companies).

#### **16. Lock in and orderly market arrangements**

The Directors and Marwyn Value Investors L.P. have entered into a lock in deed and orderly market restrictions pursuant to which they have agreed that (i) subject to certain exceptions, for a period of 12 months from the date of Admission, neither they nor their related parties (as defined under the AIM Rules for Companies) shall transfer or dispose of the Ordinary Shares in which they hold a beneficial interest; and (ii) subject to Admission, for a further period of 12 months or for so long as Cenkos Securities is the nominated adviser and/or broker to the Company (unless Cenkos Securities otherwise consents), the Directors and Marwyn Value Investors L.P. shall only be able transfer or dispose of Ordinary Shares in which they have a beneficial interest with the consent of the Company and through Cenkos Securities.



The aggregate number of Ordinary Shares to be held by the Directors and Marwyn Value Investors L.P. as at Admission, to which such lock in and orderly market restrictions will apply, will be 201,832,667 Ordinary Shares, representing 36.5 per cent. of the Enlarged Share Capital.

## **17. The Placing**

### ***Details of the Placing***

Due to the requirements of the VCT Scheme, the Company will conduct two placings. The VCT Placing Shares will be offered to VCTs investing funds raised prior to 6 April 2006. The General Placing Shares will be offered to other investors who will not be seeking relief under the VCT legislation.

The Placing Shares have been conditionally placed by Cenkos Securities as agent for the Company with institutional and other investors in accordance with the terms of the Placing Agreement, further details of which are set out at paragraph 11 of Part VII (Additional Information) of this document.

The Placing Shares issued pursuant to the Placing will represent approximately 75.3 per cent. of the Enlarged Share Capital. The Placing Shares will, following Admission, rank in full for all dividends and *pari passu* in all other respects with the Existing Ordinary Shares and will have the right to receive all dividends and distributions declared, made or paid in respect of the issued Ordinary Share capital of the Company after Admission. Subject to Admission, the Company will issue 416,666,667 Placing Shares which will raise £50 million (before expenses). After the expenses of the Placing and Admission, estimated to be £5.75 million (excluding VAT) in total, the Placing is intended to raise approximately £44.25 million. Further details of this Placing are set out in paragraph 11 of Part VII (Additional Information) of this document.

**Shareholders should be aware of the possibility that First Admission might occur but that the Acquisition might not be completed and/or that the Second Admission may not occur. Investors in the VCT Placing should be aware that, whilst advance assurance has been sought from HMRC, the Directors cannot guarantee that VCT Placing Shares will be able to be treated as qualifying holdings within the meaning of Part 6 of the Income Tax Act 2007.**

### ***Use of Placing proceeds***

The net proceeds of the Placing will be used to pay down part of the existing debt of Breedon. Following Completion and payment of the Placing proceeds, the Enlarged Group will have approximately £10 million of undrawn revolving credit facility available to fund the ongoing working capital requirements of the Enlarged Group and £15 million of undrawn revolving credit facility available to fund the ongoing working capital requirements of the Enlarged Group, to finance capital expenditure and to finance the implementation of the Company's acquisitive growth strategy. The Company will also be able to draw on the increased term facility (if needed) to fund the acquisition of Enneurope under the Put and Call Option.

The Ordinary Shares have not been, and will not be registered under the US Securities Act 1933 (as amended) or with any regulatory authority of any state or other jurisdiction of the US and may not be offered or sold within the US.

## **18. Admission, settlement and dealing arrangements**

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM, conditional on (amongst other things) Shareholder approval at the Extraordinary General Meeting. It is expected that First Admission will become effective and that dealings in the VCT Placing Shares will commence at 8.00 a.m. on 2 September 2010 and it is expected that subject to First Admission having occurred, Second Admission will become effective and that dealings in the General Placing Shares will commence and dealings in the VCT Placing Shares and Existing Ordinary Shares will recommence at 8.00 a.m. on 3 September 2010.

Dealings in VCT Placing Shares on the London Stock Exchange before First Admission will only be settled if First Admission takes place and dealings in General Placing Shares on the London Stock Exchange before



Second Admission will only be settled if Second Admission takes place. All dealings in Placing Shares prior to commencement of unconditional dealings will be at the sole risk of the parties concerned.

## **19. Settlement**

Following Admission, share certificates representing the Placing Shares to be issued pursuant to the Placing are expected to be dispatched by post to subscribers who wish to receive Placing Shares in certificated form, by no later than the dates specified on page 6 of this document headed “Expected timetable of Principal Events”. No temporary documents of title will be issued in connection with the Placing Shares. Pending the dispatch of the definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

In respect of subscribers who wish to receive Placing Shares in uncertificated form, VCT Placing Shares will be credited to their CREST stock accounts on 2 September 2010 and General Placing Shares will be credited to their CREST stock accounts on 3 September 2010. The Company reserves the right to issue any Placing Shares in certificated form should it consider this to be necessary or desirable.

At the Extraordinary General Meeting, the Company will ask Shareholders to consider, and if thought fit, pass (amongst other things) a resolution to change the name of the Company to Breedon Aggregates Limited.

## **20. Dividend policy**

The Directors intend to retain any future earnings for the foreseeable future to finance the growth of the Enlarged Group. However, the Directors intend to consider the payment of dividends when it becomes commercially prudent to do so in accordance with applicable laws and subject always to the Enlarged Group having sufficient cash and distributable reserves for this purpose and where such payment is permitted under the terms of the New Facilities Agreement.

## **21. Taxation**

The attention of investors is drawn to the information regarding taxation in relation to Admission and the Placing which is set out at paragraphs 13 and 14 of Part VII (Additional Information) of this document. These details are, however, intended only as a general guide to the current tax law applying in the UK and Jersey for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK and Jersey are strongly advised to consult their professional advisers.

## **22. Reports and accounts**

The Company’s annual report and accounts will be prepared up to 31 December each year and will be published within six months of that date. The Company will publish interim accounts to 30 June each year, which will be published within three months of that date. The unaudited interim results for the Breedon Group for the period ending 30 June 2010 and the unaudited interim results for the Company for the period ending 30 June 2010 will both be published by 30 September 2010 and consolidated financial statements for the Company for the year ended 31 December 2010 will be published by 30 June 2011.

## **23. Extraordinary general meeting**

A notice convening an extraordinary general meeting of the Company to be held at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL on 1 September 2010 at 10.00 a.m. is set out on pages 111 to 113 of this document. Resolution 1 will be proposed at the Extraordinary General Meeting to:

- (a) grant authority to the Directors to:
  - (i) allot relevant securities (as defined in the Articles) of up to an aggregate amount of 416,666,667 to persons applying for Ordinary Shares in connection with the Placing at a price of 12.0 pence each; and

- (ii) issue warrants to subscribe for 55,266,667 Ordinary Shares at an exercise price of 12.0 pence per share,

such authority expiring on the date that falls five years from the date the resolution is passed;

- (b) approve the Acquisition; and
- (c) grant authority to the Directors to allot equity securities (as defined in the Articles) and to issue warrants to subscribe for Ordinary Shares pursuant to the Placing and the Acquisition such authority expiring on the date that falls five years from the date the resolution is passed.

Resolution 2 will be proposed at the Extraordinary General Meeting to change the name of the Company to Breedon Aggregates Limited.

Resolutions 1 and 2 described above are to be passed as special resolutions and require a majority of not less than two-thirds of the Shareholders voting in person or by proxy to be passed.

## **24. Risk factors and further information**

Your attention is drawn to the additional financial and other information set out in Part IV (Historical Financial Information of Marwyn Materials) and Part V (Historical Financial Information of Breedon). In particular, Part III (Risk Factors) of this document should be considered carefully.

## **25. Actions to be taken**

A form of proxy is enclosed for use by Shareholders at the Extraordinary General Meeting. Whether or not Shareholders intend to be present at the Extraordinary General Meeting (or any adjournment thereof,) they are asked to complete, sign and return the form of proxy to the Registrar at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible but in any event so as to arrive not less than 48 hours before the time for which the Extraordinary General Meeting is convened. The completion and return of a form of proxy will not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person should they wish to do so.

## **26. Recommendation**

The Board unanimously recommends that all Shareholders vote in favour of both Resolutions, as the Directors intend to do, or procure, in respect of their own beneficial holdings which comprise a total of 43,850,000 Ordinary Shares, representing approximately 32.2 per cent. of the Company's current issued share capital.

Yours faithfully

Peter Tom CBE

*Chairman, for and on behalf of the Board*

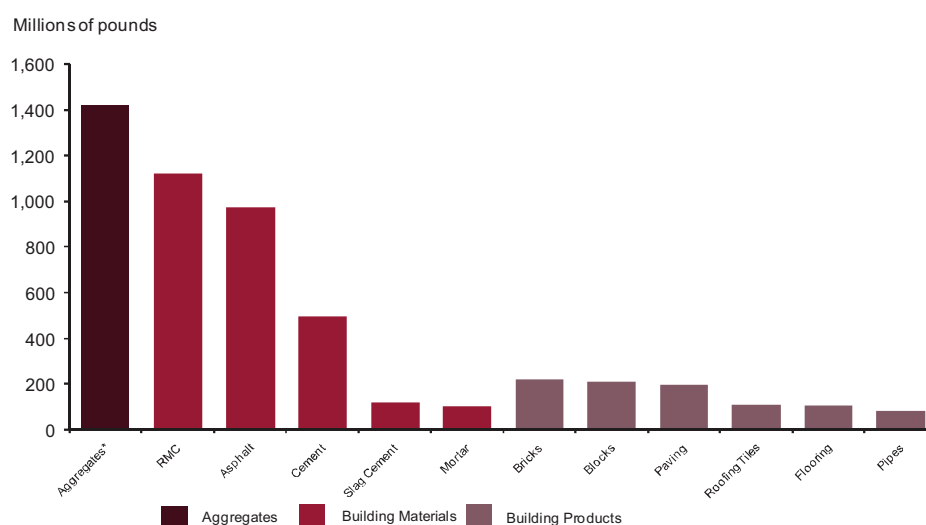
## PART II

### MARKET INFORMATION

#### 1. Overview of the UK heavy building materials industry

The size of the UK aggregates, building materials and building products industry was estimated to be over £5 billion as at the end of 2009, with the production of primary aggregates (crushed rock, sand and gravel) representing over a quarter of this market. Approximately 90 per cent. of primary aggregates is used for construction purposes, with the majority of that used for making other building materials and products such as ready mix concrete, asphalt and other concrete products.

#### Estimated 2009 Market Size of Aggregates, Building Materials and Building Products (UK Example)



Source: LEK /BDS Marketing – July 2010

Note: \* Primary, crushed rock and sand & gravel

There are over 1,300 quarries in the UK that produce approximately 210 million tonnes of primary aggregates each year with the support of marine dredged aggregates. However, in order to meet demand, almost a quarter of the aggregates used in the UK are secondary and recycled aggregates.

There is approximately eight times more crushed rock than sand and gravel reserves in the UK. Sand and gravel reserves in England are a declining resource as current extraction levels exceed planning permissions granted whereas crushed rock reserves are relatively stable.

#### 2. Demand and supply trends and key drivers

The key long term characteristics of the building materials market are set out below:

##### *Stable demand and strong margins*

Prior to the economic downturn in mid-2008, the aggregates market exhibited ten years of stable growth (with more volatility prior to this due to previous recessions and the construction boom in the 1980s). Long term growth has been driven by an increase in construction output led by both public (mainly infrastructure including road maintenance and new roads) and private spending (housing, industrial and commercial).

Primary aggregates producers typically generate strong EBITDA margins with very few direct costs relative to other building materials and products. Combined with lower margined products like concrete, the average EBITDA margins for companies in the European building materials industry as at 30 June 2010 were 17 per cent.

### ***Consolidated supply***

The UK building materials market is dominated by the four major global cement companies: Holcim, Heidelberg, Cemex and Lafarge together with Tarmac, who have a market share of approximately 80 per cent. of the market. The smaller end of the aggregates market is more fragmented with over 200 small, privately owned businesses.

In 2008, Ennstone was the sixth largest producer of primary aggregates and asphalt and the seventh largest producer of ready mix concrete in the UK.

### ***High barriers to entry***

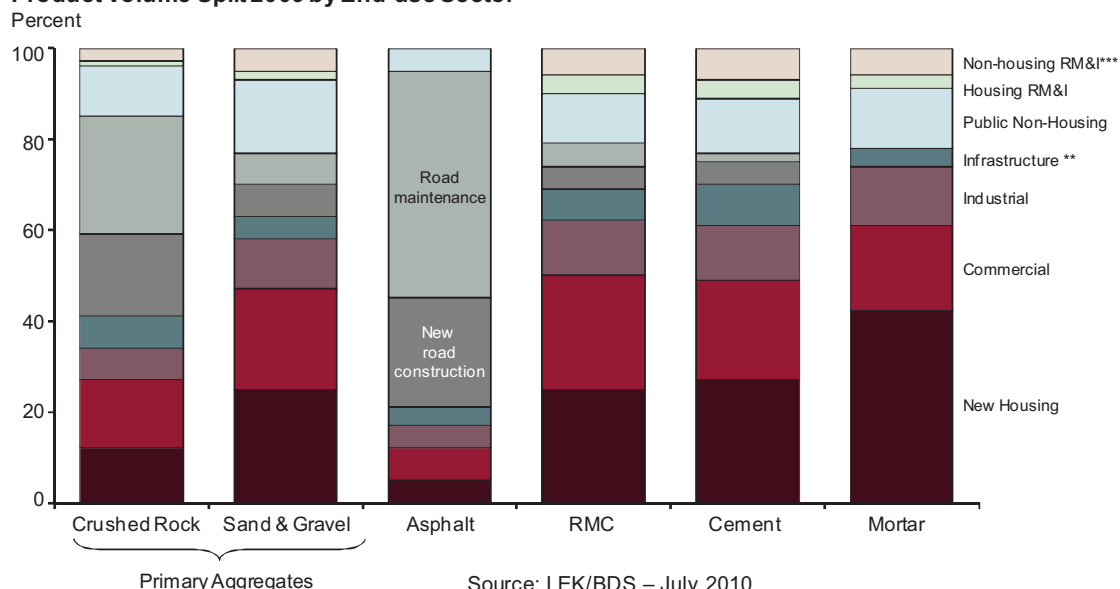
There are high barriers to enter the building materials market:

- The aggregates market is a relatively local business with the majority of production sold within 30 miles of the quarry site and transported by road owing to the high costs to weight product ratio;
- Aggregates are a scarce resource with consented reserves declining as extraction rates exceed planning permissions granted for new quarries;
- Gaining access to mineral reserves and obtaining the necessary planning consents for extraction is a lengthy process with few new extraction permissions granted, particularly for hard rock extraction;
- The aggregates market is highly regulated with planning permission being granted only once the Government has determined what proportion of demand is to be supplied by particular aggregates in each region; and
- The market is capital intensive and there is a high level of vertical integration of the sector across the entire supply chain.

### ***Product end-usage covers a wide range of markets***

Demand for building materials and products are driven by various end-use subsectors within the construction industry - housing, industrial, commercial and infrastructure - all of which follow their specific trends and are influenced by both public and private sector spending. For example, the demand for asphalt is mainly driven by construction of infrastructure and new road construction and maintenance. By contrast, ready mix concrete and cement are predominantly used in new housing and commercial and industrial construction.

**Product Volume Split 2009 by End-use Sector\***



### **3. UK construction market outlook**

The construction industry continues to endure a challenging environment with output anticipated to fall three per cent. in 2010. Modest growth is expected from 2011 with considerable opportunities in the private housing, commercial and industrial sectors. The speed of the economic recovery within the private sector will heavily influence the recovery of industrial and commercial new builds and will be crucial to offset anticipated Government cuts to public sectors such as education, health and public housing over the next few years.

#### ***Unprecedented falls in construction***

UK construction output fell 11.5 per cent. in 2009, the sharpest annual fall since 1974. New work in private sector construction was hit the hardest with falls in the industrial sector of 34 per cent., commercial sector of 27 per cent. and private housing of 28 per cent. Construction output is expected to fall further during 2010 before returning to marginal growth in 2011 and reaching forecast 2.3 per cent. growth in output by 2014.

#### ***Market currently at a cyclical low point***

The Directors believe the economy has stabilised and begun its long road to recovery following the sharpest recession on record with a fall of five per cent. in GDP in 2009. The Directors' experience of previous recessions is that significant value can be created by investing at the cyclical low point.

#### ***Recovery driven by the private sector***

Recovery in the UK building materials sector over the next few years is expected to be driven by investment in the private sector. Double-digit growth in private housing starts has been forecast between 2010 and 2012 as the demand for new houses increases with the number of new households created each year (this is currently more than double the number of housing starts per year). Growth within infrastructure output is expected to grow by 42 per cent. over the next five years driven mainly by growth within the regulated sectors: rail, electricity and water and sewerage. Industrial and commercial sectors are forecast to return to growth in 2011 with growth in output of eight per cent. and four per cent. respectively.

## PART III

### RISK FACTORS

In addition to all other information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. This summary of risk factors is not intended to be exhaustive.

#### A. RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP

##### *Uncertainty as to the impact of government spending cuts*

The Breedon Group is dependent on UK and Scottish government spending on improving public infrastructure, buildings and services. The UK and Scottish governments have announced large scale public spending cuts. Although they have not indicated to what extent capital projects will be directly affected, the management of Breedon has already observed the cancellation of a number of capital projects. The UK or Scottish governments may decide to reduce present or future investment in transport, health or defence projects or other areas in which the Breedon Group would expect to compete for work to supply contractors. Whilst Breedon is somewhat protected from cuts in the large scale projects, there is a risk that larger competitors will as a result trade down to smaller projects, increasing the competitive pressure on Breedon. Any reduction in such investment and funding would be likely to adversely affect the Enlarged Group's future revenues and profitability in the relevant sectors.

##### *Energy prices and costs of raw material*

As a result of the continued increases in energy costs resulting mainly from global crude oil price rises, the Breedon Group has suffered significant energy cost and raw material inflation over a number of years. In light of this, the Breedon Group introduced a strategic purchasing plan to seek to ensure that it obtains competitively priced energy and raw material. It also attempts to pass on the price rises it incurs to customers and endeavours to spread the risk of such inflation by a combination of spot buying and fixed term contracts.

Current risks relate to crude oil prices and in particular to the consolidation of the bitumen supply side in the UK. Bitumen is Breedon's largest cost item used in the production of asphalt, diesel is used to run the transport fleet and fuel oil for the asphalt production process for heating and drying material. However, notwithstanding such measures undertaken by the Breedon Group, if energy costs increase it may have a material adverse effect on the Enlarged Group's future profitability.

##### *The Group will be subject to gearing*

Following the Acquisition, the Enlarged Group will be geared through borrowings secured on Breedon and finance lease liabilities of approximately £29 million and may be subject to further gearing through further borrowings secured on future investments. The Enlarged Group will have no specific borrowing limits other than as set out in the New Bank Facilities as described in paragraph 15.1.9 of Part VII (Additional Information). Where the costs of the Enlarged Group's borrowings exceed the return on the Enlarged Group's assets, the borrowings will have a negative effect on the Enlarged Group's performance. If the Enlarged Group cannot generate adequate cash flows to meet its debt service obligations, it may suffer a partial or total loss of its capital. A relatively small movement in the value of an investment or the amount of income derived from it may result in a disproportionately large movement, unfavourable as well as favourable, in the value of the Ordinary Shares or interest or the amount of income received in respect thereof. The New Bank Facilities contain customary financial and other covenants which, if breached, require the Enlarged Group to repay the borrowings in whole or in part. In such circumstances, the Enlarged Group may be required to sell, in a limited time, some or all of its investments, potentially in circumstances



where there has been a downturn in values in the sector generally, such that the realisation proceeds do not reflect the Enlarged Group's valuation of the investments.

#### ***Requirements for permits and licenses***

The operations of the Breedon Group require licences, permits and in some cases renewals of existing licences and permits from various Governmental authorities. They also require appropriate zoning rules and planning permissions to apply to the area of the Breedon Group's operations. Planning consents are required in order to extract the Breedon Group's mineral reserves and build and update the construction and operation of concrete and asphalt plants. Planning applications can take years to be determined and, consequently, planning permissions can be costly to obtain. The granting of planning permissions normally attaches conditions on operating hours, emissions, discharges, restoration etc. They can be subject to appeal from both national and local lobby groups and ultimately to the public enquiry. There are risks that applications are unsuccessful or are delayed at sites where reserves become critical. If this happens, it could result in loss of competitiveness and affect the Breedon Group's profitability. The Enlarged Group's ability to obtain, sustain or renew licences and permits and other licences and permits that are required by it on applicable terms is subject to changes in regulations and policies and to the discretion of the applicable Governmental authorities. There is no guarantee that the Enlarged Group will obtain or be granted or retain the requisite zoning, planning or permits to carry on its planned operations, which failure could have a material adverse effect on the Enlarged Group's business.

#### ***Environmental, health and safety laws, regulations and standards***

The Enlarged Group will be subject to a broad range of laws, regulations and standards, including those relating to pollution, the health and safety of employees, protection of the public, protection of the environment and the handling of waste materials. The Breedon Group takes its obligations regarding the environment seriously and has attained ISO14001 accreditation on 24 operations with a further eight due to be accredited in 2010/11.

Environmental, health and safety regulations and standards are becoming increasingly stringent. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the Enlarged Group's activities, the extent of which cannot be predicted and which may well be beyond the capacity of the Enlarged Group to fund.

It is the Breedon Group's policy to require that all of its subsidiary undertakings, employees, suppliers and sub-contractors comply with applicable laws, regulations and standards. However, violations of such laws, regulations and standards, in particular environmental and health and safety laws, could result in restrictions on the operations of the Enlarged Group's sites, damages, fines or other sanctions, increased costs of compliance with potential reputational damage and potential loss of future contracts.

#### ***Aggregates prices, supply and demand***

Aggregates prices are affected by numerous factors which will be beyond the control of the Enlarged Group, including local production levels, national economic and political events, international economic trends, inflation and deflation, currency exchange fluctuation, speculative activity and the political and economic conditions of countries. The combined effect of these factors is difficult to predict and an investment in the Company could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors, in any jurisdiction in which the Enlarged Group may operate.

#### ***Sub-contractor and supplier failure and increase in supply costs***

The Breedon Group is reliant on its supply chain, in particular in relation to the supply of bitumen and cement. If a sub-contractor or supplier failed financially or was responsible for late or inadequate delivery or poor quality of materials then it could damage the Enlarged Group's reputation and/or cause it to suffer financial losses. Further, the Enlarged Group does not benefit from the buying power of certain of its larger competitors.

### ***Failure to improve credit terms with suppliers***

As a result of the administration of Ennstone and its historic high gearing, the Breedon Group has poor credit terms with certain of its key suppliers. The Directors believe they will be able to improve credit terms with suppliers but failure to achieve this objective could have a detrimental effect on the Enlarged Group's future cash flows which may have a material adverse effect on its business.

### ***Ability to complete future acquisitions***

The Company's future success depends in part upon its ability to identify and execute other successful acquisitions. There can be no assurance that the Company will be able successfully to conclude agreements with any other target businesses that the Board may identify in the future at an acceptable price and on acceptable terms. In addition, the Company may face competition from other organisations which may be better funded.

