BREEDON

ANNUAL REPORT 2020

MAKING A MATERIAL DIFFERENCE

IN THIS REPORT

Despite a challenging year, we have continued to produce the essential construction materials that build our homes, workplaces and leisure spaces. Our products and sites are transforming the lives of people in cities, towns and villages across Great Britain and Ireland, ensuring roads stay open and local services keep running.

From the ground up, we are

MAKING A MATERIAL DIFFERENCE

We would like to say thank you to all our stakeholders for their support during a difficult 2020. Most especially we would like to thank our colleagues who have worked tirelessly and enabled us to recover strongly in the second half to deliver a very creditable outcome for the year.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

FOR MORE INFORMATION

www.breedongroup.com

Please read this report in conjunction with the glossary on pages 148 and 149.

Front cover:
A group of Breedon colleagues at our quarry in Breedon on the Hill.

ABOUT US

WHO WE ARE

A leading vertically-integrated construction materials group in Great Britain and Ireland. Our core outputs are aggregates and cement, from which we produce a range of value-added products including asphalt, ready-mixed concrete and mortar.
We offer high-quality, specialist contracting services including highway surfacing and maintenance together with a range of specialist building products including bricks, roof tiles and blocks.

OUR STRATEGY

We have simplified our strategy into three pillars, Sustain, Optimise and Expand, which together demonstrate how we create sustainable value for all of our stakeholders over the long term. These three pillars are underpinned by our two fundamental principles of robust corporate governance and conservative financial management.
See pages 16 and 17 for more details.

OUR PURPOSE

Our purpose is to make a material difference to the lives of our colleagues, customers and communities, recognising that our products are essential to economic livelihoods and to the development of healthy living and working spaces for everyone.

2020 HIGHLIGHTS

REVENUE

£928.7m

2019: £929.6m -0%

UNDERLYING EBIT*

£76.5m

2019: £116.6m -34%

UNDERLYING EBIT MARGIN*

8.2%

2019: 12.5% -4.3ppt

PROFIT BEFORE TAX

£48.1m

2019: £94.6m -49%

UNDERLYING BASIC EARNINGS PER SHARE*

2.80p

2019: 5.08p -45%

BASIC EARNINGS PER SHARE

1.99p

2019: 4.64p -57%

NET DEBT

£318.3m

2019: £290.3m

* Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items.

References to an underlying profit measure throughout this Annual Report are defined on this basis, and a reconciliation to the most directly related statutory measure is provided on pages 141 to 143.

- Robust performance against backdrop of considerable disruption caused by COVID-19
- Strong recovery in second half, with like-for-like revenue and Underlying EBIT ahead of prior year
- Positive outcome for the year made possible by the support and hard work of all our colleagues

Bradley Richardson, Quarry Manager at Ashwood Dale quarry

Eryn Sinclair, Technician, Contracting, Clatchard quarry

- Sustainability agenda progressed, appointment of first Group Head of Sustainability and developing a clear roadmap for Breedon
- CEMEX Acquisition completed 31 July, integration on-track

- Strong balance sheet and liquidity maintained
- Leverage 2.1x at year-end due to strong second half trading and free cash flow generation
- Intention to pay maiden dividend during 2021

James Coleman, Regional SHE Auditor

OUR BUSINESS AT A GLANCE

We are a leading vertically-integrated construction materials group in GB and Ireland.

GREAT BRITAIN

In GB we operate a nationwide network of quarries and downstream operations extending from Stornoway in the Hebrides to Hampshire in the south of England. Our contracting services business delivers contract surfacing for both minor and major infrastructure projects.

COLLEAGUES
>3,500

TONNES RESERVES AND RESOURCES
>1bn

CEMENT PLANTS
2

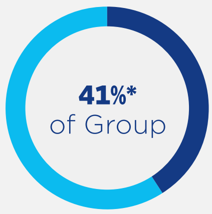
QUARRIES
>100

ASPHALT PLANTS
>50

READY-MIX CONCRETE PLANTS
>200

REVENUE
£622.8m

UNDERLYING EBIT
£34.8m



KEY ASSETS

- Substantial permitted mineral reserves and resources
- Extensive network of quarries, rail-linked aggregates depots, asphalt plants, ready-mixed concrete plants and concrete products manufacturing facilities throughout Great Britain
- Nationwide fleet of delivery vehicles for all products
- Sizeable contracting services operations

STRATEGIC ADVANTAGES

- Strong reserve base
- Fully vertically-integrated operations, yielding economies of scale
- Highly localised service with diverse range of customers
- Well positioned to secure acquisitions in fragmented market

* Excludes central administration and share of profit of associate and joint ventures. Further segmental information is provided in note 2 to the Financial Statements on page 114.