### ***Assurance of title to properties***

The Breedon Group has taken all reasonable steps to ensure that proper title to its key quarries that it operates has been obtained and that all grants of mineral rights for such quarries have been registered in the appropriate public offices. Despite the due diligence conducted by the Company, there is no guarantee that title to such properties will not be challenged or impugned which may have a material adverse effect on the business. Similarly there is no guarantee that ownership of the minerals existing underneath the properties owned and operated by the Breedon Group will not be challenged or impugned because the presumption at law that the owner of the surface is entitled to everything beneath or within it is rebuttable and various ancient rights to mines and minerals may exist in favour of a third party. Should the ownership of the minerals existing underneath such properties be subject to challenge, this may have a material adverse effect on the business.

### ***Competition***

Products are available which compete directly or indirectly with the Breedon Group's products. New quarrying technology, changing commercial circumstances and new entrants to the markets in which the Breedon Group operates may adversely affect the Enlarged Group's business. Many of the companies operating in the same sector as the Breedon Group are significantly larger, have significantly greater financial resources and are able to achieve more favourable input costs and there is a risk that one or more of the industry's larger competitors may attempt to gain an advantage by reducing prices to secure market share. These factors could lead to an adverse effect upon the Enlarged Group's revenues and earnings.

### ***Contract guarantees***

It is common practice for contractors to issue performance bonds and/or guarantees. These are at risk of being called if a contractor defaults on its contractual obligations on a project. As at 16 August 2010 (the latest practicable date prior to publication of this document), the Breedon Group had issued guarantees in connection with a number of different contracts on behalf of (and as a shareholder in) BEAR. These could become payable if the, underlying contracts are not performed to a satisfactory standard which would lead to a significant call upon the Enlarged Group's financial resources.

### ***Dependence on key and skilled personnel***

The Enlarged Group's future success is substantially dependent on the continued services and continuing contributions of its directors, senior management and other key personnel. The loss of the services of any of the Company's executive officers or other key employees could have a material adverse effect on the Enlarged Group's business.

The Enlarged Group's operations require individuals with a high degree of technical and/or professional skills and experienced equipment and quarrying trade professionals. The Enlarged Group will be in competition with other quarry operations and other local industries, such as oil and gas or forest products, for these skilled workers. If the Enlarged Group is unable to find an adequate supply of skilled workers, a

decrease in productivity or an increase in costs will result which would have an adverse effect on the Enlarged Group's operations, results and its financial condition.

#### ***Unsuccessful transaction costs***

There is a risk that the Enlarged Group may incur substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include public offer and transaction documentation, legal, accounting, operational and other due diligence.

#### ***Prepayment risk***

Pursuant to the New Bank Facilities, the Enlarged Group is obliged to reduce its drawn debt by £50 million within three business days of Completion. Failure to do so will constitute an event of default under the New Bank Facilities and may result in the repayment of the New Bank Facilities being accelerated and/or security granted by the Enlarged Group in connection with the New Bank Facilities being enforced. Placees are contractually obliged to ensure that the subscription proceeds for their Placing Shares are received by Cenkos Securities on the day of First Admission or Second Admission (as applicable) and Cenkos Securities is contractually obliged to ensure that the subscription proceeds received from placees are received by the Company within one business day of receipt of such monies. However, the Enlarged Group's ability to discharge its prepayment obligation is subject to both the risk that a significant proportion of placees fail to advance the subscription proceeds payable for their Placing Shares and the risk that settlement of the subscription proceeds payable in respect of the Placing Shares does not occur in a timely manner, in each case to the extent that the Company cannot meet the shortfall from its existing cash reserves.

#### ***Possible need for future financing***

The net proceeds of the Placing and available facilities under the New Bank Facilities may be insufficient to fund in full any further acquisitions identified by the Board. Accordingly, the Company may need to seek additional sources of financing to implement its growth strategy. There can be no assurance that the Company will be able to raise those funds, whether on acceptable terms or at all. If further financing is obtained by issuing new equity securities or convertible debt securities, the existing Shareholders may be diluted and the new securities may carry rights, privileges and preferences superior to the Ordinary Shares. The Company may seek debt finance to fund all or part of any future acquisition. There can be no assurance that the Company will be able to raise those debt funds, whether on acceptable terms or at all. If debt financing is obtained, the Company's ability to raise further finance and its ability to operate its business may be subject to restrictions.

#### ***Potential dilution from management incentives***

The Company has in place an incentivisation scheme through which Peter Tom CBE, Simon Vivian, Ian Peters and Marwyn Management Partners will be rewarded for increases in Shareholder Value, subject to certain conditions and performance hurdles set out in paragraphs 12 and 13 of Part I of this document. Peter, Simon and Ian have subscribed for Management Participation Shares and Marwyn Management Partners has subscribed for Marwyn Participation Shares as part of this incentivisation scheme. Further details are set out in paragraphs 12 and 13 of Part I of this document.

The Company may purchase the Management Participation Shares and Marwyn Participation Shares either for cash or for the issue of new Ordinary Shares at its discretion. The Company has the authority to issue up to 20 per cent. by number of its fully diluted share capital from time to time, in order to satisfy the potential requirement to issue such Ordinary Shares. If the Company elects to issue Ordinary Shares in order to satisfy the incentivisation scheme, the existing Shareholders may face significant dilution.

#### ***Controlling shareholder***

Immediately following the Placing, approximately 26.9 per cent. of the Company's issued share capital will be held by Marwyn Value Investors L.P. As further described in paragraph 11 of Part I of this document, Marwyn Value Investors L.P. will therefore be able to exercise significant control over the Company's corporate actions without requiring the approval of the Company's other shareholders.

### ***Limited warranty protection***

Marwyn Materials Investments does not have the benefit of customary warranties pursuant to the terms of the Acquisition Agreements (as described in more detail in paragraph of 15 of Part VII (Additional Information) of this document), in particular in relation to the performance of the Breedon business and its historic financial information. Only limited warranties as to capacity and title have been provided by the Vendors and the Trustees and would be provided by Enneurope Holdings if the Put and Call Option is exercised. It is unlikely that the Enlarged Group will have a right to damages in the event that any material issue that has not been disclosed to Marwyn Materials Investments and its advisers by the Vendors, the Trustees or the Managers in relation to the business of the Breedon Group or in relation to Enneurope and its subsidiaries has an adverse effect on the Enlarged Group's operations, results and its financial condition.

### ***Dividends***

All the Company's funds will, for the time being, be invested to finance the growth in the Enlarged Group's business and, therefore, Shareholders will not receive dividends on the Company's shares in the foreseeable future. Dividends will rely on underlying growth in the Enlarged Group's businesses. In particular, the dividend policy set out in paragraph 20 of Part I of this document should not be construed as a dividend forecast. If a dividend is paid in the future, any change in the tax treatment of dividends or interest received by the Company may reduce the level of yield received by Shareholders. The market value of the Ordinary Shares can fluctuate and may not always reflect their underlying asset value. There can be no guarantee that the Company's objectives will be achieved.

### ***Litigation***

Whilst neither the Breedon Group nor the Marwyn Materials Group currently have any material outstanding litigation, there can be no guarantee that the current or future actions of the Enlarged Group will not result in litigation. The quarrying industry, as with all industries, is subject to legal claims, both with and without merit, in particular in relation to environmental and health and safety liability. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have an adverse effect on the Enlarged Group's financial position or results of operations.

### ***Insurance***

The Directors believe the Marwyn Materials Group and the Breedon Group have robust, comprehensive and adequate insurance cover but recognise that a claim could be made against a group company which exceeds the limits of insurance cover or is in respect of a matter that is uninsurable. In those circumstances the Enlarged Group could suffer financial loss.

### ***Exchange rate risks***

The Placing Shares are priced in Sterling, and will be quoted and traded in Sterling. In addition, any dividends the Company may pay will be declared and paid in sterling. Accordingly, Shareholders resident in non-UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against Sterling, which may reduce the value of the Placing Shares, as well as that of any dividend paid.

### ***Loss of IT systems and dependence on key software supplier***

The Enlarged Group will be dependent on IT systems for the delivery of its business which will be vulnerable to damage or interruption from flood, fire, power loss, telecommunications failure and similar events. Failure of these systems could cause financial loss to the Enlarged Group as well as damage to its brand and reputation. Certain of the Breedon Group's software is bespoke and the software is not subject to an escrow arrangement. If no such arrangement is put in place and the supplier ceases to support the software, it could have an impact on the Breedon Group's operations and the Enlarged Group could suffer financial loss.

### ***Hedging***

Breedon has in place derivative financial instruments to hedge a proportion of its exposure to fluctuations in interest rates. Notwithstanding these strategies, an element of risk still exists and significant rises in interest rates could affect the ongoing profitability of the Enlarged Group's business.

### ***Lock-in and orderly market arrangements***

Whilst certain holders of Ordinary Shares have agreed to certain lock-in and orderly market arrangements in respect of Ordinary Shares held by them and the Warrant Holders have agreed to certain orderly market arrangements in respect of the Ordinary Shares which would be issued to them pursuant to the Warrants, a significant proportion of the Company's Enlarged Share Capital will not be subject to lock-in arrangements and in any event after the existing lock-in and orderly market arrangements cease to apply there will be no contractual restriction on the sale of the Ordinary Shares held by the locked-in Shareholder. Furthermore, Cenkos Securities and the Company may release all or any portion of the Ordinary Shares subject to these lock-in and orderly market arrangements. Further information on these lock-in and orderly market arrangements is set out in paragraph 15 of Part VII (Additional Information) of this document.

### ***VCT status***

Provisional approval has been granted by HMRC that the Company (immediately after First Admission but before Second Admission) should qualify as a qualifying company for the purposes of VCT legislation or provisions. The Company gives no warranties or undertakings that VCT qualifying status will be available or that, if given, such relief or status will not be withdrawn whether before or after First Admission. Should the law regarding VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Company ceases to carry on the business outlined in this document during the three year period from the last allotment of Placing Shares, this could prejudice the qualifying status of the Company (as referred to above) under the VCT scheme. This situation will be closely monitored with a view to preserving the Company's qualifying status but this cannot be guaranteed. Circumstances may arise where the Board believe that the interests of the Company are not best served by acting in a way that preserves VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any Shareholder.

In respect of share subscriptions made by a VCT, the funds invested by the VCT would be apportioned pro rata and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holding. Investors in the VCT Placing should be aware that, whilst advance assurance has been sought from HMRC, the Directors cannot guarantee that VCT Placing Shares will be able to be treated as qualifying holdings within the meaning of Part 6 of the Income Tax Act 2007.

### ***No guarantee of Second Admission***

There can be no guarantee that Second Admission will take place when expected, or at all, and it is possible that trading in the VCT Placing Shares will proceed in circumstances where Second Admission, trading in the General Placing Shares and the Acquisition do not subsequently complete.

## **B. GENERAL RISKS**

### ***Investment in AIM-listed securities***

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their initial investment.



### ***Liquidity***

There may not be sufficient liquidity in the market for the Ordinary Shares in order for investors to sell their Ordinary Shares.

The Ordinary Shares will be traded on AIM rather than the Official List. It may be more difficult for an investor to realise his or her investment in an AIM-traded company than a company whose securities are listed on the Official List. Whilst the Company is applying for the admission of the Enlarged Share Capital to trading on AIM, there can be no assurance that an active trading market will develop, or if developed, that it will be maintained.

AIM is a market for emerging or smaller, growing companies and may not provide the liquidity normally associated with the Official List or other exchanges. The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid and therefore the Ordinary Shares may be or may become difficult to sell.

An investment in the Company may not be suitable for all recipients of this document. Accordingly, investors are strongly advised to consult an independent financial adviser authorised for the purposes of FSMA.

### ***Share price volatility***

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a range of events and factors, such as variations in operating results, announcements of technological innovations or new products and services by the Enlarged Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Enlarged Group, the general market perception of utility services companies, news reports relating to trends in the Enlarged Group's markets, legislative changes in the Enlarged Group's sector and other factors outside of the Enlarged Group's control. Such events and factors may adversely affect the trading price of the Ordinary Shares, regardless of the performance of the Enlarged Group. Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up and investors may therefore not recover their original investment especially as the market in the Ordinary Shares may have limited liquidity.

### ***Taxation***

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

### ***Forward looking statements***

Historical facts, information gained from historic performance, present facts, circumstances and information and assumptions from all or any of these are not a guide to the future. Statements as to the Enlarged Group's aims, targets, plans and intentions and any other forward looking statement referred to or contained herein are no more than that and do not comprise forecasts. Any such forward looking statements are based on assumptions and estimates and involve risks, uncertainties and other factors which may cause the actual results, outcome, financial condition, performance, achievements or findings of the Enlarged Group to be materially different from any future results, performances or achievements expressed or implied by such forward looking statements.



## **PART IV**

### **HISTORICAL FINANCIAL INFORMATION OF MARWYN MATERIALS**

#### **Audited financial information on Marwyn Materials for the financial years from incorporation on 15 August 2007 to 31 December 2008 and the year ended 31 December 2009**

The annual reports, including audited accounts (including their respective audit reports), of Marwyn Materials for the financial period from incorporation to 31 December 2008 and the year ended 31 December 2009 are incorporated in this document by reference.

The financial information on Marwyn Materials for the financial period ended 31 December 2008 and year ended 31 December 2009 incorporated in this document by reference does not constitute statutory accounts.

The above annual reports for Marwyn Materials for the financial period ended 31 December 2008 and year ended 31 December 2009 are available free of charge on the Marwyn Materials website at [www.marwynmaterials.com](http://www.marwynmaterials.com). Marwyn Materials will provide within two Business Days, without charge, to each person to whom a copy of this document has been sent, upon their written or verbal request, a copy of any information incorporated by reference in this document. Copies of any information incorporated by reference in this document will not be provided unless such a request is made.

Requests for copies of any such document should be directed to the Company's registered office from Monday to Friday (other than UK public holidays).

## **PART V**

### **HISTORICAL FINANCIAL INFORMATION OF BREEDON**

- Section A: Audited consolidated results of the Breedon Group excluding its Polish operations for the period from incorporation to 31 December 2009
- Section B: Accountants' report in respect of the historical financial information of the Breedon Group excluding its Polish operations

**SECTION A: AUDITED CONSOLIDATED RESULTS OF THE BREEDON GROUP  
(EXCLUDING ITS POLISH OPERATIONS) FOR THE PERIOD FROM INCORPORATION TO  
31 DECEMBER 2009**

**Consolidated Income Statement**

*for the 13 month period ended 31 December 2009*

			2009 Non- underlying*	
	Note	Underlying £000	(note 3) £000	Total† £000
<b>Revenue</b>	1,2	113,958	–	113,958
Cost of sales		(77,466)	(598)	(78,064)
<b>Gross profit</b>		36,492	(598)	35,894
Distribution expenses		(18,027)	–	(18,027)
Administrative expenses		(13,071)	(2,800)	(15,871)
Gain on bargain purchase	26	–	29,954	29,954
<b>Group operating profit</b>	2	5,394	26,556	31,950
Share of profit of associated undertaking (net of tax)	12			952
<b>Profit from operations</b>				32,902
Financial income	7			1
Financial expense	7			(12,227)
<b>Profit before taxation</b>				20,676
Taxation	8			(13)
<b>Profit for the period</b>				20,663
<b>Attributable to:</b>				
Equity holders of the parent				20,646
Non-controlling interests				17
<b>Profit for the period</b>				20,663

\* Non-underlying items represent amortisation of acquisition intangibles, gain on bargain purchase, redundancy costs and impairments.

† The Consolidated Income Statement presents the results for the period from incorporation on 15 December 2008 to 31 December 2009. The Group acquired a number of businesses (see note 26) on 9 March 2009 at which point it began to trade. As such, revenues and profits from operations set out above are for the period from 9 March 2009 to 31 December 2009.

**Consolidated Statement of Comprehensive Income**  
*for the 13 month period ended 31 December 2009*

	<i>Note</i>	<i>2009</i> <i>£000</i>
Profit for the period		20,663
<b>Other comprehensive income</b>		
Effective portion of changes in fair value of cash flow hedges		(258)
Taxation on items taken directly to other comprehensive income	8	72
<b>Other comprehensive income for the period</b>		<u>(186)</u>
<b>Total comprehensive income for the period</b>		<u>20,477</u>
<b>Total comprehensive income for the period is attributable to:</b>		
Equity holders of the parent		20,460
Non-controlling interests		17
		<u>20,477</u>

**Consolidated Statement of Financial Position**  
**at 31 December 2009**

	<i>Note</i>	<i>2009</i> <i>£000</i>
<b>Non-current assets</b>		
Property, plant and equipment	9	177,373
Intangible assets	10	828
Investment in associated undertaking	12	1,600
Total non-current assets		<u>179,801</u>
<b>Current assets</b>		
Inventories	14	6,561
Trade and other receivables	15	24,409
Cash and cash equivalents		859
Total current assets		<u>31,829</u>
<b>Total assets</b>		<u>211,630</u>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	16	(9,544)
Trade and other payables	17	(30,497)
Provisions	18	(620)
Total current liabilities		<u>(40,661)</u>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	16	(133,892)
Provisions	18	(5,314)
Deferred tax liabilities	13	(11,229)
Total non-current liabilities		<u>(150,435)</u>
<b>Total liabilities</b>		<u>(191,096)</u>
<b>Net assets</b>		<u>20,534</u>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	19	1
Cash flow hedging reserve	19	(186)
Retained earnings		20,646
<b>Total equity attributable to equity holders of the parent</b>		<u>20,461</u>
<b>Non-controlling interests</b>		<u>73</u>
<b>Total equity</b>		<u>20,534</u>

**Consolidated Statement of Changes in Equity**  
*for the 13 month period ended 31 December 2009*

	<i>Share capital</i>	<i>Cash flow hedging reserve</i>	<i>Retained earnings</i>	<i>Attributable to equity holders of parent</i>	<i>Non- controlling interests</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Shares issued	1	–	–	1	–	1
Acquisitions through business combinations	–	–	–	–	56	56
Total comprehensive income for the period	–	(186)	20,646	20,460	17	20,477
Balance at 31 December 2009	<u>1</u>	<u>(186)</u>	<u>20,646</u>	<u>20,461</u>	<u>73</u>	<u>20,534</u>



**Consolidated Statement of Cash Flows**  
**for the 13 month period ended 31 December 2009**

	<i>2009</i>
<i>Note</i>	<i>£000</i>
<b>Cash flows from operating activities</b>	
Profit for the period	20,663
<i>Adjustments for:</i>	
Depreciation, amortisation and impairments	12,408
Gain on bargain purchase	(29,954)
Financial income	(1)
Financial expense	12,227
Share of profit of associated undertaking (net of tax)	(952)
Gain on sale of property, plant and equipment	(326)
Taxation	13
<b>Operating cash flow before changes in working capital and provisions</b>	14,078
Decrease in trade and other receivables	8,816
Decrease in inventories	2,030
Decrease in trade and other payables	(12,902)
Decrease in provisions	(791)
<b>Cash generated from operating activities</b>	11,231
Interest paid	(2,800)
Interest element on finance lease payments	(2,226)
Income taxes paid	(205)
<b>Net cash from operating activities</b>	6,000
<b>Cash flows used in investing activities</b>	
Proceeds from sale of property, plant and equipment	938
Interest received	1
Acquisition of businesses net of cash acquired	26 (107,344)
Purchase of property, plant and equipment	(2,388)
<b>Net cash used in investing activities</b>	(108,793)
<b>Cash flows from financing activities</b>	
Proceeds from the issue of share capital	19 1
Proceeds from new loans raised	102,030
Repayment of loans	(1,084)
Repayment of finance lease obligations	(901)
<b>Net cash from financing activities</b>	100,046
<b>Net decrease in cash and cash equivalents</b>	(2,747)
<b>Cash and cash equivalents at 31 December 2009</b>	(2,747)
Cash and cash equivalents	859
Bank overdraft	(3,606)
<b>Cash and cash equivalents at 31 December 2009</b>	(2,747)

## Notes

*(forming part of the financial information)*

### 1. Accounting policies

#### ***Basis of preparation***

Breedon Holdings Limited (the “Company”) is a company incorporated in Great Britain on 15 December 2008. 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. The address of the registered office is Breedon Quarry, Main Street, Breedon on the Hill, Derby, DE73 8AP.

This financial information consolidates the financial statements of the Company and its UK subsidiary undertakings (together referred to as the “Group”) and equity account the Group’s interest in UK-based associated undertakings. Principal UK undertakings are set out in note 11. Breedon Holdings Limited also owns the entire share capital of Enneurope Limited, a holding company for the Polish group; this sub-group has been excluded from this financial information.

The financial information has been prepared for the period from incorporation to 31 December 2009 in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”).

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

This financial information is 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.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial information and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

#### ***New IFRS standards and interpretations not adopted***

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

- IAS 27 (Revised) *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009)
- IFRS 3 (Revised) *Business Combinations* (effective for business combinations taking place in annual periods beginning on or after 1 July 2009)
- Improvements to IFRSs 2009 (effective various dates, the earliest of which is annual periods beginning on or after 1 July 2009, but mostly 2010)

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

#### ***Measurement convention***

This financial information is prepared on the historical cost basis except where the measurement of balances at fair value is required as set out below.

#### ***Basis of consolidation***

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

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

### ***Financial instruments***

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

#### ***Trade receivables***

Trade receivables 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.

#### ***Trade payables***

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

#### ***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.

### ***Minerals reserves***

Mineral reserves are stated at revalued amounts, being the fair value, based on market values less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined at least every five years by independent valuers and assessed annually by the directors. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the Consolidated Income Statement.

Mineral reserves are depleted over their estimated economic lives on a tonnage basis.

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

### ***Property, plant and equipment***

Property is stated at revalued amounts, being the fair value, based on market values less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined at least every five years by independent valuers and assessed annually by the directors. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the Consolidated Income Statement.

In respect of buildings, depreciation is provided where it is considered significant having regard to the estimated remaining useful lives and residual values of individual properties.

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, as well as any other costs directly attributable to bringing the asset to a working condition for its intended use, including borrowing costs when the asset is a 'qualifying' asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The fair value of property, plant and equipment recognised as a result of business combinations is based on market value. The market value of property, plant and equipment is based on market prices for similar items.

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

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

### ***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 net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration includes the attributable costs of the acquisition.

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

Positive goodwill 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 subsidiary undertakings is recognised separately as an intangible asset in the Consolidated Statement of Financial Position. Goodwill arising on the acquisition of associated undertakings is included within the carrying value of the investment. When the excess is negative, a bargain purchase gain 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 up to ten years.

### ***Impairment***

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

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

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

### ***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***

### ***Site restoration provisions***

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment and depreciated over the life of the site. The effect of any adjustments to the provision due to further environmental damage is recorded through operating costs over the life of the site to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows, or a change in the discount rate, that result in a decrease in the liability are credited directly against the revaluation surplus to the extent that it reverses a revaluation deficit on the asset that was previously recognised in the Consolidated Income Statement. Those changes that result in an increase in the liability are charged to the Consolidated Income Statement except where a revaluation reserve exists in respect of that asset. All provisions are discounted to their present value at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, 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 as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax 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 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 been picked up by, the customer.

## ***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.

### ***Finance income and expense***

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

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

## ***Income tax***

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



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

### ***Deferred tax***

Deferred tax is provided in full using the Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; 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.

## **2. Segmental analysis**

The Group has adopted IFRS 8 Operating Segments requiring segmental information to be presented on the same basis as it is reviewed internally. The Group's Board of Directors, considered as the Group's 'Chief Operating Decision Maker' view the business on a geographical basis. As such, two operating segments (England and Scotland) have been identified as reportable segments. There are no other operating segments. The majority of revenues are earned from the sale of 'aggregates' products and services.

	<i>England</i>	<i>Scotland</i>	<i>All other*</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>2009</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revenue	47,747	66,211	–	113,958
Underlying operating profit	127	7,316	(2,049)	5,394
Amortisation of acquisition intangibles, redundancy costs and impairments	(1,267)	(593)	(1,538)	(3,398)
Gain on bargain purchase (see note 26)	25,896	3,953	105	29,954
Reportable segment operating profit	24,756	10,676	(3,482)	31,950
Share of profit of associated undertaking (net of tax)				952
Financial income				1
Financial expense				(12,227)
Profit before taxation				20,676
Taxation				(13)
Profit for the year				20,663

	<i>England</i>	<i>Scotland</i>	<i>All other*</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>2009</i>	<i>Total</i>
			<i>£000</i>	<i>£000</i>
Segment assets	98,960	102,026	10,644	211,630
Segment liabilities	(16,550)	(14,684)	(5,197)	(36,431)
Deferred tax liabilities				(11,229)
Interest bearing loans and borrowings				(143,436)
Total liabilities				(191,096)
Net assets				20,534
Capital expenditure	1,164	1,224	–	2,388
Mineral depletion	1,105	746	–	1,851
Depreciation and impairment	4,745	4,987	82	9,814
Intangible amortisation and impairment	57	299	387	743
Total depreciation, amortisation and impairment	5,907	6,032	469	12,408

\* ‘All other’ represents other business activities including the corporate head office and central property companies.

### 3. Non-underlying items

During the period, the Group commenced trading and made several acquisitions as detailed in note 26. As a result of the acquisitions, the Group incurred several one-off costs, including commission, valuation and other professional fees that were not directly attributable to the acquisitions. Additionally, the Group incurred redundancy costs in respect of the reorganisation of parts of the businesses acquired. Following a strategic review of certain sites (forming part of the “England” reportable segment), asset impairments have been made to reflect the fair value less costs to sell of certain assets at those sites. A gain on bargain purchase arising from acquisitions in the year has been credited in the Consolidated Income Statement in accordance with IFRS 3.

	<i>2009</i>
	<i>£000</i>
Included in cost of sales:	
Impairment of property, plant and equipment	297
Impairment of inventories	301
	598
Included in administrative expenses:	
Redundancy costs	1,790
Commission, valuation and professional fees	267
Impairment of goodwill (see note 10)	387
Amortisation of acquisition intangibles	356
	2,800
Gain on bargain purchase	(29,954)
	(26,556)

#### 4. Expenses and auditors' remuneration

	2009 £000
<i>Group operating profit has been arrived at after charging/(crediting)</i>	
Amortisation of acquisition intangibles (note 10)	356
Gain on bargain purchase credited in the period (note 26)	(29,954)
Depreciation of property, plant and equipment:	
Owned assets	6,963
Assets held under finance lease	4,405
Gain on sale of property, plant and equipment	(326)
Operating lease rentals:	
Plant, equipment and vehicles	636
Other	577
	<hr/>
<i>Auditors' remuneration:</i>	
Fees payable to the company's auditor for the audit of the company's annual accounts	20
Fees payable to the company's auditor and its associates for other services:	
The audit of the company's subsidiary undertakings, pursuant to legislation	83
Other services pursuant to legislation	
Other services relating to taxation	50
Valuation and actuarial services	55
	<hr/>

#### 5. Remuneration of key management

	2009 £000
Salaries and short term employee benefits	267
Pension costs	57
Compensation for loss of office	697
Non-executive fees	236
	<hr/>
	1,257
	<hr/>

The aggregate of emoluments of the highest paid director was £222,000 and company pension contributions of £51,000 were made to a money purchase scheme on his behalf. He also received £697,000 compensation for loss of office.

	<i>Number of directors</i> 2009
Retirement benefits are accruing to the following number of directors under:	
Money purchase schemes	3
	<hr/>

#### 6. Staff numbers and costs

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

	<i>Number of employees</i> 2009
England	347
Scotland	452
Central	14
	<hr/>
	813
	<hr/>

The aggregate payroll costs of these persons were as follows:

	2009 £000
Wages and salaries	19,018
Social security costs	1,917
Other pension costs	705
	<hr/> 21,640

## 7. Financial income and expense

	2009 £000
Interest income – other	1
Financial income	<hr/> 1
Interest expense – bank loans and overdrafts	9,353
Interest expense – other loans	508
Interest expense – finance leases	2,226
Unwinding of discount on restoration provision	140
Financial expense	<hr/> 12,227

## 8. Taxation

### *Recognised in the Consolidated Income Statement*

	2009 £000
<i>Current tax expense</i>	
UK taxation	–
Total current tax	<hr/> –
<i>Deferred tax expense</i>	
Origination and reversal of temporary differences	13
Total tax in the Consolidated Income Statement	<hr/> 13

### *Taxation on items taken directly to Other Comprehensive Income*

	2009 £000
<i>Deferred tax expense</i>	
Relating to cash flow hedges	72
	<hr/> 72

### *Reconciliation of effective tax charge*

The tax charge in the Consolidated Income Statement is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £000
Profit before taxation	20,676
Tax at the UK corporation tax rate of 28%	5,789
Non-deductible expenses	(443)
Unrelieved trading losses	2,106
Depreciation on ineligible	1,222
Non-taxable gain on bargain purchase	(8,387)
Income from associate undertaking already taxed	(274)
Total tax in the Consolidated Income Statement	<hr/> 13

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28 per cent. to 24 per cent. over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28 per cent. to 27 per cent. was substantially enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly.

## 9. Property, plant and equipment

	<i>Mineral reserves £000</i>	<i>Land and buildings £000</i>	<i>Plant, equipment and vehicles £000</i>	<i>Total £000</i>
<b>Cost</b>				
Acquisitions through business combinations (see note 26)	85,438	23,620	78,204	187,262
Additions	742	660	986	2,388
Disposals	(31)	(1)	(771)	(803)
Balance at 31 December 2009	<u>86,149</u>	<u>24,279</u>	<u>78,419</u>	<u>188,847</u>
<b>Depreciation and impairment</b>				
Depreciation charge for the year	1,851	412	9,105	11,368
Impairments	–	–	297	297
Disposals	–	–	(191)	(191)
Balance at 31 December 2009	<u>1,851</u>	<u>412</u>	<u>9,211</u>	<u>11,474</u>
<b>Net book value</b>				
At 31 December 2009	<u>84,298</u>	<u>23,867</u>	<u>69,208</u>	<u>177,373</u>

The mineral reserves and land and buildings were acquired at fair value, on an existing use value basis, based on an external third party valuation performed by Gerald Eve LLP, Chartered Surveyors, as at 9 March 2009. The directors reconsidered mineral reserves and land and building values at 31 December 2009; no adjustments were made to the valuations arising from their review.

### *Leased plant and machinery*

At 31 December 2009, the net carrying amount of leased plant and machinery was £27,338,000. Depreciation charged on these assets in the period was £4,405,000. Details of finance lease obligations are set out in note 16.

### Depreciation and impairment charge

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

	<i>Depreciation £000</i>	<i>Impairment £000</i>	<i>Total 2009 £000</i>
Cost of sales	10,952	297	11,249
Administration expenses	416	–	416
	<u>11,368</u>	<u>297</u>	<u>11,665</u>

### *Security*

All mineral reserves and land and buildings are pledged as security for bank loans and borrowings with Barclays Bank PLC.

## 10. Intangible assets

	<i>Goodwill</i> <i>£000</i>	<i>Other</i> <i>£000</i>	<i>Total</i> <i>£000</i>
<b><i>Cost</i></b>			
Acquisitions through business combinations (see note 26)	387	1,184	1,571
Balance at 31 December 2009	387	1,184	1,571
<b><i>Amortisation and impairment</i></b>			
Amortisation for the period	–	356	356
Impairment	387	–	387
Balance at 31 December 2009	387	356	743
<b><i>Net book value</i></b>			
<b>At 31 December 2009</b>	–	828	828

Following a review of forecast information, and given the general economic climate, the directors have determined that the goodwill arising on the acquisition of certain trade and assets by Breedon Properties Limited has been fully impaired.

Other intangible assets relate to acquisition intangibles, being the fair value of certain customer lists and contracts acquired as part of the acquisitions detailed in note 26. These intangible assets are being amortised over the anticipated life of the underlying customer list or contract as appropriate.

## 11. Principal group companies

The principal undertakings in which the Group's interest at the period end is more than 20 per cent. are as follows:

	<i>Country of incorporation</i>	<i>Percentage of of ordinary shares held</i>	<i>Principal activity</i>
<b><i>Subsidiary undertakings</i></b>			
<i>Ordinary shares held directly</i>			
Ennstone Johnston Limited	England	100%	Production and sale of aggregates
Ennstone Thistle Limited	Scotland	100%	Production and sale of aggregates
Ennstone Group Services Limited	England	100%	Service company
Breedon Properties Limited	England	100%	Property holding company
<i>Ordinary shares held indirectly</i>			
Alba Traffic Management Limited	Scotland	90%	Traffic management
<b><i>Associated undertakings</i></b>			
<i>Ordinary shares held indirectly</i>			
BEAR Scotland Limited	Scotland	37.5%	Road maintenance contracting



## 12. Investment in associated undertaking

	<i>Investment in associated undertaking £000</i>
<b>Cost</b>	
Acquisitions through business combinations (see note 26)	648
At 31 December 2009	<u>648</u>
<b>Share of post-acquisition reserves</b>	
Share of profit of associated undertaking (net of tax)	952
At 31 December 2009	<u>952</u>
<b>Net book value</b>	
<b>At 31 December 2009</b>	<u>1,600</u>

Summary financial information on associated undertaking – 100%

	<i>Assets £000</i>	<i>Liabilities £000</i>	<i>Equity £000</i>	<i>Revenues £000</i>	<i>Net profit £000</i>
<b>2009</b>					
BEAR Scotland Limited	<u>19,460</u>	<u>(15,193)</u>	<u>4,267</u>	<u>47,847</u>	<u>2,539</u>

## 13. Deferred tax assets and liabilities

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	<i>Assets £000</i>	<i>2009 Liabilities £000</i>	<i>Net £000</i>
Property, plant and equipment	–	(16,651)	(16,651)
Intangible assets	–	(231)	(231)
Financial instruments – derivative	72	–	72
Provisions	2,159	–	2,159
Tax value of loss carry-forwards	<u>3,422</u>	<u>–</u>	<u>3,422</u>
Tax assets/(liabilities)	<u>5,653</u>	<u>(16,882)</u>	<u>(11,229)</u>

In addition, the Group has not recorded a deferred tax asset of £10,000,000, principally in respect of losses not considered to be recoverable in the foreseeable future.

*Movement in deferred tax during the period*

	<i>Acquisitions (see note 26) £000</i>	<i>Recognised in income £000</i>	<i>Recognised in equity £000</i>	<i>31 December 2009 £000</i>
Property, plant and equipment	(16,493)	(158)	–	(16,651)
Intangible assets	(331)	100	–	(231)
Financial instruments – derivative	–	–	72	72
Provisions	2,114	45	–	2,159
Tax value of loss carry-forwards	3,422	–	–	3,422
	<u>(11,288)</u>	<u>(13)</u>	<u>72</u>	<u>(11,229)</u>

**14. Inventories**

	<i>2009 £000</i>
Raw materials and consumables	5,255
Finished goods and goods for resale	1,306
	<u>6,561</u>

Inventories of £70,561,000 were expensed in the period and inventories of £301,000 were written down and expensed in the period.

**15. Trade and other receivables**

	<i>2009 £000</i>
Trade receivables	20,625
Trade receivables due from associated undertaking (see note 24)	1,152
Other receivables and prepayments	2,424
Financial instruments – derivative	208
	<u>24,409</u>

The derivative represents the fair value of interest rate caps.

**16. Interest-bearing loans and borrowings**

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

	<i>2009 £000</i>
<b>Non-current liabilities</b>	
Secured bank loans	106,742
Finance lease liabilities	27,150
	<u>133,892</u>
<b>Current liabilities</b>	
Secured overdrafts	3,606
Current portion of finance lease liabilities	5,938
	<u>9,544</u>

The secured bank loans and overdrafts of the Group are secured on the freehold and leasehold properties and other assets of the Company and its subsidiary undertakings.

#### *Finance lease liabilities*

Finance lease liabilities are payable as follows:

	2009		
	<i>Minimum lease payments £000</i>	<i>Interest £000</i>	<i>Principal £000</i>
Less than one year	8,138	2,200	5,938
Between one and five years	27,176	4,654	22,522
More than five years	4,918	290	4,628
	<u>40,232</u>	<u>7,144</u>	<u>33,088</u>

Finance leases are secured on the underlying asset and are generally for periods of between 3 and 7 years.

#### **17. Trade and other payables**

	2009 £000
Trade payables	11,830
Other payables and accrued expenses	8,716
Other taxation and social security costs	9,951
	<u>30,497</u>

#### **18. Provisions**

	<i>Restoration £000</i>	<i>Other £000</i>	<i>Total £000</i>
Amounts arising from business combinations (see note 26)	3,926	2,659	6,585
Provisions released during the period	(1)	–	(1)
Utilised during the period	(198)	(592)	(790)
Unwinding of discount	140	–	140
<b>At 31 December 2009</b>	<u>3,867</u>	<u>2,067</u>	<u>5,934</u>
Non-current	3,461	1,853	5,314
Current	406	214	620
	<u>3,867</u>	<u>2,067</u>	<u>5,934</u>

Restoration provisions principally comprise provisions for the cost of restoring sites subject to extraction where an obligation arises so as to comply with contractual, environmental, planning and other legislation. The obligation has been discounted and will be settled through to the end of the production lives of the related quarries.

Other provisions comprise provisions for continued obligations for dilapidations, health and safety, environmental requirements and warranty costs. These obligations will be settled within the normal operating cycle.

## 19. Capital and reserves

### *Share capital*

	2009 £
<b>Authorised:</b>	
10,000 A ordinary shares of 1p each	100
36,526 B ordinary shares of 1p each	365
6,064 C1 ordinary shares of 1p each	61
7,205 C2 ordinary shares of 1p each	72
7,205 C3 ordinary shares of 1p each	72
33,000 D ordinary shares of 1p each	330
	<hr/> 1,000 <hr/>
<b>Allotted, called up and fully paid:</b>	
1 A ordinary shares of 1p	-
36,526 B ordinary shares of 1p each	365
6,064 C1 ordinary shares of 1p each	61
7,205 C2 ordinary shares of 1p each	72
7,205 C3 ordinary shares of 1p each	72
28,070 D ordinary shares of 1p each	281
	<hr/> 851 <hr/>

The company was incorporated on 15 December 2008 with an authorised share capital of 100 ordinary shares of £1 each of which 1 ordinary share of £1 each was allotted, called up and fully paid in cash.

On 28 January 2009, the authorised share capital was increased to £1,000 by the creation of 90,000 new ordinary shares of 1p each and the subdivision of the then existing authorised share capital into 10,000 ordinary shares of 1p each. On the same date, the allotted, called up and fully paid ordinary share of £1 was subdivided into 100 ordinary shares of 1p each.

On 9 March 2009, the authorised share capital was reclassified into 10,000 A ordinary shares of 1p each, 36,526 B ordinary shares of 1p each, 6,064 C1 ordinary shares of 1p each, 7,205 C2 ordinary shares of 1p each, 7,205 C3 ordinary shares of 1p each and 33,000 D ordinary shares of 1p each. On the same date, the existing 100 allotted, called up and fully paid ordinary shares of 1p each were reclassified into 1 A ordinary shares of 1p and 99 B ordinary shares of 1p each.

Also on 9 March 2009, 36,427 B ordinary shares of 1p each, 6,064 C1 ordinary shares of 1p each, 7,205 C2 ordinary shares of 1p each, 7,205 C3 ordinary shares of 1p each and 28,070 D ordinary shares of 1p each were issued at par for a total each consideration of £850.

### *Cash flow hedging reserve*

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

## 20. Employee benefits

### *Pension plans*

The Breedon Group operates a defined contributions pension scheme.

The pension charge represents contributions payable to The Ennstone Group Pension Scheme of £705,000. Contributions outstanding at 31 December 2009 amounting to £121,000 are included in payables.

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

## 21. Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

### *Credit risk*

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

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

### *Exposure to credit risk*

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

	<i>Carrying amount 2009 £000</i>
Receivables	24,201
Derivative financial instruments	208
Cash and cash equivalents	859
	<hr/> 25,268 <hr/>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region, being reportable segments, was:

	<i>Carrying amount 2009 £000</i>
England	10,618
Scotland	10,007
	<u>20,625</u>

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

The ageing of trade receivables at the reporting date was:

	<i>Gross 2009 £000</i>	<i>Impairment 2009 £000</i>
Not past due	17,116	-
Past due 0-30 days	1,898	-
Past due 31-60 days	543	18
Past due more than 60 days	2,342	1,256
	<u>21,899</u>	<u>1,274</u>

### ***Liquidity risk***

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

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

### **31 December 2009**

	<i>Carrying amount £000</i>	<i>Contractual cash flows £000</i>	<i>Within one year £000</i>	<i>1-5 years £000</i>	<i>More than 5 years £000</i>
<b>Non-derivative financial liabilities</b>					
UK secured bank loans	106,742	130,476	3,068	127,408	-
Finance lease liabilities	33,088	40,232	8,138	27,176	4,918
Other liabilities	20,546	20,546	20,546	-	-
UK secured overdrafts	3,606	3,606	3,606	-	-
	<u>163,982</u>	<u>194,860</u>	<u>35,358</u>	<u>154,584</u>	<u>4,918</u>

The capital element of the UK secured bank loans are part repayable in March 2012 and part repayable in March 2013.



### **Market risk**

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

### **Interest rate risk**

The Group currently borrows at floating and fixed interest rates. The Group uses an interest rate cap to manage its exposure to changes in floating interest rates. This cap matures in line with the related loan in March 2012 and has capped interest rates of 4 per cent. (excluding margin). At 31 December 2009, the Group had an interest rate cap with a notional contract amount of £40,000,000.

The Group classifies interest rate caps as cash flow hedges and states them at fair value. The fair value of the cap at 31 December 2009 was an asset of £208,000. This amount was recognised as a fair value derivative and the effective portion of the fair value is recognised in the cash flow hedge reserve.

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

Carrying amount

	2009 £000
<b>Fixed rate instruments</b>	
Financial liabilities	(33,088)
<b>Variable rate instruments</b>	
Financial liabilities*	(110,348)
Financial assets	859
	<hr/> (142,577) <hr/>

\* Variable rate financial liabilities include £40,000,000 of notional debt subject to an interest rate cap (see above).

### **Fair value sensitivity analysis for fixed rate instruments**

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

### **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/decreased equity and income and expenditure by £1,103,000. This analysis assumes that all other variables remain constant.

### **Fair values versus carrying amounts**

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

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

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

	2009			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Derivative financial asset	–	208	–	208

At 31 December 2009, the Group did not have any liabilities classified at Level 1 or Level 3 in the fair value hierarchy. There have been no transfers in any direction in the year.

### **Capital management**

The Board's policy is to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group is financed wholly through debt, as such the Board closely monitors covenant compliance, including the key covenant measure of EBITDA.

## **22. Operating leases**

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

	2009	
	<i>Land and buildings</i>	<i>Other</i>
	<i>£000</i>	<i>£000</i>
Less than one year	–	67
Between one and five years	344	53
More than five years	8,698	–
	<u>9,042</u>	<u>120</u>

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

## **23. Capital commitments**

During the year ended 31 December 2009, the Group entered into contracts to purchase property, plant and equipment for £460,000. These commitments are expected to be settled in the following financial year.

## **24. Related parties**

During the period, the Group supplied services and materials to, and purchased services and materials from, its associated undertaking on an arm's length basis. It had the following transactions with this related party during the period:

	Revenue	Purchases	Receivables	Payables
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
BEAR Scotland Limited	<u>6,056</u>	<u>35</u>	<u>1,152</u>	<u>–</u>

Certain of the Company's major shareholders provide a UK syndicated banking facility to the Group on an arm's length basis. During the period it had the following transactions with these related parties.

	<i>Interest</i>	<i>Fees and charges</i>	<i>Receivables</i>	<i>Current payables</i>	<i>Current interest bearing loans and borrowings</i>	<i>Non-current interest bearing loans and borrowings</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Barclays Bank PLC and others	<u>9,019</u>	<u>428</u>	<u>639</u>	<u>(400)</u>	<u>(3,606)</u>	<u>(106,742)</u>

During the period the Group contracted with MPC Partners LLP and Stephen R Smith Associates Limited for the provision of the services of Mr JEP Cooper and Mr SR Smith respectively as directors of the Company. Fees payable in respect of these services are included within note 5, Remuneration of key management.

Following the acquisition of Ennstone Johnston Limited, the Group made a payment of £3,000,000, which was included in payables at acquisition, to the Trustees of the Johnston Management Holdings Pension and Life Assurance Scheme (“the scheme”). The Trustees of the scheme are a major shareholder in the Company. As a result of this payment no member of the Group and, in particular, Ennstone Johnston Limited, has any further liability for the deficit of the scheme.

## 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 £682,000.

On 30 September 2009, the Group entered into a guarantee for its share of the banking facilities of BEAR Scotland Limited, the Company’s associated undertaking. The maximum liability at 31 December 2009 amounted to £1,837,500.

The Group has also guaranteed the performance of BEAR Scotland’s contracts in respect of the maintenance of trunk roads in the NE and SE of Scotland and in respect of the M80 Operating and Maintenance contract.

At the date of the acquisition of the businesses set out in note 26 none of the above contingent liabilities had a material fair value.

## 26. Acquisitions

On 26 February 2009, the Company subscribed for one ordinary share of £1 at par in the share capital of Breedon Properties Limited.

On 9 March 2009, the Group acquired the entire issued share capital of Ennstone Thistle Limited, Ennstone Johnston Limited and Ennstone Group Services Limited, together with certain trade and assets from Ennstone plc (in liquidation). These transactions have been accounted for as business combinations. A summary of these acquisitions is as follows:

	<i>Consideration</i> £000	<i>Goodwill</i> <i>arising</i> £000	<i>Gain on</i> <i>bargain</i> <i>Purchase</i> £000
<i>Acquisition of shares</i>			
Ennstone Thistle Limited	64,930	–	(3,953)
Ennstone Johnston Limited	34,578	–	(25,896)
Ennstone Group Services Limited	1,612	–	(105)
<i>Acquisition of trade and assets</i>			
Certain trade and assets of Ennstone plc (in liquidation)	8,441	387	–
	<u>109,561</u>	<u>387</u>	<u>(29,954)</u>
Cash acquired	<u>2,217</u>		
Net cash consideration	<u>107,344</u>		

The businesses summarised above were acquired from the administrators of Ennstone plc following a competitive disposal process. In respect of the acquisition of shares, the fair value of the assets and liabilities acquired, calculated in accordance with accounting standards (see note 1 for the accounting policies applied), was in excess of the fair value of the consideration paid, generating a gain on bargain purchase.