IRELAND

In Ireland our network of quarries and downstream operations runs alongside a significant contracting services business. We undertake contract surfacing as well as major infrastructure and highway maintenance contracts throughout Ireland. In NI we trade under the Whitemountain brand and as Lagan in RoI.

REVENUE

£189.3m

UNDERLYING EBIT

£20.5m

24%* of Group

KEY ASSETS

- Highly regarded contract surfacing and highway maintenance business
- Bitumen importation and distribution business, including production of bitumen emulsions and polymer modified bitumen and binders
- Growing network of quarries, asphalt plants, ready-mixed concrete plants and concrete and clay products manufacturing facilities throughout NI and RoI
- Port terminal for export of high PSV aggregates to GB

STRATEGIC ADVANTAGES

- Established position in RoI market with strong growth prospects
- Established brand and market position in NI with Whitemountain
- Excellent contract surfacing track record, including specialist expertise in airport runway surfacing
- Enhanced platform for further organic growth and bolt-on acquisition opportunities in fragmented markets

CEMENT

Breedon's Cement Division operates two well-invested plants in GB and Ireland, including the UK's largest cement plant by capacity, together with four import/export terminals and a rail-linked distribution network.

REVENUE

£177.2m

UNDERLYING EBIT

£30.4m

35%* of Group

KEY ASSETS

- Two well-invested cement plants, including the UK's largest plant by capacity, together capable of producing more than two million tonnes of cement each year
- Import and export capability through three terminals in GB and another in Ireland
- Rail-linked distribution network in GB, servicing four regional cement depots with more than a million tonnes of throughput capacity
- Major cement bagging plant at Dagenham just outside London

STRATEGIC ADVANTAGES

- Flexibility of supply due to production capability in GB and Ireland, coupled with cementitious import capacity
- Bulk supply complemented by higher-margin bagged products distributed to builders merchants market in GB and Ireland
- Reduced distribution costs due to rail links from our Hope Works to regional depots

STATEMENT FROM THE CHAIR

> I am proud of how we dealt with the unprecedented demands of the past year, producing highly creditable results."
>
> **Amit Bhatia**
> Chairman

It is a measure of the quality of a company's management and colleagues that, when market conditions are toughest, they remain focused on delivering for stakeholders. I am proud of how we dealt with the unprecedented demands of the past year, producing highly creditable results and continuing to move the Group forward operationally and strategically.

PAYING TRIBUTE TO OUR STAKEHOLDERS

I would like to thank all our stakeholders for their continued support and encouragement. Our shareholders, customers, suppliers and partners, many of whom faced their own challenges, resolutely demonstrated their confidence in us, without which we could not have delivered such a resilient performance.

I pay particular tribute to our 3,500 colleagues, who played a vital role in keeping Great Britain and Ireland's essential services running during the pandemic by ensuring that our housing, industrial and transport infrastructure were maintained and enhanced. They did so willingly, with good humour and a commitment to giving our customers the best possible service, despite the difficulties they faced. Above all, they kept each other safe, whilst making sure the business ran as normally as possible.

Despite the economic and market headwinds, we did not allow ourselves to be blown off course and made progress on many fronts. We delivered an Underlying EBIT of £76.5 million on revenues of £928.7 million and net debt of £318.3 million, well ahead of our expectations at the end of the first half. At the end of 2020, Breedon was a stronger, fitter, bolder and more mature business than at the beginning of the year.

ANOTHER TRANSFORMATIONAL ACQUISITION

Completing and integrating sizeable acquisitions is always demanding. Our £178 million purchase of the former CEMEX assets was made more challenging by the pandemic. Only two months after announcing the deal, and with a CMA investigation underway, we were confronted with a total shutdown of our business and several months of disruption. We nevertheless completed the acquisition in July, satisfied all the CMA's concerns by the end of November and began integrating the assets before the end of the year.

The CEMEX Acquisition significantly expands our footprint in the UK, giving us an additional 170 million tonnes of reserves and resources and accelerates our asphalt growth strategy, enabling us to commence expanding our contracting operations which are an increasingly important route to market for our products. These are outstanding assets and our management is already improving their performance and extracting the substantial value we see in them.

Our business model delivers strong free cash flow that enables us to pay down debt quickly – and this remains a priority. We have ample headroom in our current facilities, a good working relationship with our banks and a committed shareholder base that allows us to remain ambitious and on the lookout for further value-enhancing opportunities. We will always allocate our capital wisely to ensure that we can deliver attractive returns, including on the incremental investment needed to grow or improve the assets we acquire.

SHARPENING OUR GOVERNANCE

We have strengthened our Board over the last two years in preparation for the next stage in Breedon's development. Clive Watson and Moni Mannings, both of whom joined the Board in 2019, have already helped to enhance the governance of the Company, with Clive appointed Senior Independent Director and Chair of the Audit Committee during 2020 and Moni Designated Non-executive Director responsible for workforce engagement, alongside her duties as Chair of our Remuneration Committee. One of Moni's first tasks has been to oversee a review of our remuneration policy, further details of which can be found on pages 76 to 86.