Subsequent to the acquisition date, all of the trading results of the Group are attributable to the above acquisitions; these results are set out in note 2, segmental analysis, with Ennstone Thistle Limited being the Scotland reportable segment and Ennstone Johnston Limited being the England reportable segment. If these acquisitions had occurred on 1 January 2009, the results of the Group would have shown revenue of £135,427,000 and profit for the year of £18,247,000.

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

***Ennstone Thistle Limited***

	<i>Book value</i>	<i>Fair value</i>	<i>Fair value on</i>
	<i>£000</i>	<i>adjustments</i>	<i>Acquisition</i>
		<i>£000</i>	<i>£000</i>
Mineral reserves	19,613	21,009	40,622
Land and building	7,226	1,767	8,993
Plant and equipment	39,552	(1,293)	38,259
Intangibles – goodwill	7,302	(7,302)	–
Intangibles – other	–	1,093	1,093
Investment in associates	135	513	648
Inventories	4,874	15	4,889
Trade and other receivables	13,801	(414)	13,387
Cash	4,380	–	4,380
Trade and other current liabilities	(18,702)	–	(18,702)
Other interest bearing loans – current liabilities	(5,571)	–	(5,571)
Other interest bearing loans – non-current liabilities	(8,798)	–	(8,798)
Provisions:			
Restoration	(2,362)	107	(2,255)
Other	–	(307)	(307)
Deferred tax liabilities	(3,000)	(4,699)	(7,699)
Minority interests	(56)	–	(56)
Total	<u>58,394</u>	<u>10,489</u>	<u>68,883</u>
Consideration:			
Cash		64,434	
Expenses		<u>496</u>	
Total			<u>64,930</u>
			<u>(3,953)</u>

The fair value adjustments comprise:

- the revaluation of certain minerals and land and buildings to reflect fair value at the date of acquisition;
- the impairment of certain minerals, land and buildings and plant and machinery to reflect its fair value at the date of acquisition;
- adjustments to reflect the fair value of intangibles acquired;
- adjustment to reflect the fair value of the investment in associates;
- adjustments to inventories to reflect fair value/net realisable value;
- adjustments to trade and other receivables to reflect recoverable amounts;

- adjustments to provisions to reflect restoration costs to comply with environmental, planning and other legislation and to make provision for levy cost in respect of sites no longer being utilised;
- adjustments to deferred tax balances.

***Ennstone Johnston Limited***

	<i>Book value</i>	<i>Fair value</i>	<i>Fair value on</i>
	<i>£000</i>	<i>adjustments</i>	<i>acquisition</i>
		<i>£000</i>	<i>£000</i>
Mineral reserves	35,888	8,928	44,816
Land and building	11,419	(6,261)	5,158
Plant and equipment	42,113	(2,376)	39,737
Intangibles – goodwill	13,995	(13,995)	-
Intangibles – other	-	91	91
Inventories	6,152	(2,450)	3,702
Trade and other receivables	16,708	(1,389)	15,319
Cash	(3,584)	-	(3,584)
Trade and other current liabilities	(12,768)	(4,618)	(17,386)
Current tax payable	(257)	52	(205)
Other interest bearing loans – current liabilities	(5,131)	-	(5,131)
Other interest bearing loans – non-current liabilities	(14,431)	-	(14,431)
Provisions:			
Restoration	(906)	(765)	(1,671)
Other	(2,791)	439	(2,352)
Deferred tax liabilities	(3,540)	(49)	(3,589)
Total	<u>82,867</u>	<u>(22,393)</u>	<u>60,474</u>
Consideration:			
Cash		34,226	
Expenses		<u>352</u>	
Total			<u>34,578</u>
			<u>(25,896)</u>

The fair value adjustments comprise:

- the revaluation of certain minerals and land and buildings to reflect fair value at the date of acquisition;
- the impairment of certain minerals, land and buildings and plant and machinery to reflect its fair value at the date of acquisition;
- adjustments to reflect the fair value of intangibles acquired;
- adjustments to inventories to reflect fair value/net realisable value;
- adjustments to trade and other receivables to reflect recoverable amounts;
- adjustments to trade and other current liabilities to reflect contractual liabilities including a historic pension liability;
- adjustments to provisions to reflect restoration costs to comply with environmental, planning and other legislation;
- adjustments to deferred tax balances.

***Ennstone Group Services Limited***

	<i>Book value £000</i>	<i>Fair value adjustments £000</i>	<i>Fair value on acquisition £000</i>
Trade and other receivables	4,104	–	4,104
Cash	1,421	–	1,421
Trade and other current liabilities	(3,808)	–	(3,808)
Total	<u>1,717</u>	<u>–</u>	<u>1,717</u>
Consideration:			
Cash		1,600	
Expenses		<u>12</u>	
Total			<u>1,612</u>
			<u>(105)</u>

***Certain trade and assets from Ennstone plc (in liquidation)***

	<i>Book value £000</i>	<i>Fair value adjustments £000</i>	<i>Fair value on acquisition £000</i>
Land and building	7,151	2,318	9,469
Plant and equipment	230	(22)	208
Trade and other receivables	1,060	(387)	673
Trade and other current liabilities	–	(665)	(665)
Other interest bearing loans – current liabilities	–	(56)	(56)
Other payables – non-current liabilities	–	(1,575)	(1,575)
Total	<u>8,441</u>	<u>(387)</u>	<u>8,054</u>
Consideration:			
Cash		8,166	
Expenses		<u>275</u>	
Total			<u>8,441</u>
			<u>387</u>

The fair value adjustments comprise:

- the revaluation of certain land and buildings to reflect fair value at the date of acquisition;
- the impairment of certain land and buildings and plant and machinery to reflect its fair value at the date of acquisition;
- adjustments to trade and other receivables to reflect recoverable amounts;
- adjustments to trade and other current liabilities to reflect contractual liabilities;
- adjustments to other interest bearing loans – current liabilities to reflect contractual liabilities.

**27. Accounting estimates and judgements**

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

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

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

***Impairment of goodwill and other non-current assets***

Determining whether goodwill and other non-current assets are impaired requires an estimation of the future cash flows expected to arise from the cash-generating unit to which the goodwill or non-current asset is attached.

***Minerals***

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

***Fair values of assets on business combinations***

In determining the fair valuation of assets acquired under business combinations, including the valuation of other intangibles, a number of estimates are made. These include the market value of minerals, property, plant and equipment, associated liabilities for contractual restoration provisions and the valuation of intangible assets, including customer lists and contracts.

***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.

***Deferred taxation***

Deferred taxation has been estimated using the best information available, including seeking the opinion of independent experts where applicable (note 13).



**SECTION B: ACCOUNTANTS' REPORT ON BREEDON AND ITS SUBSIDIARY UNDERTAKINGS  
(EXCLUDING ITS POLISH OPERATIONS)**



KPMG Audit Plc  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

The Directors  
Marwyn Materials Limited  
Elizabeth House  
9 Castle Street  
St Helier  
Jersey JE2 3RT

17 August 2010

Dear Sirs

**Breedon Holdings Limited**

We report on the financial information relating Breedon Holdings Limited set out in Section A of this Part V. This financial information has been prepared for inclusion in the AIM Admission Document dated 17 August 2010 of Marwyn Materials Limited (the 'Company') on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by paragraph (a) of Schedule two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 17 August 2010, a true and fair view of the state of affairs of Breedon Holdings Limited as at the date stated and of its profits, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 1.

**Declaration**

For the purposes of paragraph (a) of Schedule two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule two of the AIM Rules for Companies.

Yours faithfully

**KPMG Audit Plc**

## PART VI

### UNAUDITED PRO FORMA NET ASSET STATEMENT FOR THE ENLARGED GROUP

Set out below is the unaudited pro-forma statement of net assets of the Enlarged Group as at 31 December 2009.

The proforma net asset statement has been prepared for the purpose of illustrating the effect of the Acquisition and Placing on Marwyn Material's net assets as if it had taken place on 31 December 2009.

This statement has been prepared on the basis set out in the notes below for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.

The proforma financial information is presented as at 31 December 2009 which has been chosen as the most recent date for which financial information is disclosed in this document.

	<i>Acquisition adjustments</i>				
	<i>Consolidated</i>	<i>net assets</i>			
	<i>net assets of</i>	<i>of Breedon</i>			<i>Pro forma</i>
	<i>Marwyn</i>	<i>Holdings</i>			<i>net assets</i>
	<i>Materials at</i>	<i>at</i>	<i>Acquisition</i>	<i>Financing</i>	<i>of the</i>
	<i>31 December</i>	<i>31 December</i>	<i>Agreements</i>	<i>adjustments<sup>(4)</sup></i>	<i>Enlarged</i>
	<i>2009<sup>(1)</sup></i>	<i>2009<sup>(2)</sup></i>	<i>adjustments<sup>(3)</sup></i>		<i>Group</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>NON CURRENT ASSETS</b>					
Intangible assets	–	828	–	–	828
Property, plant and equipment	–	177,373	–	–	177,373
Investments in associated undertakings	–	1,600	–	–	1,600
	<u>–</u>	<u>179,801</u>	<u>–</u>	<u>–</u>	<u>179,801</u>
<b>CURRENT ASSETS</b>					
Inventories	–	6,561	–	–	6,561
Trade and other receivables	11	24,409	–	–	24,420
Cash and cash equivalents	11,866	859	–	(8,000)	4,725
	<u>11,877</u>	<u>31,829</u>	<u>–</u>	<u>(8,000)</u>	<u>35,706</u>
<b>TOTAL ASSETS</b>	<u>11,877</u>	<u>211,630</u>	<u>–</u>	<u>(8,000)</u>	<u>215,507</u>
<b>CURRENT LIABILITIES</b>					
Interest-bearing loans and borrowings	–	(9,544)	–	–	(9,544)
Trade and other payables	(180)	(30,497)	–	–	(30,677)
Provisions	–	(620)	–	–	(620)
	<u>(180)</u>	<u>(40,661)</u>	<u>–</u>	<u>–</u>	<u>(40,841)</u>
<b>NON CURRENT LIABILITIES</b>					
Interest-bearing loans and borrowings	–	(133,892)	(4,851)	50,000	(88,743)
Provisions	–	(5,314)	–	–	(5,314)
Deferred tax liabilities	(4)	(11,229)	–	–	(11,233)
	<u>(4)</u>	<u>(150,435)</u>	<u>(4,851)</u>	<u>50,000</u>	<u>(105,290)</u>
<b>TOTAL LIABILITIES</b>	<u>(184)</u>	<u>(191,096)</u>	<u>(4,851)</u>	<u>50,000</u>	<u>(146,131)</u>
<b>NET ASSETS/(LIABILITIES)</b>	<u>11,693</u>	<u>20,534</u>	<u>(4,851)</u>	<u>42,000</u>	<u>69,376</u>

## Notes

- (1) The net assets of the Company, registered in Jersey, have been extracted without adjustment from its audited accounts as at 31 December 2009.
- (2) The net assets of Breedon as at 31 December 2009 which excludes the Polish business of Ennstone Sp. z o.o. and its UK holding company, Enneurope, have been extracted without material adjustment from the financial information contained in Section A of Part V (Historical Financial Information of Breedon) of this document.
- (3) As set out in paragraph 15.2.6 of Part VII (Additional Information) of this document, the Enlarged Group will have a Put and Call Option giving Enneurope Holdings the right to sell Enneurope back to Breedon for a consideration of £5.5 million. This will be accounted for as a financial liability with an 'available for sale financial asset' also being recognised at the fair value of the underlying Polish business. This is not reflected as an adjustment to net assets, given that the assets and liabilities are assumed to be of equal value. Other Acquisition Agreements adjustments represents:
  - (i) The write off of payment-in-kind interest accrued (being £5,796,000 at 31 December 2009 with subsequent accrued interest) on interest bearing borrowings provided by the Vendors as agreed in the Main SPA.
  - (ii) The reallocation of £16,147,000 of interest bearing borrowings to the UK group of Breedon, previously allocated to the Polish business, less proceeds on disposal of Enneurope and the Polish business for £5.5 million.
- (4) The adjustments relate to the Placing, assuming full subscription as follows:
  - (i) The Placing of Ordinary Shares at a price of 12.0 pence results in gross proceeds of £50 million. An adjustment to interest-bearing loans and borrowings of £50 million to reflect the use of the Placing proceeds and existing cash of the Company to pay down £50 million of bank debt;
  - (ii) An adjustment to cash to reflect the cash expenses of the Placing and Acquisition estimated by the Directors at £5.75 million;
  - (iii) An adjustment to cash to reflect the payment to the Trustees selling shares in Breedon of £2.25 million, all settled in cash;
  - (iv) A fair value exercise has not been undertaken in relation to intangible fixed assets acquired, other assets acquired and liabilities assumed. Should the fair value of the assets acquired and liabilities assumed in Breedon Holdings Limited be more than the consideration paid, a gain on bargain purchase will be recognised immediately in profit or loss. Acquisition costs have been taken directly to the income statement in accordance with IFRS 3(R).
- (5) The unaudited proforma statement of net assets does not reflect any changes in the trading performance of the Company or other changes arising from transactions since 31 December 2009, other than those disclosed in the above notes, or of the Breedon Group since 31 December 2009.

## **PART VII**

### **ADDITIONAL INFORMATION**

#### **1. Responsibility statement**

The Directors, whose names are set out on page 5 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **2. Incorporation and status of the Company**

- 2.1 The Company was incorporated as a public company with limited liability in Jersey on 15 August 2007 with registered number 98465 under the name of Gracechurch Street Capital Limited. The Company changed its name by special resolution on 4 June 2008 to Marwyn Materials Limited.
- 2.2 The principal legislation under which the Company operates and under which the Placing Shares will be issued is the Jersey Companies Law and the regulations made thereunder.
- 2.3 The registered office and principal place of business of the Company is Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT.
- 2.4 The liability of the members of the Company is limited. The Company has an unlimited life.
- 2.5 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies, is [www.marwynmaterials.com](http://www.marwynmaterials.com).
- 2.6 The Company is classified as an unregulated exchange-listed fund in Jersey. Subject to approval of the Acquisition by the Shareholders, the Company will no longer be classified as an unregulated exchange-listed fund.

#### **3. Share capital of the Company**

- 3.1 At the date of incorporation and at the date of this document, the authorised share capital of the Company was unlimited. Each of the Ordinary Shares is a share having no par value. All Ordinary Shares rank pari passu and no Shareholder enjoys different or enhanced voting rights from any other Shareholder. The Placing Shares will rank in full for all dividends and other distributions made, paid, or declared after First Admission or Second Admission (as appropriate), and otherwise pari passu with all Existing Ordinary Shares.
- 3.2 On incorporation, two Ordinary Shares were issued to the subscribers to the Memorandum. Each subscriber received one Ordinary Share.
- 3.3 On 30 May 2008, following a transfer from each of the subscribers to the Memorandum, one Ordinary Share was transferred to Mark Watts and one Ordinary Share was transferred to James Corsellis for the consideration of £1.00 each per Ordinary Share. Immediately following this transfer, the Company's issued share capital was two fully paid Ordinary Shares and the authorised share capital was unlimited.
- 3.4 On 12 June 2008, the entire issued share capital of the Company was admitted to trading on AIM and a subscription for 135,999,998 Ordinary Shares was made at a price of 10 pence per share. Immediately after this date, the Company's issued share capital was 136,000,000 Ordinary Shares.
- 3.5 By written resolution of the shareholders of the Company passed on 5 June 2008 it was resolved (amongst other things):

3.5.1 that the Directors be authorised to allot:

- (i) up to 135,999,998 equity securities (as defined in the Articles) to be issued in connection with Original Admission as if the rights of pre-emption contained in the Articles did not apply;
- (ii) equity securities up to an aggregate nominal amount equal to 20 per cent. by number of equity securities of the Company's fully diluted share capital from time to time for the purposes of purchasing Participation Shares as if the rights of pre-emption contained in the Articles did not apply;
- (iii) equity securities in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or as regards shares held by any approved depositary or otherwise howsoever) as if the rights of pre-emption contained in the Articles did not apply; and
- (iv) otherwise than pursuant to paragraphs (i) to (iii) above, to allot equity securities up to an aggregate amount of 6,800,000 equity securities as if the rights of pre-emption contained in the Articles did not apply,

during the period commencing on 5 June 2008 and expiring on the fifth anniversary of the passing of the resolution; and

3.5.2 that the Directors be authorised to exercise all the powers of the Company to allot relevant securities (as defined in the Articles):

- (i) of up to an aggregate amount of 135,999,998 relevant securities to be issued in connection with the Original Admission;
- (ii) of up to an aggregate amount equal to 20 per cent. by number of equity securities of the Company's fully diluted share capital to be issued in connection with the purchase of Participation Shares; and
- (iii) otherwise than pursuant to paragraphs (i) and (ii) above up to an aggregate amount of 45,333,334 relevant securities,

during the period commencing on 5 June 2008 and expiring on the fifth anniversary of the passing of the resolution.

3.6 In addition, a special resolution was passed on 28 April 2009 to allow the Company to make purchases of its own securities up to a maximum aggregate number of Ordinary Shares equal to 14.99 per cent. of its issued share capital in issue as at the date immediately following the special resolution. The minimum price which may be paid for an Ordinary Share is £0.01 and the maximum price is an amount equal to 105 per cent. of the average of the middle market quotations for the Ordinary Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such Ordinary Share is contracted to be purchased. The authority to purchase Ordinary Shares expires 18 months from 28 April 2009. The Company may hold up to 10 per cent. of the average number of Ordinary Shares in issue at any one time in treasury.

- 3.7 If the Resolutions are passed, the Directors will be authorised generally and unconditionally to allot:
- 3.7.1 up to an aggregate amount of 416,666,667 Ordinary Shares to be issued in connection with the Placing at a price of 12.0 pence each;
  - 3.7.2 warrants to subscribe for 55,266,667 Ordinary Shares at an exercise price of 12.0 pence per share;
  - 3.7.3 equity securities up to an aggregate nominal amount equal to 20 per cent. by number of equity securities of the Company's fully diluted share capital from time to time for the purposes of purchasing Participation Shares;
  - 3.7.4 equity securities in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or as regards shares held by any approved depositary or otherwise howsoever); and
  - 3.7.5 otherwise than pursuant to paragraphs 3.7.3 to 3.7.4 above, equity securities up to an aggregate amount of 31,969,000 equity securities,
- in each case as if the rights of pre-emption contained in the Articles did not apply.
- 3.8 Jersey law does not include statutory rights of pre-emption on the issue of new shares. The Company has therefore voluntarily adopted pre-emption provisions in the Articles (which are further described in paragraph 4.3.8 of this Part VII).
- 3.9 Save as described in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible or redeemable securities issued by the Company.
- 3.10 There are no shares in the Company which are held by, or on behalf of, the Company or any other member of the Group.
- 3.11 Subject to the exceptions set out in paragraph 4.3.9 of this Part VII, Ordinary Shares are freely transferable and Shareholders are entitled to participate (in accordance with their rights specified in the Articles) in the assets of the Company, proportional to their ownership of Ordinary Shares, in a winding up of the Company or a winding up of the business of the Company.
- 3.12 Save as disclosed in this paragraph 3 or in connection with the Placing and the issue of the Warrants pursuant to the terms of the Warrant Instrument, since the date of its incorporation, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, either for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of all capital and no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.13 The ISIN for the Ordinary Shares is JE00B2419D89.
- 3.14 With effect immediately upon First Admission, and pursuant to the authority given by the Resolutions, 12,500,000 Ordinary Shares will be allotted at the Placing Price pursuant to the VCT Placing. With effect immediately upon Second Admission and pursuant to the authority given by the Resolutions, 404,166,667 Ordinary Shares will be allotted at the Placing Price. In total, 416,666,667 Ordinary Shares are being issued pursuant to the Placing at a price of 12.0 pence per Ordinary Share. In



addition, 1,000,000 shares are being issued to the Executives pursuant to the bonus arrangements set out in paragraph 8.1.4 of this Part VII. No expenses are being charged to any subscriber or purchaser.

- 3.15 The Company's issued share capital, at the date of this document and as it is expected to be immediately following Admission, is as follows:

	<i>At the date of this document</i>	<i>Following Admission</i>
	<i>Number of</i>	<i>Number of</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
Issued and fully paid	136,000,000	553,666,667 <sup>3</sup>

- 3.16 Application will be made for the Ordinary Shares to be admitted to trading on AIM.
- 3.17 With effect from Admission, all of the Ordinary Shares will be in registered form and, subject to the Ordinary Shares being admitted to and accordingly enabled for settlement in CREST, the Ordinary Shares will be capable of being held in uncertificated form. No temporary documents of title will be issued.
- 3.18 Save in connection with the Placing, the issue of the Warrants and any future employee shares schemes, there is no present intention to issue any share or loan capital in the Company following Admission.
- 3.19 No shares in the capital of the Company are under option or have been agreed, conditionally or unconditionally, to be put under option.

#### **4. Summary of the Memorandum and the Articles**

- 4.1 Copies of the Memorandum and the Articles are available on written request to the Company Secretary of the Company. Persons seeking a detailed explanation of any provisions of Jersey law or the difference between it and the laws of England and Wales, or any other jurisdiction with which they may be more familiar, should seek specific legal advice.

##### **4.2 Memorandum of Association**

The Memorandum does not restrict the activities of the Company and thus the Company has unlimited legal capacity.

##### **4.3 Articles of Association**

The Articles contain provisions, amongst other things, to the following effect:

###### **4.3.1 Annual general meetings**

Subject to the provisions of the Jersey Companies Law, annual general meetings shall be held at such time and place as the Board may determine. An annual general meeting shall be convened by not less than 14 clear days' notice in writing or on shorter notice if so agreed by all of the members entitled to attend and vote at the meeting.

###### **4.3.2 Extraordinary general meetings**

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by Article 89 of the Jersey Companies Law. In summary, Article 89 of the Jersey Companies Law provides that on a requisition of members of a company who together hold not less than one-tenth of the total voting rights of the members of that company who have the right to vote at the meeting requisitioned, the directors of that company are required forthwith to call an extraordinary general meeting and, if the directors fail to do so, the requisitionists themselves can call such general meeting. At any

<sup>3</sup> Warrants will be issued at Admission to subscribe for 55,266,667 Ordinary Shares. This figure assumes that no Warrants have been exercised at Admission.

meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. Extraordinary general meetings including, without limitation, any extraordinary general meeting called for the passing of a special resolution, shall be convened by not less than 14 clear days' notice in writing. An extraordinary general meeting may be held on shorter notice if so agreed by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. of the total voting rights of the members who have that right. If at any time there are not in Jersey sufficient directors capable of acting to form a quorum, the Directors in Jersey capable of acting, or if there are no Directors capable and willing so to act, any two members of the Company (provided that such members are not present in the United Kingdom at the relevant time), may convene an extraordinary general meeting in the same manner or as nearly as possible as that in which meetings may be convened by the Directors.

#### 4.3.3 *Meetings generally*

- (i) In the case of both an annual general meeting and an extraordinary general meeting, the notice must specify whether the meeting is an annual general meeting or an extraordinary general meeting, the place, day and time of the meeting, the general nature of the business (if special business is to be transacted) and the intention to propose a special resolution if that be the case, and with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf and that a proxy need not also be a member.
- (ii) The notice must be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company) all persons entitled to a share in consequence of death or bankruptcy of a member, the Board and the auditors of the Company. No other person shall be entitled to receive notices of general meetings.
- (iii) The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place therefore. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:
  - (A) direct that the meeting shall be held at a place specified in the notice at which the Chairman of the meeting shall preside (the “**Principal Place**”); and
  - (B) make arrangements for simultaneous attendance and participation at other places by members otherwise entitled to attend the general meeting but excluded there from under these provisions or who wish to attend at any of such other places, provided that persons attending at the Principal Place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the Principal Place and at such other places, by any means.
- (iv) Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any such excluded members as aforesaid are able to attend at one of such other places. Any such meeting shall be treated as being held and taking place at the Principal Place.
- (v) The Board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or such other security

arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse admission to any person who fails to provide such evidence of identity or fails to submit to such searches or to otherwise comply with such security arrangements or restrictions. The Board shall be entitled, in their absolute discretion, to eject from that meeting any person who cause the proceedings to be disorderly.

#### 4.3.4 *Voting rights*

Subject to any special rights or restrictions as to voting attached to shares on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy or (in the case of a corporate member) by a duly authorised representative shall have one vote for every share of which he is the holder. If a member has been duly served by the Company with a notice requiring disclosure of the identity of any other persons interested in his shares under Article 36 of the Articles (as to which, see paragraph 4.3.18 below) and fails to supply the Company with the information thereby required within a period of five days from the date of service of such notice or within such longer period as the Directors may determine, in certain circumstances he may not be entitled to attend or vote at a general meeting either personally or by proxy or by representative or to receive any dividend or to transfer or agree to transfer any shares or any rights therein.

#### 4.3.5 *Variation of rights and changes of capital*

- (i) If at any time the capital of the Company is divided into different classes of shares the special rights attached to any share or class of shares may (and notwithstanding that the Company may be or be about to be in liquidation), subject to the provisions of the Jersey Companies Law, be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of such provision, either with the consent in writing of the holders of not less than two-thirds in number of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise. To every such separate meeting, the provisions of the Articles relating to general meetings of the holders of any class of shares of the Company shall apply with the necessary modifications except that the necessary quorum shall be not less than two persons holding or representing by proxy at least one-third in number of the issued shares of that class.
- (ii) The Company may by special resolution amend its Memorandum of Association to increase or reduce the number of shares that it is authorised to issue, to consolidate all or any of its shares (whether issued or not) into fewer shares or to divide all or any of its shares (whether issued or not) into more shares.
- (iii) The Company may by special resolution reduce any of its capital accounts in any way. The Company may, subject to the provisions of the Jersey Companies Law and to any rights for the time being attached to any shares, purchase any of its own shares (including any redeemable shares).

4.3.6 In general, the Board has the power to allot, grant options over, offer or otherwise deal with or dispose of shares (or rights to subscribe for or convert any securities into shares) in the unissued share capital of the Company, provided that no share be issued at a discount.

4.3.7 The Board may not exercise the power referred to in 4.3.6 above in relation to relevant securities unless the Board is authorised to do so by the Company in general meeting. Such authority may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions. The authority must state the maximum amount of relevant securities that may be allotted under it and the date on which the authority will expire, which must be not more than five years from the date on which the resolution is passed by virtue of which the authority is given, but such authority may be previously revoked or

varied by the Company in general meeting. Unlike the statutory restrictions under English law, the directors of a Jersey company have no limitation on the number, price or type of shares in the share capital of the company that they can issue in their sole discretion and the purpose of these provisions of the Articles is to provide similar provisions in favour of members.

- 4.3.8 Subject to the provisions of the Articles, if the Company proposes to allot equity securities (defined in the Articles as relevant shares in the Company (other than shares shown in the Memorandum to have been taken by a subscriber to the Memorandum or a bonus share), or a right to subscribe to, or to convert securities into, relevant shares) then the Company: (i) shall not allot any of them on any terms to a person unless it has made an offer to each member who holds relevant shares or relevant employee shares to allot to him on the same or more favourable terms a proportion of those securities which is as nearly as practicable equal to the proportion in number held by him of the aggregate of relevant shares and relevant employee shares; and (ii) shall not allot any of those securities to a person unless the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made. These rights in favour of members are called pre-emption rights. The Company may by special resolution disapply such pre-emption rights, in which case such equity securities may be allotted as if members did not have such pre-emption rights. The Jersey Companies Law does not include an equivalent to the statutory pre-emption rights on the issue of new shares prescribed under English law under sections 561 to 563 of the UK Companies Act 2006 and the purpose of these provisions of the Articles is to provide similar provisions in favour of members (although, under English law, a special resolution would require a three-fourths majority vote, whereas under Jersey law a special resolution requires a two-thirds majority vote).

#### 4.3.9 *Transfer of shares*

Subject to any restrictions contained in the Articles, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor (and in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share unless, amongst other things: (i) it is duly stamped (if required) and deposited at the registered office of the Company accompanied by the certificate for the shares and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and (ii) the instrument of transfer is in respect of only one class of shares, which are fully paid up and over which the Company has no lien and is in favour of a single transferee or not more than four joint transferees. If the Board refuses to register any transfer of shares, they shall send to the transferee notice of such refusal within two months after the date on which the transfer was lodged with the Company.

#### 4.3.10 *Dividends and distributions of assets on a winding up*

The profits of the Company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and interests. The Company may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Board. No dividends shall be payable otherwise than in accordance with the Jersey Companies Law. If the Company should be wound up, the Directors or the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide amongst the members in specie the whole or any part of the assets of the Company and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division should be carried out as between the members or different classes of members. There are no fixed dates on which entitlement to dividends arises.

#### 4.3.11 *Unclaimed, retention and waiver of dividends*

No dividend or other monies payable in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share. All dividends, interest or other sum payable and unclaimed for 12 months after becoming payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 10 years from its declaration or due date of payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

The Board may retain the dividends payable upon shares in respect of which any person is entitled to become a member, or is entitled to transfer, until that person shall become a member in respect of those shares or shall transfer them.

The Board may retain any dividends payable on or in respect of a share on which the Company has a lien.

A Shareholder can waive, in whole or in part, any dividend on any share by any document, only if such document is signed by the holder (or the person entitled to the share in consequence of the death or bankruptcy of the holder), and delivered to the Company and to the extent that the same is accepted as such or acted upon by the Company.

#### 4.3.12 *Redeemable shares and share warrants*

Subject to the provisions of the Jersey Companies Law and to any special rights attached to any existing shares, the Company may issue redeemable shares or by ordinary resolution convert any existing non-redeemable shares into shares which are to be redeemed. With respect to any shares, the Company may issue a warrant stating that the bearer of the warrant is entitled to subscribe for the shares specified in it and may provide for the payment of future dividends on the right to subscribe for shares.

#### 4.3.13 *Borrowing powers*

Subject to the further provisions of the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital of the Company and, subject to the provisions of the Jersey Companies Law, to create and issue debenture and other loan stock, debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.

#### 4.3.14 *Directors*

- (i) A director is not required to hold any shares of the Company.
- (ii) Unless and until otherwise determined by the Company by ordinary resolution, the number of directors (other than any alternate directors) shall be not less than two but there shall be no maximum.
- (iii) A director who is, to his knowledge, in any way interested (directly or indirectly) in any contract, arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered (or, if he does not know his interest exists, at the first meeting of the Board after his interest is known).
- (iv) A director shall be entitled to vote (and count in the quorum) if the resolution in which the director has an interest concerns any of the following:
  - (A) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

- (B) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (C) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which he is or may be entitled to participate as a holder of securities or in the underwriting or subunderwriting in which he is to participate;
  - (D) any proposal relating to any other company in which he (together with persons connected with him within the meaning of section 252 of the UK Companies Act 2006) does not to his knowledge hold an interest in shares in one per cent. or more of any class of the issued equity share capital of such company or the voting rights in such company;
  - (E) any proposal concerning the granting of indemnities to directors or other officers of the Company;
  - (F) any proposal under which he may benefit concerning the provisions to directors of funds to meet expenditure incurred or to be incurred by them in defending proceedings or otherwise enabling any such person to avoid incurring that expenditure;
  - (G) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award to him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
  - (H) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of the Board or for the benefit of persons including the Board.
- (v) A Director shall not vote (but shall still be counted in the quorum) on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any body corporate in which the Company is interested. Where proposals are under consideration concerning the appointment (including determining or varying the terms of appointment) of two or more of the directors of the Company to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director separately. In such case, each of the directors concerned shall (if not debarred from voting under the Articles) be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (vi) If any question shall arise at a meeting as to the right of any person on the Board to vote or to the materiality of a Director's interest, and such question is not resolved by his voluntary agreement to abstain from voting, the question shall (subject to the Jersey Companies Law) be referred to the Chairman of the meeting (or, if the Director concerned is the Chairman of the meeting, to such other directors present at the meeting) and that ruling shall be final and conclusive.
- (vii) Any person on the Board (other than alternate Directors) shall be entitled to receive by way of fees for their services such sum as the Board may from time to time determine. The Directors shall also be entitled to be paid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance by them of their duties as directors including any expenses in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Extra remuneration may be paid out of the funds



of the Company by way of salary, commission, participation in profits or otherwise as the Board may determine to any director who, by arrangement with the Board, shall perform or render any special duties or services outside the scope of the ordinary duties of a Director and not in his capacity as a holder of employment or executive office.

- (viii) The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profitsharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit any person who is or has at any time been a director or employee of the Company or any body corporate which is a holding body or a subsidiary undertaking of or allied to or associated with the Company or any such holding body or subsidiary undertaking or any predecessor in business of the Company or of any such holding body or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the Jersey Companies Law, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with any of the aforesaid matters. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under the Articles and shall not be obliged to account for it to the Company.
- (ix) No person shall be incapable of being appointed a Director by reason of his having attained the age of 70.
- (x) Board meetings must be held outside the United Kingdom. Any decisions reached or resolution passed by the Board at any meeting held in the United Kingdom shall be invalid and of no effect. Any Director who participated in a board meeting while situated in the United Kingdom will not have a vote and will not count towards the quorum required for that meeting.
- (xi) In so far as the law allows, every present and former officer of the Company shall be indemnified out of the assets of the Company against any costs, charges, losses, damages and liabilities incurred by him in the execution or discharge of his duties or exercise of his powers.

#### *4.3.15 Non-United Kingdom shareholders*

There are no limitations in the Articles on the rights of non-United Kingdom Shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

#### *4.3.16 CREST*

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. In relation to an uncertificated share, the Articles permit appointments of a proxy to be made by means of an uncertificated proxy instruction.



#### *4.3.17 Restrictions on changes in control, mergers, acquisitions or corporate restructuring of the Company*

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change of control in the Company that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

#### *4.3.18 Disclosure of interests*

- (i) The Jersey Companies Law does not contain any provisions equivalent to those contained in section 793 of the Companies Act 2006. Accordingly, in order to make provision for the disclosure of interests, the Articles contain provisions which require members in certain circumstances to disclose interests in shares.
- (ii) A member will be required to notify the Company whenever: (i) he becomes interested in relevant shares which together represent three per cent. or more of the aggregate number of all relevant shares; (ii) having been so interested, he is no longer interested in relevant shares representing three per cent. or more of the aggregate number of all relevant shares; or (iii) at a time when he is interested in three per cent. or more of the aggregate number of all relevant shares, the percentage of all such relevant shares in which he is interested (expressed as a whole number, and rounding down in the case of fractions) changes through a whole percentage. Where a notification is required, it must generally be made within two days following the day on which the obligation to disclose arises. For these purposes, relevant shares are shares which generally carry the right to vote at all general meetings; and where there is more than one class of such shares, means the shares in each class taken separately. A member, in addition to the shares which he holds, is taken to be interested in shares held by any concert party, associated entity or related person of such member. For these purposes (i) a “concert party” in relation to a member means any other person or persons with whom that member, pursuant to an agreement or understanding (whether formal or informal), actively co-operates, through the acquisition by any of them of shares or otherwise, to obtain or consolidate control of or influence over the Company; (ii) an “associated entity” in relation to a member which is a body corporate, partnership or other entity (whether of independent legal status or otherwise) means any body corporate, partnership or entity (whether of independent legal status or otherwise) which is controlled by or which controls or which is under common control with such member and includes all directors and officers of any such member or any such body corporate, partnership or entity and any other person who is able to direct, control or influence such member or any such body corporate, partnership or entity; and (iii) a “related person” means, in relation to a member who is an individual, his or her spouse, children, stepchildren, parents, grandparents, brothers, sisters and trusts of which that individual or any other such related person is a beneficiary.
- (iii) The Company also has the right by service of written notice to require any member to disclose to the Company the identity of any person other than the member who has any interest in the shares held by the member and the nature of such interest.

#### **4.4 *Amendment of the Memorandum and the Articles***

Under the Jersey Companies Law, the Company may by special resolution amend the Memorandum or the Articles. For the purposes of the Jersey Companies Law, a resolution is a special resolution when it has been passed by a two-thirds majority vote of those present (either in person or by proxy) and voting.

#### 4.5 ***Removal of directors in Jersey***

Directors may be removed from office by an ordinary resolution of the Shareholders. Unlike in England, a director of a Jersey company does not have the right to receive special notice of his removal from office nor does he have a right to protest to such removal.

#### 4.6 ***Residency of Shareholders***

There are no legal requirements affecting the residency of Shareholders.

#### 4.7 ***Register of Mortgages and Charges***

Unlike in England there is no register of mortgages and charges in Jersey (other than in respect of Jersey real property, aircraft and ships).

### 5. **Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

#### ***Mandatory bid***

The City Code on Takeovers and Mergers currently applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or its concert parties during the previous 12 months.

#### ***Takeover provisions under the Jersey Companies Law***

Part 18 (Article 116 to 124A) of the Jersey Companies Law contains provisions in relation to compulsory acquisitions of shares in the event of a takeover offer. The Jersey Companies Law defines a takeover offer as an offer to acquire all the shares, or all the shares of any class or classes, in a company (other than shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all the shares of each class.

- (i) If, in a case in which a takeover offer (as defined in the Jersey Companies Law) does not relate to shares of different classes, the offeror has by virtue of acceptances of the offer acquired or contracted to acquire in the case of a no par value company, not less than nine-tenths in number of the shares of any class to which the offer relates, the offeror may give notice, to the holder of any shares to which the offer relates which the offeror has not acquired or contracted to acquire, that he desires to acquire those shares.
- (ii) If, in a case in which a takeover offer relates to shares of different classes, the offeror has by virtue of acceptances of the offer acquired or contracted to acquire in the case of a no par value company, not less than nine-tenths in number of the shares to which the offer relates, the offeror may give notice, to the holder of any shares of that class which the offeror has not acquired or contracted to acquire, that he desires to acquire those shares.

No notice may be given under paragraph (i) or (ii) unless the offeror has acquired or contracted to acquire the shares necessary to satisfy the minimum specified in that paragraph before the end of the

period of four months beginning with the date of the offer; and no such notice shall be given after the end of the period of two months beginning with the date on which the offeror has acquired or contracted to acquire shares which satisfy that minimum. There are provisions relating to whom notices must be given pursuant to the Jersey Companies Law.

- (iii) If a takeover offer relates to all the shares in a company and at any time before the end of the period within which the offer can be accepted: (a) the offeror has by virtue of acceptances of the offer acquired or contracted to acquire some (but not all) of the shares to which the offer relates; and (b) those shares (with or without any other shares in the company which he or she has acquired or contracted to acquire) amount, in the case of a no par value company, to not less than nine-tenths in number of all the shares in the company, the holder of any shares to which the offer relates who has not accepted the offer may by a written communication addressed to the offeror require him or her to acquire those shares.
- (iv) If a takeover offer relates to shares of any class or classes and at any time before the end of the period within which the offer can be accepted: (a) the offeror has by virtue of acceptances of the offer acquired or contracted to acquire some (but not all) of the shares of any class to which the offer relates; and (b) those shares (with or without any other shares in the Company which he or she has acquired or contracted to acquire) amount, in the case of a no par value company, to not less than nine-tenths in number of all the shares of that class in the company, the holder of any shares of that class who has not accepted the offer may by a written communication addressed to the offeror require him or her to acquire those shares.
- (v) Within one month of the time specified in paragraph (iii) above or, as the case may be, paragraph (iv) above, the offeror shall give any shareholder who has not accepted the offer notice of the rights that are exercisable by the shareholder under that paragraph; and if the notice is given before the end of the period mentioned in that paragraph it shall state that the offer is still open for acceptance.

A notice under paragraph (v) above may specify a period for the exercise of the rights and in that event the rights shall not be exercisable after the end of that period; but no such period shall end less than three months after the end of the period within which the offer can be accepted.

Paragraph (v) above does not apply if the offeror has given the shareholder a notice in respect of the shares in question under the provisions summarised in paragraphs (i) and (ii) above.

## **6. Information on the Directors**

6.1 The names, business addresses and functions of the Directors are as follows:

<i>Name</i>	<i>Function</i>	<i>Business address</i>
Peter Tom CBE	Chairman	Marwyn Materials Limited, Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT
Simon Vivian	Chief Executive	Marwyn Materials Limited, Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT
David Williams	Non-executive Director	Marwyn Materials Limited, Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT
James Corsellis	Non-executive Director	Marwyn Materials Limited, Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT
David Warr	Non-executive Director	Marwyn Materials Limited, Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT

- 6.2 In addition to any directorship of a member of the Marwyn Materials Group, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Peter Tom CBE	AGA Rangemaster Group plc (previously known as AGA Foodservice Group plc) Beach House Restaurant Ltd Channel Island Property Fund Ltd Global Botanical Research Limited Hermco Limited Leaf Clean Energy Company Leicester Football Club plc Leicester Rugby Club Limited Leicester Tigers Limited Nature's Defence Investments Limited Nature's Defence (UK) Limited New River Retail Plc Rise Rocks Limited The Midlands Conference Centre Limited Tigers Events Limited	Aggregate Industries Limited Aggregate Industries Holdings Limited Aggregate Industries Pension Trustee Limited Aggregate Industries South West Limited Aggregate Industries SLAS Limited Aggregate Industries UK Limited A I Overseas Investments Limited Bardon Aggregates Limited Bardon Fyfe Natural Stone Limited Bardon Surfacing Limited Bardon Vectis Limited BPI Global Research Limited Camas Holdings Limited Camas Limited Camas UK Limited Cheek Bros. Limited England Rugby Limited Evered Limited Lodelane Investments London Roadstone Limited Mayven UK Limited Paragon Materials Limited Philglow Limited Rapid Realisations Fund Limited Sparkes Bros. Limited The Bardon Mill House Company Vectis Stone Limited
Simon Vivian		Barclay Mowlem (Asia) Limited Bath Property Direct Limited Carillion International 2006 Limited Carillion JM Limited Carillion Managed Services Limited Laing O'Rourke (Hong Kong) Limited
David Williams	Axio Capital Solutions Limited Conygar Advantage Limited Marwyn Capital Investments II Limited Praesepe plc TAPP Maidenhead Limited TAPP Property Limited The Advantage Property Income Trust Limited TOPP Bletchley Limited	68-70 Onslow Gardens Freehold Limited Advanced Computer Software plc Augean plc Concateno Finance Limited Concateno plc Drury Lane Capital plc Entertainment One Ltd Marwyn Asset Management SPC Marwyn Capital I Ltd

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
David Williams (continued)	TOPP Holdings Limited Zetar plc	Marwyn Capital Investments I Limited Marwyn Capital II Limited Marwyn Capital Management Limited Marwyn General Partner II Limited Marwyn General Partner Limited Marwyn Investment Management Limited Marwyn Investments Group Limited Marwyn Management General Partner Limited Marwyn Partners Limited Marwyn Trust Marwyn Value Investors (Pte) Limited Marwyn Value Investors (Unlisted Feeder) Limited Mawlaw 661 Limited Praesepe (UK) Limited Talarium Limited Silverdell plc
James Corsellis	Entertainment One Limited (Canada) E-One UK Limited Marwyn 10 Buckingham Street LLP Marwyn 11 Buckingham Street LLP Marwyn Capital LLP Marwyn (Catalina) LLP Marwyn General Partner LLP Marwyn General Partner II Limited Marwyn Investment Management LLP Marwyn Investment Partners LLP Marwyn Management General Partner Limited Marwyn Management Investors LP Marwyn Management Partners LP Marwyn Management Partners II LP Marwyn Opportunities I Limited Marwyn Value Investors Limited (Cayman) Marwyn Value Investors (Unlisted Feeder) Limited Orpheus Capital Limited Orpheus Capital Partners LLP	Advanced Computer Software plc Baydonhill plc Catalina Holdings Limited Co-Investment Capital LLP Concateno plc Corsellis-Montford Interactive Limited Earl Street Asset Management Limited Liability Company Fulcrum Utility Services Limited Fulcrum Investments Limited ICollector POC ICollector.com Limited Interactive Collector Limited Marwyn Alternative Capital Limited Marwyn Alternative Capital (Pte) Limited Marwyn Capital Limited Marwyn General Partner Limited Marwyn Investments Group Limited Marwyn Investment Management Limited Marwyn Partners Limited Marwyn Trust Marwyn Value Investors Limited (Guernsey) Melorio plc Praesepe (UK) Limited Reco Insurance Capital Limited Silverdell plc Zero Degrees Limited

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
David Warr	Bright Star Limited Central Way House Limited FRM Diversified Alpha Led FRM Diversified Alpha Limited Hemisphere Defensive HF (USD) Limited Hemisphere Defensive HF PCC Limited Insight Foundation Property Bootle Limited Invista Foundation Holding Company Limited Invista Foundation Property (Mid City) Limited Invista Foundation Property (No.2) Limited Invista Foundation Property Limited Invista Foundation Property Trust Limited Laurent Investments Limited LP (Brentford) Limited LP (Bristol) Limited LP (Tudor Street) Limited Lunar Partnership (Brentford) Limited Lunar Partnership (Bristol) Limited Lunar Partnership (Tudor Street) Limited Lunar Partnership Limited Nightwatch Limited Ringwood Investments Limited Shoreham Investments Limited Sunflowers Limited The Guernsey Sports Commission LBG The Guernsey Community Foundation LBG The Horizon Fund PCC Limited UK Select Trust Limited Unigestion (Guernsey) Limited Uni-Hedge ICC Limited	Antares Inc Athos Group Limited Bajan Limited BDO Reads Management Limited BGL Reads Trust Company Limited BGL Trustees Limited Business Advisory Service Limited C.M.S. Limited Channel Corporate Services Limited Codale Secretaries Limited Cosign Limited Cosign Nominees Limited Cosign Services Limited Cosign Nominees Limited Cosign Services Limited First Tower Trustees Limited FRIM Services Limited Guernsey Post Limited Holme Head Limited International Industrial Developments Limited Intertrust International Managment Limited Intertrust Management Guernsey Limited Intertrust Management Limited Intertrust Trustees (Guernsey) Limited Intertrust Trustees Limited JSH Services Limited Lexus Services Limited LP (Alfreton) Limited LP (Cannock) Limited LP (Fleet) Limited LP (Havant) Limited LP (Hemel Hempstead) Limited LP (New Malden) Limited LP (Northampton) Limited LP (York) Limited Lunar Partnership (Bolton) Limited Lunar Partnership (Northampton) Limited Lunar Partnership (Cannock) Limited Lunar Partnership (Scunthorpe) Limited Lunar Partnership (Fleet) Limited Lunar Partnership (York) Limited Lunar Partnership (Havant) Limited Lunar Partnership (Hemel Hampstead) Limited Lunar Partnership (New Malden) Limited Mortello Court Trustees Limited