We were delighted to welcome Carol Hui to the Board in May. Carol has extensive corporate and commercial experience, primarily in major infrastructure businesses, and is currently Chief of Staff, General Counsel and a Board Director of Heathrow Airport Limited. She will bring her considerable experience to bear on our ESG agenda in her recently assumed role as Designated Non-executive Director responsible for sustainability. We are also very pleased to welcome Helen Miles to the board from 1 April, who brings a wealth of operational and commercial experience and has a broad understanding of the infrastructure sector.

Towards the end of the year the Board received notice of Pat Ward's intention to retire as Group Chief Executive. Pat has brought total dedication, inspired leadership, great wit and pragmatism to the job every day for the last five years and I have greatly enjoyed working with him. I know that our shareholders will join me in thanking him for his outstanding service.

Pat stands down as Group Chief Executive and from the Board at the end of March 2021 and leaves the Group in the hands of a highly experienced successor. Rob Wood has served with excellence as Group Finance Director since early 2014 and has worked very closely with Pat on the development and execution of the Group's strategy and the many operational improvements to the business over the past five years, he succeeds Pat with the full confidence of the Board.

He will in turn be succeeded by James Brotherton, who was appointed CFO designate on 1 January this year. James was until recently CFO of Tyman plc and formerly its Director of Corporate Development, making a major contribution to its growth and geographic expansion.

EMBRACING SUSTAINABILITY

In my conversations with investors and other stakeholders, the strengthening stance on the obligation of public companies to operate responsibly and sustainably has been clear. This is no longer merely a licence to operate, but an existential imperative. Those who are not serious participants in the drive to reduce our impact on the planet risk starving themselves of capital, customers, human resources and the public's goodwill. Our commitment to sustainability is reflected in our purpose, which is to make a material difference to the lives of our colleagues, our customers and our communities, as well as a key pillar of our strategy.

As a significant consumer of energy and natural resources, we embrace our responsibility to lead by example. Addressing our carbon footprint is at the heart of our strategy and is anchored at Board level. The appointment of our first Group Head of Sustainability and the nomination of a designated Director responsible for sustainability reflect the seriousness of our intent. As you will see from our Sustainability Report on pages 40 to 57, we are working towards developing a clear roadmap and targets against which our stakeholders will be able to hold us to account over the coming years.

CONFIRMING OUR MAIDEN DIVIDEND

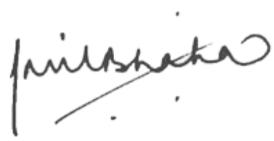
In my last report, I stated that we plan to adopt a progressive distribution policy from this year and I can reconfirm that we intend to declare a maiden dividend, subject to no material change in trading conditions, with our interim results in July. This will be an important step in rewarding shareholders for their continued support and enhancing the return they receive on their investment, whilst underlining our confidence in the Group's financial strength, performance and growth prospects.

LOOKING AHEAD WITH OPTIMISM

As we adapt to the new business environment conditioned by COVID-19, we are in a fortunate position. We are a major player in an industry which governments of all persuasions view as essential and in which they are prepared to invest. In the wake of the CEMEX Acquisition we are even better placed to benefit from this positive trend.

We welcome clarity on the post-Brexit trading relationship with the EU, and whilst we still face some uncertainties around COVID-19, our stakeholders should be reassured that we have an outstanding leadership and operational management team with the imagination and flexibility needed to take full advantage of the opportunities open to us.

I am confident that, whatever challenges remain ahead of us, we will deal with them with the same pragmatism and sureness of touch that we have in the past. Over the longer term, I remain confident that we will continue to prosper and deliver enhanced value for our shareholders.



Amit Bhatia
Non-executive Chairman
10 March 2021

GROUP CHIEF EXECUTIVE'S REVIEW

The pandemic demanded an exceptional response from everyone in our business."

Pat Ward
Group Chief Executive

The pandemic brought unprecedented pressures to bear on the Group in 2020, which demanded an exceptional response from everyone in our business. On behalf of the Board and our Executive Committee, I would like to begin by thanking every one of our colleagues for their support and hard work, which enabled us to deliver a safe shutdown and subsequent restart of our operations in the spring and a commendable full-year result under the most challenging conditions.

MARKET BACKGROUND

Following a strong start to the year, the March lockdown effectively brought the UK and Irish construction industries to a halt for the better part of two months. This had immediate and dramatic consequences for industry volumes, which took a number of months to recover as housebuilding and infrastructure activity gradually resumed through the second half of the year.

A detailed assessment of our markets can be found on pages 14 and 15.