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
David Warr (continued)	Invista Foundation Property (Mid City) Limited Invista Foundation Property (No.2) Limited Invista Foundation Property Limited Invista Foundation Property Trust Limited Laurent Investments Limited LP (Brentford) Limited LP (Bristol) Limited LP (Tudor Street) Limited Lunar Partnership (Brentford) Limited Lunar Partnership (Bristol) Limited Lunar Partnership (Tudor Street) Limited Lunar Partnership Limited Nightwatch Limited Ringwood Investments Limited Shoreham Investments Limited Sunflowers Limited The Guernsey Sports Commission LBG The Guernsey Community Foundation LBG The Horizon Fund PCC Limited UK Select Trust Limited Unigestion (Guernsey) Limited Uni-Hedge ICC Limited	Marwyn Capital Management Limited Marwyn General Partner Limited Marwyn Neptune Fund Marwyn Value Investors Limited Merley Holdings Limited MPR Trust Company Limited Olivandah Limited Opportunities Fund PCC Limited Pametric Investments Limited Penhall Limited Perbury Limited Phoenix Continuation Cayman Limited Platinum Holdings Limited Porthos Group Limited Pritchards Secretarial Services Limited Pritchards Trustees Limited Probus Reads Trust Company Limited RM Holdings Limited Relton Holdings Limited Spread Nominees Limited Relton Holdings Limited Spread Services Limited Spread Trustee Company Limited Stocksfield Limited The Defensive Strategies Fund Tremoille Properties Limited Uni-Hedge PCC Limited Westlands Holdings Limited White Mist Limited Willbess Limited

- 6.3 Save as set out in paragraph 6.2 above, none of the Directors has any business interests or activities outside the Marwyn Materials Group which are significant with respect to the Marwyn Materials Group.
- 6.4 Save as disclosed in paragraphs 6.5, 6.6 and 6.7 below, none of the Directors:
- 6.4.1 has any unspent convictions in relation to indictable offences;
- 6.4.2 has been made bankrupt or has made an individual voluntary arrangement with creditors or suffered the appointment of a receiver over any of his assets;
- 6.4.3 has been a director of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with the company's creditors generally or with any class of creditors of any company or had an administrator or an administrative or other receiver appointed;
- 6.4.4 has been a partner in any partnership which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any partnership voluntary arrangement;



- 6.4.5 has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or
- 6.4.6 has received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.5 David Williams was appointed as a director of RMS Communications plc on 4 May 1994. On 15 September 1999, the Official Receiver applied for, and was granted an order to wind up this company. The Official Receiver made a further application on 22 June 2000 to defer the dissolution of this company so as to take effect on 22 June 2002. By an order of the Companies Court on 10 February 2004, this company was restored to the registry of companies with the dissolution being declared void. Notice of completion of winding-up was given on 10 March 2010, and RMS Communications was dissolved on 10 June 2010.
- 6.6 James Corsellis was appointed as a director of icollector plc on 19 July 1996 and resigned as a director on 18 September 2001 following the sale of icollector plc to Ableauctions Inc. On 28 February 2002, an extraordinary meeting of this company was held and it was resolved that this company be voluntarily wound up. This company was dissolved on 4 August 2006.
- 6.7 Peter Tom CBE was appointed as a director of both Natures Defence Investments Limited and Natures Defence (UK) Limited on 6 April 2006. On 15 December 2009, extraordinary meetings of both the companies were held. It was resolved by the members of Natures Defence Investments Limited that the company be voluntarily wound up, and it was resolved by the members of Natures Defence (UK) Limited that the Company be voluntarily wound up. These two companies remain in liquidation.
- 6.8 The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

## 7. Directors' and other interests

- 7.1 Excluding the Management Incentive Arrangements and the Marwyn Incentive Arrangements, the interests (all of which are or will be beneficial unless otherwise stated) of each Director (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of sections 252 to 255 of the UK Companies Act 2006 (a "Connected Person")) in the share capital of the Company at the date of this document and as they will be immediately following Admission are as follows:

<i>Director</i>	<i>Number of Ordinary Shares currently held</i>	<i>Percentage of issued share capital currently held (%)</i>	<i>Number of Ordinary Shares to be held immediately following Admission</i>	<i>Percentage of enlarged issued share capital to be held immediately following Admission</i>
Peter Tom CBE (and family)	22,350,000	16.4	30,683,333	5.5
David Williams	11,000,000	8.1	11,000,000	2.0
James Corsellis (and family)	5,500,000	4.0	5,500,000	1.0
Simon Vivian	2,500,000	1.8	3,166,667	0.6
David Warr	2,500,000	1.8	2,500,000	0.5

- 7.2 Peter Tom and Simon Vivian have each subscribed for 2,000 Management Participation Shares respectively. The Management Participation Shares can be sold to the Company in the event that certain growth and vesting conditions are met at a percentage of the increase Shareholder value of the Company. Details of the circumstances in which the Management Participation Shares can be sold to

the Company and the relevant price that they can be sold at are set out at paragraph 12 of Part I of this document.

- 7.3 Save as disclosed in paragraph 7.1 above, no Director, nor any Connected Person has at the date of this document, or will have immediately following Admission, any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any other member of the Enlarged Group or any related financial product referenced to any such share or loan capital.
- 7.4 In addition to the interests of Directors disclosed in paragraph 7.1 above, the Company is aware of the following existing shareholders of the Company who are at the date of this document, or will be immediately following Admission, interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>Number of Ordinary Shares currently held</i>	<i>Percentage of issued share capital currently held (%)</i>	<i>Number of Ordinary Shares to be held immediately following Admission*</i>	<i>Percentage of enlarged issued share capital to be held immediately following Admission*</i>
Invesco Asset Management Ltd	0	0	165,000,000	29.8
Marwyn Value Investors L.P.	50,010,000	36.8	148,982,667	26.9
Cenkos Channel Islands Nominee Company Ltd	17,850,000	13.1	67,849,667	12.3
Scottish Widows Investment Partnership	0	0	41,665,000	7.5
Morgan Stanley Securities Limited	0	0	25,000,000	4.5
Corporate Services (TD Waterhouse) Nominees Limited	15,693,020	11.5	15,693,020	2.8

\* Assuming the Resolutions are passed at the Extraordinary General Meeting and the Acquisition Agreements and the Placing Agreement become unconditional in all respects.

- 7.5 On the date of publication of this document and following Admission, the Shareholders listed in 7.4 above do not have different voting rights.
- 7.6 The Company is not aware of any person or entity who, directly or indirectly, jointly or severally, will or could exercise control over the Company immediately following Admission and there are no arrangements the operation of which could result in a change of control of the Company.
- 7.7 Save as disclosed in this document no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Enlarged Group and was effected during the current or immediately preceding financial year or was effected during any earlier financial year which remains outstanding and unperformed in any respect.
- 7.8 There are no loans or guarantees granted or provided by the Company and/or any member of the Enlarged Group to or for the benefit of any of the Directors which are now outstanding.

## **8. Service agreements/letters of appointment and remuneration of the Directors and senior employees**

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

### **8.1.1 Non-executive Directors**

On 5 June 2008 the Company entered into letters of appointment with each of David Williams, James Corsellis and David Warr respectively, pursuant to which each of their services as a non-executive director of the Company are (as amended on 13 August 2010) procured. These appointments were effective from the date of Original Admission.

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

The letters of appointment are terminable at any time by either party upon giving the other party written notice. David Williams, James Corsellis and David Warr each receive a fee for their services of £25,000 per annum payable in equal monthly instalments and are entitled to be reimbursed all reasonable expenses, properly incurred in the course of performing their duties as non-executive directors of the Company. No other benefits are payable. The Company may terminate each letter immediately if the relevant Director: (a) commits any serious or repeated breach of his obligations under the letter; (b) is guilty of any serious default or misconduct which adversely affects his reputation or standing or any member of the Marwyn Materials Group which includes a conviction of the criminal offence of insider dealing or the civil offence of market abuse. The appointment will also terminate automatically in certain circumstances, including in the event of failure to be re-elected at a Shareholder meeting. The letters of appointment are governed by Jersey law.

### 8.1.2 *Executive Directors*

#### *Simon Vivian*

On 5 June 2008, the Company entered into a relationship agreement with Simon Vivian. The relationship agreement seeks to set out certain principles governing Simon's relationship with the Company going forward. Pursuant to this agreement, Simon is appointed to the role of Chief Executive of the Company and Simon and the Company agree to explore and pursue company and/or business acquisition opportunities in the building materials sector. The agreement provides that the Company and Simon will work exclusively together in exploring such opportunities and the parties are not to provide any services for or to work in any capacity with any other person contemplating an involvement in such acquisitions. Notwithstanding the termination provisions in this agreement, these obligations of exclusivity cease immediately in the event that either party no longer wants to be in an exclusive relationship with the other. Simon is paid a monthly fee of £10,000 based on a time commitment of a minimum of five days per calendar month for the initial pre-acquisition period. This sum is reduced in the event Simon notifies the Company that he has worked less than five days in a month, for the month concerned. The relationship agreement describes the terms of Simon's remuneration and bonus entitlement following the completion of a reverse takeover by the Company, such as the Acquisition. These terms mirror those set out in the service agreement (described below) entered into by Simon on 5 June 2008 which is to have effect from Admission. Certain obligations under the relationship agreement relating to, amongst other things, confidentiality, are expressed to last for a period of three years from the date of the agreement. However, the obligations in relation to exclusivity and remuneration may be terminated by either party on three months' prior written notice. The relationship agreement is governed by English law.

On 5 June 2008, the Company entered into a service agreement (as amended on 13 August 2010) with Simon Vivian pursuant to which he will become employed by the Company as Chief Executive with effect from Admission. Under this agreement, Simon agrees to devote the whole of his time and attention to his appointment and not otherwise accept any other appointment (without having obtained the Board's prior written consent) other than certain appointments specified in the agreement. Simon will receive a salary of £300,000 per annum, rising to £400,000 per annum 12 months after Completion, payable in equal monthly instalments (inclusive of any directors' fees) and will be entitled to be reimbursed all reasonable expenses incurred in the performance of duties. This salary is reviewable annually. Additionally, subject to certain performance targets being achieved, the Company agreed to pay Simon a bonus of up to 100 per cent. of his salary in relation to each financial year of the Company. Simon is additionally entitled to usual employment benefits, including holiday, pension contributions equal to 17.5 per cent. of his salary and insurance.

The service agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Simon, such notice to expire not less than three years after Admission. Simon may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Simon. Under the agreement, the Company may place Simon on "garden leave" following a termination for the duration of all or any part of a notice period or otherwise require him to undertake special projects. During any such period, Simon will continue to receive his salary and other benefits but will not be entitled to any incentive under the Management Incentive Arrangements. The agreement provides for post-employment restrictive covenants for a period of 12 months following a termination, less any period on which Simon is on garden leave or undertaking special projects. The service agreement is governed by English law.

*Peter Tom CBE*

On 5 June 2008, the Company entered into a relationship agreement with Rise Rocks Limited (as amended on 13 August 2010) for the purposes of procuring Peter's services. The relationship agreement seeks to set out certain principles governing Peter's relationship with the Company going forward. Pursuant to this agreement, Peter is appointed to the role of Chairman of the Company and Peter and the Company agree to explore and pursue company and/or business acquisition opportunities in the building materials sector. The agreement provides that the Company and Peter will work exclusively together in exploring such opportunities and the parties are not to provide any services for or to work in any capacity with any other person contemplating an involvement in such acquisitions (save that Peter may continue providing services as a consultant to a specified third party without breaching this agreement). Notwithstanding the termination provisions in this agreement, these obligations of exclusivity cease immediately in the event that either party no longer wants to be in an exclusive relationship with the other. In respect of such services being provided in the initial pre-acquisition period, a monthly fee of £11,280 based on a time commitment of a minimum of five days per calendar month is payable to Rise Rocks Limited, a company of which Peter is a director. This sum will be reduced in the event Peter notifies the Company that he has worked less than five days in a month, for the month concerned. The relationship agreement describes the terms of the remuneration and bonus entitlement payable in respect of Peter's services following the completion of a reverse takeover by the Company, such as the Acquisition. These terms mirror those set out in the consultancy agreement (described below) entered into on 5 June 2008 for the purposes of procuring Peter's services which is to have effect from the date of Admission.

Certain obligations under the relationship agreement, relating to, amongst other things, confidentiality, are expressed to last for a period of three years from the date of the agreement. However, the obligations in relation to exclusivity and remuneration may be terminated by either party on three months' prior written notice. The relationship agreement is governed by English law.

On 5 June 2008, the Company entered into a service agreement with Rise Rocks Limited for the purposes of procuring the services of Peter as a consultant to the Company in the role of Chairman with effect from Admission. It is expressly specified that this agreement does not render Peter as an employee, officer, worker or partner of the Company and that no employment contract will come into force between the parties. To the extent that any liabilities arise in connection with a claim that Peter is an employee, officer, worker or partner of the Company, Peter agrees to indemnify the Company (and its associates) from any such claim.

Under this agreement, it was agreed that Peter would devote such of his time as is necessary for the performance of his duties save that he will not be expected to devote more than three days per week on average (including attendance at board meetings) and he will not accept any

other appointment (without having obtained the Board's approval) other than certain appointments specified in the agreement. Peter receives, via Rise Rocks Limited, the sum of £150,000 per annum (rising to £290,600 per annum 12 months after Completion) payable in equal monthly instalments (inclusive of any directors' fees) and will be entitled to be reimbursed all reasonable expenses incurred in the performance of his duties. This fee is reviewable annually. Additionally, subject to certain performance targets being achieved, the Company agreed to pay Peter a bonus of up to £200,000 in relation to each financial year of the Company. Peter is additionally entitled to holidays and to insurance. Under the agreement, Peter is responsible for all taxation or other payments due in connection with this appointment. To the extent that any arrangements result in a taxation liability to the Company, under the agreement Peter agrees to indemnify the Company as regards any such liability (including penalties and interest, together with costs and expenses) which may be assessed on the Company.

The agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Peter, such notice to expire not less than three years on or after Admission. Peter may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Peter. Under the agreement, the Company may place Peter on "garden leave" following a termination for the duration of all or any part of a notice period or otherwise require him to undertake special projects. During any such period, the Company will continue to pay the fee under the agreement and other benefits will continue but there will be no entitlement to any incentive under the Management Incentive Arrangements. The agreement includes restrictive covenants for a period of 12 months following a termination, less any period on which Peter is on garden leave or undertaking special projects. The service agreement is governed by English law.

#### 8.1.3 *Senior employee*

On 5 June 2008, the Company entered into a relationship agreement with Ian Peters. The relationship agreement seeks to set out certain principles governing Ian's relationship with the Company going forward. Pursuant to this agreement, Ian is appointed to the role of finance director and Ian and the Company agree to explore and pursue company and/or business acquisition opportunities in the building materials sector. The agreement provides that the Company and Ian will work exclusively together in exploring such opportunities and the parties are not to provide any services for or to work in any capacity with any other person contemplating an involvement in such acquisitions. Notwithstanding the termination provisions in this agreement, these obligations of exclusivity cease immediately in the event that either party no longer wants to be in an exclusive relationship with the other. Ian is paid a monthly fee of £6,667 based on time commitment of a minimum of five days a month for the initial pre-acquisition period. This sum is reduced in the event Ian notifies the Company that he has worked less than five days per calendar month, for the month concerned. The relationship agreement describes the terms of Ian's remuneration and bonus entitlement following the completion of a reverse takeover by the Company, such as the Acquisition. These terms mirror those set out in the service agreement (described below) entered into by Ian on 5 June 2008 which is to have effect from Admission.

Certain obligations under the relationship agreement, relating to, amongst other things, confidentiality, are expressed to last for a period of three years from the date of the agreement. However, the obligations in relation to exclusivity and remuneration may be terminated by either party on three months' prior written notice. The relationship agreement is governed by English law.

On 5 June 2008, the Company entered into a service agreement with Ian pursuant to which he will become employed by the Company as finance director with effect from Admission. Under



this agreement, Ian agrees to devote the whole of his time and attention to his appointment and not otherwise accept any other appointment (without having obtained the Board's prior written consent). Ian will receive a salary of £175,000 per annum, payable in equal monthly instalments (inclusive of any directors' fees) and will be entitled to be reimbursed all reasonable expenses incurred in the performance of duties. This salary is reviewable annually. Additionally, subject to certain performance targets being achieved, the Company agreed to pay Ian a bonus of up to 100 per cent. of his salary in relation to each financial year of the Company. Ian is additionally entitled to usual employment benefits, including holiday, pension contributions equal to 17.5 per cent. of his salary and insurance.

The service agreement will continue until terminated. The Company may terminate this agreement by giving not less than 12 months' written notice to Ian, such notice to expire not less than three years after Admission. Ian may terminate the agreement by giving the Company not less than 12 months' written notice. The Company may also terminate the agreement with immediate effect in certain other specified circumstances. Upon termination a payment in lieu of notice may be made to Ian. Under the agreement, the Company may place Ian on "garden leave" following a termination for the duration of all or any part of a notice period or otherwise require him to undertake special projects. During any such period, Ian will continue to receive his salary and other benefits but will not be entitled to any incentive under the Management Incentive Arrangements. The agreement provides for post-employment restrictive covenants for a period of 12 months following a termination, less any period on which Ian is on garden leave or undertaking special projects. The service agreement is governed by English law.

- 8.1.4 Pursuant to their service agreements or consulting agreement (as the case may be), each of Simon Vivian, Peter Tom and Ian Peters will receive a deal bonus on Completion of £320,000, £320,000 and £160,000 respectively. On Completion, Simon and Ian will receive 666,667 and 333,333 Ordinary Shares in the Company respectively, with the remainder of the deal bonus payable in cash. On Completion, Peter will receive 100 per cent. of his deal bonus in cash.
- 8.2 Save as set out in paragraph 8.1 above, on Admission there will be no existing or proposed service agreements between the Directors and any member of the Enlarged Group. Furthermore, save as set out at paragraph 8.1 above, the Management Incentive Arrangements and the Marwyn Incentive Arrangements there are no commissions or profit-sharing arrangements with any of the Directors.
- 8.3 Save as described in paragraph 8.1 above, there is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

## 9. Employees

- 9.1 The average number of full-time and part-time employees of the Marwyn Materials Group, broken down by main category of activity for the financial year ending 31 December 2009 and for the period starting on 1 January 2010 and ended on 13 August 2010 (being the latest practicable date prior to the publication of this document), is set out below:

<i>Activity</i>	<i>Average number of employees during each period</i>	
	<i>to 31 December 2009</i>	<i>to 13 August 2010</i>
Management	2	2

- 9.2 The average number of full-time and part-time employees of the Breedon Group, broken down by main category of activity for the financial year ending 31 December 2009 and for the period starting on 1 January 2010 and ended on 13 August 2010 (being the latest practicable date prior to the publication of this document), is set out below:

<i>Activity</i>	<i>Average number of employees during each period</i>	
	<i>to 31 December 2009</i>	<i>to 13 August 2010</i>
Management	246	216
Production	567	485
Total	<u>813</u>	<u>701</u>

- 9.3 The Breedon Group operates a defined contribution pension scheme and a wholly insured scheme which provides lump sums on death in service. The Breedon Group is also in the process of winding up two small wholly-insured schemes in connection with which Breedon does not expect to incur any liability.

## 10. Subsidiaries

- 10.1 The Company has the following significant subsidiaries, subsidiary undertakings and other undertakings in which it has an interest held on a long-term basis. Details are shown below:

<i>Name</i>	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Percentage of share capital held</i>	<i>Issued and fully paid share capital (£)</i>	<i>Debts owed to the Company (£)</i>	<i>Carrying value of investments (£)</i>
Marwyn Materials Investments Limited	Issue of incentive shares	Jersey	100	1	0	0
Marwyn Materials (UK) Limited	Acquisition sourcing	UK	100	1	100,000 <sup>4</sup>	0

- 10.2 Breedon has the following significant subsidiaries, subsidiary undertakings and other undertakings in which it has an interest held on a long term basis. Details are shown below:

<i>Name</i>	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Percentage share capital held</i>	<i>Issued and fully paid share capital (£)</i>
Ennstone Thistle Limited	Quarrying of aggregates and production of value added products	UK	100	4,000,002
Ennstone Group Services Limited	Employment services company	UK	100	3
Breedon Properties Limited	Buying and selling own real estate and letting of own property	UK	100	1
Ennstone Johnston Limited	Quarrying of aggregates and production of added value products	UK	100	10,222

<sup>4</sup> Unsecured loan with interest payable at 12 month LIBOR plus 150 bps, repayable on 31 December 2011.



<i>Name</i>	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Percentage share capital held</i>	<i>Issued and fully paid share capital (£)</i>
The Waveney Asphalt Company Limited	Non-trading	UK	100	20,500
West Midlands Surfacing Limited	Dormant	UK	100	50,050
Ennstone Facilities Management Limited	Intermediate holding company	UK	100	21.20
Brand & Rae Limited	General commercial company	UK	100	50,000
Ennstone Johnston Contracting Civils Limited	Repair and maintenance of roads and general civil engineering contracting	UK	100	50,000 <sup>5</sup>
Alba Traffic Management Limited	Traffic management	UK	90	£1,000
BEAR	Performance and management of highway maintenance contracts	UK	37.5	£200,000

## 11. Arrangements relating to the Placing

On 16 August 2010, the Company, the Directors and Cenkos Securities entered into the Placing Agreement pursuant to which Cenkos Securities has agreed, conditionally upon, inter alia, First Admission in connection with the VCT Placing taking place not later than 29 September 2010 and, inter alia, the Acquisition Agreements becoming unconditional in all respects (other than any conditions relating to completion of the Placing Agreement and Second Admission) and Second Admission in connection with the General Placing taking place not later than 30 September 2010, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Under the Placing Agreement Cenkos Securities will receive (exclusive of VAT) a fee of £150,000 plus a commission of four per cent. of the aggregate value at the Placing Price of the Placing Shares (other than Placing Shares subscribed by Marwyn Value Investors L.P. and Peter Tom) to be paid by the Company. The Company has agreed to pay all other costs, charges and expenses of, or incidental to, the Placing and the applications for Admission and related arrangements.

Under the Placing Agreement, Cenkos Securities is entitled at its discretion and out of its own resources, to rebate to some or all investors, or to other parties, all or a part of its fees relating to the Placing. Cenkos Securities is also entitled under the Placing Agreement to retain agents and may pay commissions in respect of the Placing to any or all of these agents out of its own resources.

The Placing Agreement, which contains certain warranties, undertakings and indemnities by the Company and the Directors in favour of Cenkos Securities, is conditional, inter alia, on: (i) First Admission in connection with the VCT Placing occurring not later than 1 September 2010 (or such later date as the Company and Cenkos Securities may agree not being later than 29 September 2010); (ii) Second Admission in connection with the General Placing occurring not later than 2 September 2010 (or such later date as the Company and Cenkos Securities may agree not being later than 30 September 2010); (iii) none of the

<sup>5</sup> 37,500 of the 50,000 ordinary shares of £1.00 each in issue are partly paid up only as to a quarter of their nominal value.

warranties given to Cenkos Securities prior to Second Admission being untrue, inaccurate or misleading in any material respect; and (iv) the Acquisition Agreements becoming unconditional in all respects (other than any conditions relating to completion of the Placing Agreement and Second Admission).

Cenkos Securities may terminate the Placing Agreement in specified circumstances, including for breach of warranty at any time prior to Second Admission and in the event of force majeure at any time prior to Second Admission.

## **12. Dilution of ordinary share capital**

Following the issue of the Placing Shares, Shareholders will experience a dilution of approximately 75.4 per cent. of their interests in the Company as a result of the Placing.

## **13. United Kingdom taxation**

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of HMRC and may not apply to certain shareholders in the Company, such as dealers in securities, insurance companies and collective investment schemes, or shareholders whose opportunity to acquire shares arose from their or another's employment. They relate (except where stated otherwise) to persons who are resident, ordinarily resident and, in the case of individuals, domiciled in the UK for UK tax purposes, who are beneficial owners of Ordinary Shares and who hold their Ordinary Shares as an investment. **Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her professional advisers immediately.**

### **13.1 UK taxation of the Company**

It is the current intention of the Directors at the date of this document that the central management and control of the Company will be exercised outside the UK so that it will not be regarded as resident in the UK for the purposes of UK taxation. It is also intended that the activities of the Company will be carried out such that the Company should not be regarded as carrying on a trade in the UK for the purposes of UK taxation. Therefore, (unless the Company should become UK resident) other than in respect of UK withholding tax at source on certain UK source interest income, the Company ought not to be subject to UK taxation.

### **13.2 Dividends – UK resident shareholders**

#### *Withholding at source*

The Company will not be required to withhold at source on account of UK tax when paying a dividend.

#### *“Minority shareholders”*

An individual shareholder who is resident in the UK (for UK tax purposes), who broadly holds less than 10 per cent. of the issued share capital of the Company and who receives a dividend from the Company (a “**minority shareholder**”) will generally be entitled to a tax credit which such shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to ten per cent. of the aggregate of the dividend and the tax credit (the “**gross dividend**”), which is also equal to one-ninth of the cash dividend received.

A minority shareholder who is liable to income tax only at the basic rate will be subject to tax on the dividend at the rate of ten per cent. of the gross dividend but the tax credit will satisfy in full such shareholder's liability to income tax on the dividend.

A minority shareholder who is liable to income tax at the higher rate will be liable to tax on the gross dividend at the rate of 32.5 per cent. A minority shareholder who is liable to tax at the new ‘additional’ rate will be liable to tax on the gross dividend at the rate of 42.5 per cent. The gross dividend will be regarded as the top slice of the shareholder's income. After taking into account the 10 per cent. tax credit, a higher rate tax payer will have to account for additional tax equal to 22.5 per cent. of the gross

dividend (which is also equal to 25 per cent. of the net cash dividend received). An individual paying 'additional' rate income tax will have to account, after taking into account the 10 per cent. tax credit, for tax equal to 32.5 per cent. of the gross dividend (which is also equal to approximately 36 per cent. of the net cash dividend received).

A minority shareholder cannot claim payment of the tax credit from HMRC, even if the tax credit exceeds the liability of the shareholder to pay income tax on the dividend in question.

#### *Other individual shareholders*

An individual shareholder who is resident in the UK and does not obtain a tax credit will be taxed in a similar manner, but without the benefit of a tax credit and so will be taxed at rates of 10 per cent. (where taxed at the basic rate only), 32.5 per cent. (higher rate taxpayers) and 42.5 per cent. (additional rate taxpayers) of the dividend received.

#### *Other shareholders*

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular shareholder, although it is expected that the dividends paid by the Company would normally be exempt. Such shareholders will not be able to claim repayment of tax credits attaching to dividends.

UK pension funds and charities are generally exempt from tax on dividends which they receive but they are not entitled to claim repayment of the tax credit.

### **13.3 Chargeable gains**

The Company should not be an offshore fund (as defined in section 40A Finance Act 2008 or section 355 of the UK Taxation (International and Other Provisions) Act 2010) for the purposes of the provisions of the UK offshore fund rules. This is on the basis that a reasonable investor in the Company would not expect to realise his investment at a value referable to the Company's assets at a specified or determinable date. Accordingly, any gains realised on disposal or deemed disposal of Ordinary Shares should be subject to capital gains tax (or in the case of companies, corporation tax on chargeable gains) and not income tax (or corporation tax on income). If an investor were regarded as having a material interest in an offshore fund by virtue of holding Ordinary Shares in the Company, the investor would be taxed on gains realised on the disposal of the Ordinary Shares as income.

For the purpose of UK tax on chargeable gains, the amount paid by a shareholder for Ordinary Shares will generally constitute the base cost of his holding. If a shareholder who is resident in the UK (for UK tax purposes) disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may arise. This will depend on the base cost which can be allocated against the proceeds, the shareholder's circumstances and any reliefs to which they are entitled. In the case of corporate shareholders, indexation allowance may apply to the amount paid for the shares.

The current rate of capital gains tax for individuals liable to income tax at the higher or additional rate is 28 per cent.. Individuals whose taxable income for the year in question is less than the upper limit of the basic rate income tax band (£37,400 for 2010/11) are subject to capital gains tax at the rate of 18 per cent., except to the extent that the aggregate of their total taxable income and chargeable gains (less allowable deductions) in that year exceeds the upper limit of the basic rate income tax band. Any such excess over the upper limit is subject to tax at the rate of 28 per cent. For trustees and personal representatives, the rate of capital gains tax is 28 per cent. Corporate shareholders suffer tax on capital gains at the prevailing rate of corporation tax applicable to them (currently up to 28 per cent., but if the announcements made in the UK Budget of 22 June 2010 are implemented in full, the main rate of corporation tax will be reduced to 24 per cent. over the next four years).

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency or, in the case of a company, a permanent establishment with which their Ordinary Shares are connected).

Individual shareholders who are temporarily neither UK resident nor ordinarily resident may be liable to UK capital gains tax on chargeable gains realised on their return to the UK.

#### 13.4 *Stamp duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general UK stamp duty and stamp duty reserve tax (“SDRT”) position and do not relate to persons such as charities, market makers, brokers, dealers or intermediaries to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of Ordinary Shares.

Ordinary Shares should not be ‘chargeable securities’ for the purposes of UK SDRT, provided that the Ordinary Shares are not registered in a register kept in the UK or paired with shares issued by a company incorporated in the UK and, accordingly, no SDRT should be chargeable on agreements for their transfer.

No UK stamp duty will be due on the transfer of Ordinary Shares (or an interest in such Ordinary Shares) unless an instrument of transfer or document evidencing a transfer is executed in the UK or the transfer relates to a ‘matter or thing done or to be done’ in the UK. An instrument of transfer or document evidencing a transfer executed in the UK or relating to something to be done in the UK will generally be chargeable to UK stamp duty at the rate of 0.5 per cent. of the consideration for the transfer where the consideration exceeds £1,000 (rounded up, if necessary to the nearest multiple of £5). Where UK stamp duty is chargeable, any SDRT paid in relation to that transfer should, in most circumstances, be repaid so that the aggregate liability is limited to 0.5 per cent. of the consideration.

#### 13.5 *Venture Capital Trusts*

The Company obtained clearance from HMRC on 30 July 2010 that a holding of Ordinary Shares in the Company should be capable of constituting a “qualifying holding” (as defined in Chapter 4, Part 6 of the UK Income Tax Act 2007) for the purposes of the VCT legislation. The clearance also confirmed that the VCT Placing Shares (held by VCTs investing funds raised before 6 April 2006), immediately following First Admission will be “qualifying holdings” for the purposes of the VCT legislation.

The assurance sought relates only to the qualifying status of the Company and its Ordinary Shares and does not guarantee that any particular VCT investor will qualify for relief in respect of an acquisition of Ordinary Shares. Potential VCT investors should note that complex regulations govern whether investments made by VCTs are qualifying investments and depend not only on the qualifying status of the Company but upon certain factors and characteristics of the VCT investor concerned. Although it is intended that the current investment opportunity being pursued by the Company will be such that the Ordinary Shares constitute a qualifying holding, there can be no guarantee that this will be the case. VCT investors who are uncertain on whether or not they qualify for the relevant reliefs should consult their own tax advisers.

#### 13.6 *Certain other tax considerations*

If the Company would be a close company if it were resident in the UK, a proportion of any chargeable gains accruing to it or entities through which it has made investments may be apportioned to certain UK resident or ordinarily resident shareholders and be chargeable to capital gains tax (or corporation tax on gains) in their hands. The proportion which may be apportioned to and charged in the hands of such a UK shareholder will correspond to that shareholder’s interest in the Company as a ‘participator’ but these provisions will not apply where a shareholder’s interest in the gain does not exceed one tenth of the gain. Non-domiciled individuals may claim the remittance basis of taxation in

relation to such gains only if the asset disposed of by the Company giving rise to such gain is situated outside the UK.

Individuals who are ordinarily resident in the UK should also note the provisions of sections 714 to 751 of the UK Income Tax Act 2007, which may in certain circumstances render them liable to UK income tax in respect of the undistributed income of the Company or other entities in which the Company directly or indirectly holds an interest.

Shareholders who are domiciled or deemed to be domiciled in the UK should note that transfers of Ordinary Shares at less than full market value (including on death) may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax.

If the Company is or becomes controlled by persons resident in the UK, it will be a 'controlled foreign company' for the purposes of sections 747 to 756 of, and Schedules 24 and 25 to, the Income and Corporation Taxes Act 1988. Under those provisions, companies resident in the UK for UK tax purposes having a sufficient interest, generally 25 per cent. or more, in the Company may in certain circumstances be chargeable to UK corporation tax in respect of any undistributed profits which are attributable to their interests in the relevant company.

## **14. Jersey taxation**

### **14.1 General**

The statements on taxation below are intended to be a general summary of certain Jersey tax consequences that may arise on the Company and its Shareholders. This is not a comprehensive summary of all technical aspects of the structure and is not intended to constitute legal or tax advice to Shareholders. Prospective Shareholders should familiarise themselves with and, where appropriate, should consult their own professional advisers on the overall tax consequences of investing in the Company. The statements relate to Shareholders entering into the Company for investment purposes. It does not deal with the position of certain classes of Shareholders, such as dealers in securities and insurance companies, trusts and persons who have acquired their Ordinary Shares by reason of their or another's employment.

As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will endure indefinitely. The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.

### **14.2 The Company**

Jersey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties (save for an *ad valorem* fee for the grant of probate or letters of administration).

The general rate of Jersey income tax on corporate profits is zero per cent. for companies carrying on all but a few specified types of regulated business or generating income from utilities, or Jersey land and property.

Recent concerns, albeit unspecified, have reportedly been expressed by some members of the ECOFIN Code of Conduct group as to whether the current "Zero Ten" income tax regimes of Jersey and the other Crown Dependencies are compliant with the spirit of the European Union Code of Conduct for Business Taxation. Pending a review by the Crown Dependencies of their respective corporate income tax regimes, no formal objections have been raised by ECOFIN at this time. The outcome of these reviews cannot be prejudged; however, Jersey's Finance Minister has announced plans to propose legislation to exempt from income tax certain companies, including collective investment schemes and capital market special purpose vehicles, with effect from 1 January 2010.

### 14.3 *Shareholders*

Shareholders, other than those resident in Jersey for tax purposes, are not subject to any tax in Jersey in respect of any Ordinary Shares owned by them. Shareholders are not subject to tax in Jersey as a result of purchasing, owning or disposing of Ordinary Shares or either participating or choosing not to participate in a redemption. No deduction will be made from any dividend or proceeds from the sale or other disposal of Ordinary Shares payable to a Shareholder not resident for income tax purposes in Jersey and who does not carry on business in Jersey through a permanent establishment situated therein. Such dividends or proceeds may be paid and received free of Jersey income tax.

Any Shareholders who are resident for tax purposes in Jersey will be liable to income tax, at the individual standard rate of 20 per cent. on the amount of dividends (if any) payable in respect of Ordinary Shares held by them or on their behalf, unless the dividend is paid out of capital profits.

The attention of the shareholders is drawn to the general anti-avoidance provision in Jersey tax legislation which allows the Comptroller of Taxes (the “**Comptroller**”) to challenge any arrangement where he feels there was an attempt to avoid or reduce tax.

The Comptroller may seek to invoke Article 134A of the Income Tax (Jersey) Law 1961 if he is made aware that an individual has invested in a non-income producing capital growth product.

### 14.4 *Goods and Services Tax*

The Company will be eligible for “international services entity” for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the “**GST Law**”) and, accordingly, it will not be required: (i) to register as a taxable person pursuant to the GST Law; (ii) to charge goods and services tax in Jersey in respect of any supply made by it; or (iii) subject to the following provisos, to pay goods and services tax in Jersey in respect of any supply made to it. The aforementioned provisos are as follows:

14.4.1 where a taxable supply made to the Company by a person registered as a taxable person under the GST Law has a value of less than £1,000, the Company will be required to pay goods and services tax in Jersey (at three per cent. of the value of the supply) on such supply if the supply is made under the retail scheme established under Article 43 of the GST Law and the supplier elects to charge goods and services tax on such supply. It is not expected that the Company will be in receipt of supplies made under such retail scheme and, to the extent that it is in receipt of such supplies, the Company may be entitled to a refund of any such goods and services tax paid, subject to compliance with the relevant provisions of the GST Law; and

14.4.2 where a taxable supply made to the Company by a person registered as a taxable person under the GST Law is a supply of goods for onward re-supply of such goods in Jersey in the same state in which they existed when supplied to the Company, the Company will be required to pay goods and services tax in Jersey (at three per cent. of the value of the supply) on such supply. It is not expected that the company will be in receipt of any taxable supplies of goods from a person registered as a taxable person under the GST Law.

### 14.5 *Stamp Duties*

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposition inter vivos of shares. Stamp duty of up to 0.75 per cent. is payable on the grant of probate or letters of administration in Jersey in respect of a deceased individual: (i) who died domiciled in Jersey, on the value of the entire estate (including any shares); and (ii) otherwise, on the value of so much of the estate (including any shares), if any, as is situated in Jersey.

## 15. *Material contracts*

15.1 The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Marwyn Materials Group within the two years immediately preceding the date of publication of this document and which are, or may be, material to the Marwyn Materials Group or have been entered into by any member of the Marwyn



Materials Group at any time and contain a provision under which any member of the Marwyn Materials Group has any obligation or entitlement which is material to the Marwyn Materials Group at the date of this document:

#### **15.1.1 *Corporate finance advisory agreement***

Pursuant to a corporate finance advisory agreement between the Company and Marwyn Capital LLP dated 5 June 2008, Marwyn Capital LLP has agreed to provide strategic and corporate finance advice to the Company for a fee of £15,000 per month. Marwyn Capital LLP may terminate the appointment immediately if the Company commits a material breach of the terms of the agreement or if the Company fails to accept the advice of Marwyn Capital LLP on a material matter. The Company may terminate the appointment upon giving three months' notice after the expiry of the initial term of one year. Under the agreement the Company has agreed to indemnify Marwyn Capital LLP and its associates in respect of the appointment.

#### **15.1.2 *Additional corporate finance fee arrangement***

The Company has also agreed with Marwyn Capital LLP that Marwyn Capital LLP will receive a success based transaction fee of £0.8 million for advisory services provided in relation to the Acquisition and Admission.

#### **15.1.3 *Placing Agreement***

The Placing Agreement is described more fully in paragraph 11 above.

#### **15.1.4 *Main SPA***

Pursuant to the Main SPA dated 16 August 2010 between the Vendors, Barclays Bank PLC, Marwyn Materials and Marwyn Materials Investments, Marwyn Materials Investments has agreed to buy and the Vendors have agreed to sell the Sale Shares. The Main SPA is conditional, inter alia, upon Shareholder approval of the Acquisition and Admission.

The consideration payable under the Main SPA is £1 in cash.

Limited warranties as to capacity and title are being provided by the Vendors under the Main SPA.

Marwyn Materials Investments has the right to terminate the Main SPA prior to Completion if the Vendors are in material breach of the pre-completion undertakings contained in the agreement.

#### **15.1.5 *Trustee SPA***

Pursuant to the Trustee SPA dated 16 August 2010 between the Trustees, Marwyn Materials and Marwyn Materials Investments, Marwyn Materials Investments have agreed to buy and the Trustees have agreed to sell the Trustee Shares. The Trustee SPA is conditional upon the completion of the Main SPA.

Limited warranties as to capacity and title are being provided by the Trustees under the Trustee SPA.

The consideration payable under the Trustee SPA is £2,250,000 in cash.

#### **15.1.6 *Warrant Instrument***

Under the terms of the Main SPA, the BHL Lenders will be granted the Warrants in consideration for entry into the New Bank Facilities under which they shall be entitled to subscribe for in aggregate 55,266,667 Ordinary Shares representing 10.0 per cent. of the Company's Enlarged Share Capital, subject to adjustment in certain circumstances as described below. The Warrants may be exercised at any time during the seven years following the date on which the Warrants are issued. The exercise price of the Warrants is 12.0 pence per share.



The Warrant Instrument contains customary adjustment provisions to the number of Ordinary Shares to be issued on exercise if certain events occur, namely:

- any allotment or issue of Ordinary Shares credited as fully or partly paid to Shareholders by way of a capitalisation of profits or reserves (other than a scrip dividend in lieu of a cash dividend);
- there is an issue of Ordinary Shares or rights to subscribe for Ordinary Shares to holders of Ordinary Shares by way of rights at a price per Ordinary Share which is less than 90 per cent. of the average closing price of an Ordinary Share for the five dealing days prior to the announcement of such rights issue;
- any subdivision, consolidation or reclassification of Ordinary Shares;
- any return of capital to holders of Ordinary Shares, howsoever paid or satisfied;
- (with the exception of any cash dividend or any scrip or similar dividend) any distribution of income, capital, profits or reserves to Shareholders; or
- there is an issue of securities (other than Ordinary Shares) to holders of Ordinary Shares by way of rights;

The Warrants will be freely transferable except to a person who (directly or indirectly) competes, as its principal business, with the Company or any of its subsidiaries (excluding transferees who have interests for investment purposes, in any such competitors) except with the prior written consent of the Company, such consent not to be unreasonably withheld or delayed.

The Company has given the BHL Lenders certain undertakings in relation to the Warrants including agreeing to maintain the listing of the Ordinary Shares on AIM unless it simultaneously seeks a listing on the Official List in which case it will not apply for its shares to be delisted from the Official List.

#### 15.1.7 *Orderly Market Agreement*

In consideration of the Company issuing the Warrants, the BHL Lenders have agreed, for the period of one year following the issue of the relevant Ordinary Shares, to effect any sale of any of the Ordinary Shares arising on the exercise of the Warrants through the appointed broker of the Company for the time being (the “**Broker**”) subject to the ability of each BHL Lender to use another broker if the Broker is unable to match the price and settlement terms offered by any other stockbroker or dealer in respect of the same disposal (in consultation with the Company and the Broker and in accordance with the reasonable requirements of the Broker so as to ensure an orderly market for the issued share capital of the Company).

#### 15.1.8 *Management Warranty Deed*

Pursuant to a management warranty deed dated 16 August 2010, the Managers gave certain warranties to Marwyn Materials Investments in connection with the Acquisition subject to a limitation cap equal to the completion bonus Marwyn Material Investments is proposing to pay to each manager.

#### 15.1.9 *New Bank Facilities*

On 16 August 2010, the Company and Breedon entered into an amendment and restatement agreement with (amongst others) the BHL Lenders, pursuant to which Breedon’s existing facilities agreement will be amended and restated with effect from Completion. The New Bank Facilities, which will be made available on the terms of the New Facilities Agreement, will comprise:

- (a) a £64.5 million term facility, to be made available to Breedon;

- (b) a £15.0 million revolving facility A, to be made available to fund the Enlarged Group's working capital requirements; and
- (c) a £15.0 million revolving facility B, to be made available to fund the Enlarged Group's working capital requirements and to finance capital expenditure and potential future acquisitions.

The New Bank Facilities made available to Breedon will be augmented for the three business days following Completion, until the proceeds of the Placing are received by the Company. It is a requirement of the New Facilities Agreement that the Placing Proceeds and existing cash of the Company are used to pay down the New Bank Facilities (as augmented) by £50.0 million within three business days of Completion. It is expected that after this payment approximately £25.0 million of the revolving facilities A and B will be available to be drawn. Under the New Facilities Agreement, the BHL Lenders have agreed to extinguish all payment-in-kind interest which has accrued on the existing facilities (in an amount of approximately £11.0 million). The term facility will be increased by £5.5 million only if the Put and Call Option is exercised and Breedon becomes obliged to acquire Enneurope.

The remaining term facility is repayable in full on the fifth anniversary of Completion. In addition, 50 per cent. of excess cash generated above the Budget in any financial year (commencing with the 2011 financial year) must be applied in mandatory prepayment of the New Bank Facilities. The revolving facilities are available on a fully revolving basis until the date falling one month prior to, and are repayable in full on, the fifth anniversary of Completion.

The term facility is available to be drawn in Sterling. The revolving facilities may be drawn in Sterling, Euro, US Dollars or any other currency approved by the lenders.

Interest is charged on amounts outstanding under the New Bank Facilities at the rate of:

- (a) LIBOR (or, in relation to any loan denominated in Euro, EURIBOR);
- (b) the mandatory cost (being, an amount to compensate the lenders for the cost of complying with the requirements of the European Central Bank, the Bank of England and/or the Financial Services Authority); and
- (c) the agreed margin of three per cent. per annum.

A commitment fee of 0.50 per cent. per annum is payable on any undrawn portion of the revolving facilities during the availability period for the revolving facilities.

The New Facilities Agreement contains customary representations, undertakings and events of default. In particular, certain operational restrictions are placed on the Enlarged Group, including restrictions – subject to certain agreed exceptions – on the Enlarged Group's ability to:

- (a) incur financial indebtedness;
- (b) grant security and/or guarantees in favour of third parties;
- (c) make acquisitions or disposals; and
- (d) pay dividends and other distributions.

Notwithstanding these restrictions:

- (a) the Enlarged Group may make acquisitions which are funded:
  - (i) entirely by new equity, retained cash (being, cash in the business which has not been swept under the cash sweep provisions referred to above) and/or disposal or

insurance proceeds which are not required to be applied in mandatory prepayment of the New Bank Facilities, provided that:

- (A) if the target is a company, it generates positive EBITDA and security is given over the shares in that company; and
  - (B) no event of default is continuing on the signing date of the relevant acquisition or would result from that acquisition; or
- (ii) entirely or in part by a utilisation of revolving facility B, provided that:
- (A) if the target is a company, it generates positive EBITDA;
  - (B) the acquiring company has granted guarantees and security in respect of the New Bank Facilities and grants security over the shares in the target company;
  - (C) no event of default is continuing on the signing date of the relevant acquisition or would result from that acquisition; and
  - (D) the Company has provided the facility agent with copies of all due diligence reports (on a non-reliance basis) which have been prepared on behalf of the Enlarged Group for the purposes of evaluating the acquisition; and
- (b) the Company may pay dividends and make other distributions provided that:
- (i) no event of default is continuing on the date on which the dividend is declared; and
  - (ii) two directors certify on the date on which the dividend is declared that no event of default is continuing and that no breach of the financial covenants referred to below is projected for a period of 12 months from the date on which the relevant dividend is declared.

The New Facilities Agreement also requires the Enlarged Group to maintain certain financial ratios (subject to the rights of the Company, in certain circumstances, to seek new equity and/or shareholder debt to cure a breach of those ratios), as follows:

- (a) minimum level of EBITDA;
- (b) cashflow cover test; and
- (c) interest cover test,

each of which is calculated quarterly and generally on a rolling 12 month basis.

The New Bank Facilities are guaranteed by each of the Company, Marwyn Materials Investments, Breedon and certain members of the Breedon Group. Each of the Company, Marwyn Materials Investments, Breedon and certain members of the Breedon Group has granted security for the obligations of the obligors under the New Bank Facilities.

At any time whilst an event of default is continuing unwaived, the facility agent may (and shall, if so directed by the majority lenders under the New Facilities Agreement) accelerate the New Bank Facilities and/or direct the security agent to enforce the security.

The BHL Lenders have agreed that any event, circumstance, act or omission that would otherwise constitute a default or event of default and which both the Company and the facility agent (each acting reasonably and in good faith) agree arose prior to Completion

(or, in the case of an acquisition by Breedon of Enneurope following the exercise of the Put and Call Option, which relates to Enneurope and its subsidiaries and which arose or directly results from any event, circumstance, act or omission which arose prior to completion of the acquisition of Enneurope) or directly results from any event, circumstance, act or omission which arose prior to Completion, shall not constitute a default or event of default for the purposes of the New Facilities Agreement.

**15.1.10 Irrevocable undertakings**

The Company has received the following irrevocable undertakings granted to the Company to vote (or otherwise procure the vote) in favour of each of the Resolutions to be passed at the Extraordinary General Meeting (or any adjournment thereof) and to procure that the registered holders of the Ordinary Shares in question do not, prior to the Extraordinary General Meeting, sell or otherwise dispose of their Ordinary Shares:

An irrevocable undertaking from Marwyn Value Investors L.P. dated 16 August 2010 in respect of 50,010,000 Ordinary Shares.

**15.1.11 Lock in deed**

Pursuant to a lock-in deed dated 16 August 2010, the Directors and Marwyn Value Investors L.P., in their capacity as Shareholders of the Company, have agreed with Cenkos Securities that they will not, and that they will procure that their connected persons will not, dispose of any Ordinary Shares held by them for a period of one year from the date of Admission except in certain limited circumstances.

**15.1.12 Nominated adviser and broker agreement**

Pursuant to a nominated adviser and broker agreement dated 11 March 2009 and made between Cenkos Securities and the Company, the Company appointed Cenkos Securities as its nominated adviser and broker in relation to and following Admission in accordance with the AIM Rules for Companies and the AIM Rules for Nominated Advisers. The agreement sets out the scope of Cenkos Securities' engagement. Cenkos Securities receives an annual fee of £20,000 increasing to £60,000 on successful completion of a deal. These fees are payable annually in advance. Additionally, the Company will pay reasonable fees and expenses incurred in connection with its appointment. The agreement is terminable by either party by giving the other party three months prior written notice. Cenkos Securities also reserves the right to terminate this agreement at any time in (amongst other things) the event of a material breach of the agreement by the Company or in the event of the Company's insolvency. Cenkos Securities also reserves the right to terminate this agreement on reasonable written notice in the event of: (i) a conflict of interest between Cenkos Securities and the Company; (ii) the Company fails to accept Cenkos Securities' advice on a material matter concerning action to be taken in respect of the continuing obligations under the AIM Rules for Companies; or (iii) the conduct or operations of the Company or its Board would reasonably be considered likely to materially damage the reputation of Cenkos Securities. Under this agreement, the Company gave certain customary indemnities to Cenkos Securities in connection with its engagement as the Company's nominated adviser.

**15.1.13 Office support agreement**

Pursuant to an arrangement with Marwyn Partners Limited, dated 5 June 2008, Marwyn Partners Limited has agreed to provide temporary accommodation and associated back office support services (including secretarial and IT support) to the Company for a fee of £5,000 plus VAT per month. The arrangement is for a period until 4 June 2011.

- 15.2 The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Breedon Group within the two years immediately preceding the date of publication of this document and which are, or may be, material to the Breedon Group or have been entered into by any member of the Breedon Group at any time and

contain a provision under which any member of the Breedon Group has any obligation or entitlement which is material to the Breedon Group at the date of this document:

#### **15.2.1 *New Bank Facilities***

A description of the New Bank Facilities is given in paragraph 15.1.9 above.

#### **15.2.2 *Hedging agreement***

Pursuant to a hedge agreement dated 18 June 2009 between Breedon and Barclays Bank plc, the Breedon Group has an interest rate cap at four per cent. (excluding margin) on a notional contract amount of £40 million. The cap expires on 15 March 2012.

#### **15.2.3 *Doseley option agreement***

On 23 December 2005, Ennstone and various subsidiaries of Ennstone entered into an option agreement with David Wilson Homes Limited (“**Wilson**”) whereunder JPL granted Wilson an option to acquire land (subject to obtaining planning permission for residential purposes) at a site at Doseley, Telford for a total consideration of £10.5 million, of which £1.575 million was received as a refundable deposit. Pursuant to the prepack agreement described in paragraph 15.2.4 below, the rights and obligations under the Doseley Option Agreement were transferred to Breedon Properties Limited. The option period under the agreement expires on 22 December 2010. However, if planning permission has not been obtained by September 2010 then Wilson may extend the option for a further period of five years with the purchase price being increased by reference to increases in the retail price index.

#### **15.2.4 *Prepack arrangements***

On 9 March 2009, Ennstone, Bruntcliffe Aggregates plc, Johnston Management Holdings Limited, Ennstone Concrete Products Limited, and Johnston Precast Limited were placed into administration. The administrators entered into an agreement with Breedon and Breedon Properties Limited to transfer the undertaking and certain assets of the business of these companies to Breedon and Breedon Properties Limited.

The shares held by these companies in Thistle, Ennstone Group Services Limited, Enneurope Limited and Johnston were transferred to Breedon and certain other assets of these companies, including plant and machinery, goodwill, intellectual property, freehold and leasehold properties and book debts were transferred to Breedon Properties Limited. The total consideration was £124,418,270, satisfied in accordance with the terms of a netting agreement entered into on 9 March 2009 which provided for the allocation of the consideration.

No representations or warranties were given in respect of the shares or assets transferred and a number of customary indemnities were given by Breedon and Breedon Properties Limited to the administrators.

#### **15.2.5 *Disposal of Enneurope***

Pursuant to a share transfer agreement dated 16 August 2010, Breedon transferred the entire issued share capital of Enneurope, the parent company of Ennstone Sp. z o.o. to Enneurope Holdings in consideration for assuming £5.5 million of the debt drawn down on the facilities agreement. The agreement contained no warranties or indemnities other than as to title and capacity.

#### **15.2.6 *Put and Call Option***

Pursuant to the Put and Call Option, Enneurope Holdings has a put option at any stage up to and including 30 December 2010, to require Breedon to enter into a share purchase agreement with Enneurope Holdings to acquire the entire issued share capital in Enneurope for a consideration of £5.5 million. Such acquisition would include limited warranty protection in favour of Breedon and would be conditional, inter alia, upon the consent of the President of the Office of Competition and Consumer Protection in Poland and the continuing solvency of Enneurope and each of its subsidiaries. Following the exercise of this put option, Enneurope

Holdings may also require Breedon to use reasonable endeavours to obtain such consent. The agreement also contains a call option entitling Breedon to call for the shares in Enneurope Holdings for £1 if the put is not exercised and Enneurope or Ennstone Sp. z o.o. is sold to a third party.

## **16. Related party transactions**

- 16.1 Save as disclosed in this document and in particular with reference to the AIM Rules related party transactions described in paragraph 11 of Part I of this document and the Management Participation Shares and Marwyn Participation Shares set out in paragraphs 12 and 13 of Part I of this document and the agreements at paragraphs 8.1.4, 15.1.1, 15.1.2 and 15.1.3 of this Part VII, none of the members of the Enlarged Group have entered into any related party transactions.

## **17. Working capital**

Having made due and careful enquiry, the Directors are of the opinion that, taking into account available banking facilities and the net proceeds of the Placing, the Enlarged Group will have sufficient working capital available for their present requirements, that is, for at least the 12 months following the date of Admission.

## **18. Significant change**

Save for the loss before tax described in paragraph 4 of Part I of this document, there has been no significant change of the financial or trading position of the Breedon Group since 31 December 2009, the date to which the latest financial statements of the Breedon Group were prepared, and 17 August 2010.

There has been no significant change in the financial or trading position of the Marwyn Materials Group since 31 December 2009, the date to which the latest financial statements of the Marwyn Materials Group were prepared, and 17 August 2010.

## **19. Litigation and arbitration**

- 19.1 Neither the Company nor any other member of the Marwyn Materials Group is, nor has at any time in the 12 months immediately preceding the date of this document been, involved in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Marwyn Materials Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on the Company's or the Marwyn Materials Group's financial position or profitability.
- 19.2 Neither Breedon nor any other member of the Breedon Group is, nor has at any time in the 12 months immediately preceding the date of this document been, involved in any governmental, legal or arbitration proceedings, and Breedon is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against Breedon or any member of the Breedon Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on Breedon's or the Breedon Group's financial position or profitability.

## **20. General**

- 20.1 The gross proceeds of the Placing are expected to be approximately £50.0 million. The total costs and expenses relating to Admission and Placing are £5.75 million (including value added tax) .
- 20.2 KPMG Audit Plc has given and has not withdrawn its written consent to the inclusion of the Accountants' Report in Part V (Historical Financial Information of Breedon) of this document in the form and context in which it appears and to the inclusion of its name in the form and context in which it appears.



- 20.3 Cenkos Securities has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included.
- 20.4 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- 20.5 The Placing Price is payable in full in cash on acceptance.
- 20.6 The Directors are not aware of any exceptional factors which have influenced the activities of the Enlarged Group.
- 20.7 The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Enlarged Group's business.
- 20.8 Save as disclosed in paragraphs 7.2 and 15 above, no person (excluding the Company's professional advisers to the extent disclosed elsewhere in this document and trade suppliers) in the 12 months preceding the Company's applications for Admission received, directly or indirectly, from the Company or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (i) fees totalling £10,000 or more;
  - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 20.9 Monies received from applicants pursuant to the Placing will be held by Cenkos Securities until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 30 September 2010 (or such later date as Cenkos Securities and the Company may agree), application monies will be returned to applicants at their own risk without interest prior to delivery of the shares.
- 20.10 Information sourced from third parties has been accurately reproduced, and so far as the Company is aware, no facts have been omitted which would render that information inaccurate or misleading.

Dated: 17 August 2010



## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition”	the proposed acquisition by Marwyn Materials Investments Limited of the entire issued share capital of Breedon
“Acquisition Agreements”	the Main SPA and the Trustee SPA
“Admission”	means: (i) in relation to the VCT Placing Shares, First Admission; and (ii) in all other respects including in relation to the Acquisition and/or admission of the General Placing Shares and the re-admission of the Existing Ordinary Shares and the VCT Placing Shares, Second Admission
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies published by the London Stock Exchange
“Articles”	the articles of association of the Company adopted in extraordinary general meeting on 26 April 2010
“BEAR”	BEAR Scotland Limited (company number SC206139)
“BHL Lenders”	Barclays Bank plc, Allied Irish Banks p.l.c., the Governor and Company of the Bank of Ireland and KBC Bank NV
“Board”	the directors of the Company from time to time, or any duly constituted meeting of the directors or (where relevant) a committee thereof
“Breedon”	Breedon Holdings Limited (company number 6773575)
“Breedon Group”	Breedon and its subsidiary undertakings at the date of this document
“Cenkos Securities”	Cenkos Securities plc (company number 5210733)
“City Code”	The City Code on Takeovers and Mergers
“Combined Code”	the UK Combined Code of Corporate Governance, as published by the Financial Reporting Council in June 2008
“Company” or “Marwyn Materials”	Marwyn Materials Limited (company number 98465) to be renamed Breedon Aggregates Limited on Completion (subject to the passing of Resolution 2 at the Extraordinary General Meeting)
“Completion”	completion of the Main SPA and the Trustee SPA
“Corporate Governance Code”	the UK Corporate Governance Code as published by the Financial Reporting Council in June 2010 (as amended from time to time)
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 SI 2001 No. 3755) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations 2001 SI 2001 No. 3755)

“Directors”	the directors of the Company whose names are set out on page 5 of this document
“Enneurope”	Enneurope Limited (company number 4254380)
“Enneurope Holdings”	Enneurope Holdings Limited (company number 7303053)
“Ennstone”	Ennstone plc (company number 185664)
“Enlarged Group”	the combined Marwyn Materials Group and Breedon Group
“Enlarged Share Capital”	the enlarged issued share capital of the Company following Admission
“Euro”	the single currency adopted or to be adopted by participating member states under the treaty established by the European Union
“Euroclear UK & Ireland “	Euroclear UK & Ireland Limited, the operator of CREST
“Executives”	Peter Tom CBE, Simon Vivian and Ian Peters
“Existing Ordinary Shares”	existing Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting”	the Extraordinary General Meeting of the Company to be held at 10.00 a.m. on 1 September 2010, at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL, notice of which is set out at the end of this document
“First Admission”	admission of the VCT Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time
“General Placing”	the proposed conditional placing of the General Placing Shares with certain institutional and other investors at the Placing Price
“General Placing Shares”	the 404,166,667 new Ordinary Shares to be allotted and issued by the Company pursuant to the General Placing
“Growth Condition”	the requirement that the compound annual growth of the Company’s share price is at least 12.5 per cent. per annum, which is measured between three and five years after Admission and, if earlier, on a sale or change of control of the Company
“HMRC”	Her Majesty’s Revenue and Customs
“Independent Directors”	Simon Vivian, James Corsellis, David Warr and David Williams
“ISIN”	International Securities Identification Number
“Jersey Companies Law”	Companies (Jersey) Law 1991, as amended from time to time
“Jersey Financial Services Commission”	the Jersey Financial Services Commission
“Johnston”	Ennstone Johnston Limited (company number 156531), a wholly owned subsidiary of Breedon
“KPMG”	KPMG Channel Islands Limited or KPMG Audit Plc
“London Stock Exchange”	London Stock Exchange plc

“Main SPA”	the conditional agreement, dated 16 August 2010, between Marwyn Materials Investments and the Vendors, relating to the sale and purchase of the Sale Shares
“Management Warranty Deed”	the management warranty deed dated 16 August 2010 entered into between the Managers, Marwyn Materials Investments and Marwyn Materials
“Management Incentive Arrangements”	the incentive arrangements comprising the issue of Participation Shares described in paragraph 12 of Part I of this document
“Management Participation Shares”	the Participation Shares issued by Marwyn Materials Investments to the Executives pursuant to the Management Incentive Arrangements
“Managers”	Alan Mackenzie, Ciaran Kennedy, Tony Large, Ross McDonald and John Foldes, the managers of Breedon
“Marwyn”	means Marwyn Investments Group Limited and its subsidiaries and associated companies
“Marwyn Incentive Arrangements”	the incentive arrangements comprising the issue of Participation Shares described in paragraph 13 of Part I of this document
“Marwyn Materials Group”	the Company and its subsidiary undertakings at the date of this document
“Marwyn Materials Investments”	Marwyn Materials Investments Limited (company number 160816)
“Marwyn Participation Shares”	the Participation Shares issued by Marwyn Materials Investments to Marwyn Management Partners LP pursuant to the Marwyn Incentive Arrangements
“Memorandum”	the Memorandum of Association of the Company
“New Bank Facilities” or “New Facilities Agreement”	the facilities made available pursuant to the facilities agreement originally dated 9 March 2009 and made between, amongst others, Breedon and the BHL Lenders, as amended on 30 April 2010 and further amended and restated pursuant to an amendment and restatement agreement dated 16 August 2010
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of no par value in the share capital of the Company
“Original Admission”	the admission of the Ordinary Shares to trading on AIM on 12 June 2008
“Participation Shares”	the Management Participation Shares and the Marwyn Participation Shares
“Placing”	the conditional placing of the Placing Shares by Cenkos Securities, at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 16 August 2010 between the Company, the Directors and Cenkos Securities relating to the Placing, summary details of which are set out in paragraph 11 of Part VII (Additional Information) of this document
“Placing Price”	12.0 pence per Placing Share
“Placing Shares”	the VCT Placing Shares and the General Placing Shares

“Prospectus Rules”	the prospectus rules of the Financial Services Authority made under Part VI of the FSMA
“Put and Call Option”	the put and call option agreement dated 16 August 2010 between Breedon, Enneurope Holdings and the Vendors, summary details of which are set out in paragraph 15.2.6 of Part VII (Additional Information) of this document
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting set out at the end of this document
“Sale Shares”	the one A ordinary share, 36,847 B ordinary shares, 6,117 C1 ordinary shares, 7,268 C2 ordinary shares and 7,268 C3 ordinary shares in the capital of Breedon
“Second Admission”	admission of the General Placing Shares and readmission of the VCT Placing Shares and Existing Ordinary Shares to trading on AIM, becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“Shareholder”	a holder of Ordinary Shares
“Shareholder Value”	broadly, the difference between the market capitalisation of the Company at the relevant date of the sale and the sum of: (i) the market capitalisation of the Company on 12 June 2008, being the date of Original Admission, calculated using the placing price of 10 pence per share; (ii) the market capitalisation of the Placing Shares on Admission, calculated using the Placing Price; and (iii) the aggregate subscription price of all Ordinary Shares issued up to the date of sale, adjusted for dividends and capital returns to Shareholders.
“Sterling”	the lawful currency of the United Kingdom from time to time
“subsidiary undertaking”	as defined in section 1162 of the Companies Act 2006
“Thistle”	Ennstone Thistle Limited (company number SC144788), a wholly owned subsidiary of Breedon
“Trustees”	the trustees of the Johnston Management Holdings Limited Pension and Life Assurance Scheme, being HR Trustees Limited, Brian Watkins and John Campbell
“Trustee Shares”	the 28,070 D ordinary shares in the capital of Breedon
“Trustee SPA”	the conditional agreement, dated 16 August 2010, between Marwyn Materials, Marwyn Materials Investments and the Trustees, relating to the sale and purchase of the Trustee Shares
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
“US Dollars”	the lawful currency of the United States of America from time to time

“VCT”	a venture capital trust for the purposes of Part 6, Chapters 1 to 6 of the UK Income Tax Act 2007 and a company, broadly similar to an investment trust, which has been approved by HMRC and which subscribes for shares in, or lends money to, unquoted (including AIM listed) companies
“VCT Placing”	the proposed conditional placing of the VCT Placing Shares with certain institutional investors at the Placing Price
“VCT Placing Shares”	the 12,500,000 new Ordinary Shares to be issued and allotted by the Company pursuant to the VCT Placing
“VCT Scheme”	a scheme under which VCTs and their investors enjoy certain tax reliefs
“Vendors”	Stephen Rushworth Smith, Barclays Converted Investments (No. 2) Limited, Globe Nominees Limited, KBC Bank NV, Allied Irish Banks p.l.c. and the Governor and Company of the Bank of Ireland
“Warrant Holder”	a holder of Warrants
“Warrant Instrument”	the warrant instrument to be executed by the Company constituting the Warrants
“Warrants”	the warrants to subscribe for 55,266,667 Ordinary Shares pursuant to the terms of the Warrant Instrument to be issued in connection with the Acquisition

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### MARWYN MATERIALS LIMITED

*(Registered in Jersey with no. 98465)*

NOTICE is hereby given pursuant to the articles of association of Marwyn Materials Limited (the “Company”) that an Extraordinary General Meeting of the Company will take place at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL on 1 September 2010 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions each of which will be proposed as a special resolution:-

### SPECIAL RESOLUTIONS

1. THAT:

- (a) the directors be and are hereby generally and unconditionally authorised for the purposes of and in accordance with article 6.2 of the articles of association of the Company (the “Articles”) and in substitution for any existing power of the Company to:
  - (i) allot relevant securities (as defined in Article 6.2 of the Articles) of up to an aggregate amount of 416,666,667 ordinary shares to be issued in connection with the Placing (as such term is defined in the document of which this notice of Extraordinary General Meeting forms part);
  - (ii) issue Warrants (as such term is defined in the document of which this notice of Extraordinary General Meeting forms part) to subscribe for 55,266,667 ordinary shares at 12.0 pence each and allot relevant securities up to an aggregate amount of 55,266,667 ordinary shares in connection with the Warrants;
  - (iii) allot relevant securities of up to an aggregate amount equal to 20 per cent. by number of equity securities of the Company’s fully diluted share capital from time to time to be issued in connection with the purchase of Participation Shares (as such term is defined in the document of which this notice of Extraordinary General Meeting forms part);
  - (iv) allot relevant securities in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the directors, to holders of ordinary shares and such other equity securities of the Company as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or as regards shares held by any approved depositary or otherwise howsoever); and
  - (v) otherwise than pursuant to paragraphs (a)(i), (a)(ii), (a)(iii) and (a)(iv) above allot up to an aggregate amount of 31,969,000 equity securities,

such authority to expire on the fifth anniversary following the passing of this Resolution, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements;

- (b) the Acquisition (as such term is defined in the document of which this notice of Extraordinary General Meeting forms part) be and is hereby approved; and

- (c) the directors be and are hereby generally and unconditionally authorised, pursuant to Article 6.7 of the Articles and the authority given in (a) above:
- (i) to allot equity securities (as defined in Article 6.6 of the Articles) of up to an aggregate amount of 416,666,667 ordinary shares in connection with the Placing at a price of 12.0 pence each as if the rights of pre-emption contained in Article 6.3(1) of the Articles did not apply;
  - (ii) to issue Warrants to subscribe for 55,266,667 ordinary shares at 12.0 pence each and 55,266,667 ordinary shares pursuant to the Warrants, as if the rights of pre-emption contained in Article 6.3(1) of the Articles did not apply;
  - (iii) to allot up to an aggregate amount equal to 20 per cent. by number of equity securities of the Company's fully diluted share capital to be issued in connection with the purchase of Participation Shares; and
  - (iv) otherwise than pursuant to paragraphs (c)(i), (c)(ii) and (c)(iii) above to allot up to an aggregate amount of 31,969,000 relevant securities,

such authority to expire on the fifth anniversary following the passing of this Resolution, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements.

2. THAT, subject to completion of the Acquisition, the name of the Company be changed to Breedon Aggregates Limited.

#### BY ORDER OF THE BOARD

Marwyn Materials Limited  
17 August 2010

#### Notes

1. 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.
2. 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 EGM 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.
3. 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.
4. 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 EGM" on the relevant proxy card.
5. 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.
6. 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 10.00 a.m. on 30 August 2010. 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.

7. 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.
8. 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.
9. 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.
10. 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.
11. Any alterations made to the Form of Proxy must be initialled by the person who signs it.
12. The Company pursuant to Article 40 of the Companies Uncertificated Securities (Jersey) Order 1999 specifies that only those members registered in the register of members of the Company 48 hours before the time of the Meeting (being the register of members as at the close of business on 27 August 2010 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 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.