TRADING PERFORMANCE

Our revenues held up remarkably well over the year, given the severity of the pandemic's effects, remaining broadly flat at £928.7 million (2019: £929.6 million), including the contribution from the CEMEX Acquisition. But it was very much a year of two halves. Our Underlying EBIT was significantly impacted in the first six months as a result of the government lockdowns, however it recovered strongly in the second half to reach £76.5 million for the year (2019: £116.6 million).

As soon as the pandemic began to take hold, we took early and decisive action, restricting capital expenditure to committed and critical projects, halting discretionary expenditure and focusing on preserving our liquidity and financial headroom. We entered the lockdown with a well-invested business and a well-managed cost-base, which meant that, as demand began to recover, we were able to bring our sites back on stream quickly and safely with minimal disruption and no reduction in our operational efficiency.

This in turn enabled us once again to generate strong free cash flow and contain our net debt to £318.3 million by the year-end, well below where we had expected to be prior to the onset of the pandemic.

A detailed review of our divisional performances can be found on pages 30 to 39.

We have always prided ourselves on the quality and consistency of our service and I am particularly proud of the fact that we continued to meet the needs of our customers, even at the height of the pandemic. This was entirely due to the efforts of our 3,500 colleagues who consistently went the extra mile to ensure that, as far as possible, no delivery or contract went unfulfilled and no customer was disappointed.

OUR PEOPLE

We are particularly appreciative of the support received from the UK and Irish Governments during the pandemic, putting in place schemes which allowed us to protect jobs and maintain employment levels during this difficult period. Many of our colleagues were furloughed or temporarily laid off, in some cases for several months, and we were pleased to be able to support them by topping up their incomes from the levels provided by the various government employee subsidy schemes. A small minority continued to operate our sites throughout the spring lockdown, supporting essential infrastructure or NHS-related projects, and I would like to extend a special thank you to them. Whether they were on-site, working from home or furloughed, all our colleagues demonstrated the very best that Breedon has to offer.

We continued to invest in the professional development of our colleagues. The majority of our training and development activity was transferred to a virtual platform shortly after government restrictions were imposed. This enabled us to maintain our Management Development Programme through the year and ensure that essential safety and compliance training was uninterrupted.

At the beginning of the year we launched our new Breedon purpose and values and proceeded to roll them out across the business. Whilst there was an enforced hiatus due to the pandemic, I am pleased to say that as the year progressed we saw increasing evidence that our values were being embraced and lived on a daily basis by our colleagues as they delivered for our customers and kept one another safe. The sheer pace at which we had to adapt, ensuring that we were fully ‘COVID-ready’ across the Group in the space of a few weeks, demanded an accelerated development of best practice that I believe was industry-leading in many areas.

SAFETY AND WELLBEING

We can be pleased that we were largely successful at preventing the spread of the virus on our sites and in our offices, and that our Total Injury Frequency Rate continued to decline, to 15.42. It was disappointing that our Employee Lost Time Injury Frequency Rate rose to 1.95 due to an increase in the number of minor incidents. Although this still compares favourably with our industry peers, it is far from where we aspire to be and our stakeholders will rightly expect us to refocus our efforts to improve our performance.

As the year progressed, the mental health and wellbeing of our colleagues was an increasingly important consideration for us. We were mindful of the particular pressures and uncertainties which many faced and the obvious consequences for them and their families. We held resilience workshops, provided management training to help identify mental health issues and worked with our Employee Assistance Programme partners to ensure that 24/7 support was available to all our colleagues if and when they needed it.

CEMEX ACQUISITION

In July we completed the acquisition of a portfolio of high-quality UK assets from CEMEX for £178 million. For much of the second half of the year these assets were held separate from the Group while the CMA conducted an investigation into the acquisition and, as a result, our integration efforts could not start until December. This was not an easy time for our 600 new colleagues on those sites, so I would particularly like to thank them for their patience and forbearance as we worked to satisfy the CMA’s conditions and clear the way for the integration. It is to their credit that they continued to give their customers a first-class service and make a positive contribution to our earnings during this challenging transition.

Everything we have seen in the acquired assets has confirmed our view that they are of high quality, with an outstanding team of people and great potential. We remain confident of significantly improving their performance in the coming years.

SUSTAINABILITY

The appointment of Donna Hunt, our first Group Head of Sustainability, during 2020 reinforced our commitment to reducing our impact on the environment and accelerating our progress on the responsible use of resources. Donna has worked with the Board and Executive Committee to conduct a materiality assessment for our business. She will look to put in place a clear roadmap and meaningful set of KPIs against which our management teams will calibrate their progress in future. We are under no illusions about the challenges posed by the 2050 Zero Carbon target, but we recognise the need to act and are determined to play our part, as responsible members of the construction community, in delivering on that objective.

A full review of our sustainability performance and KPIs can be found on pages 40 to 57.

GROUP CHIEF EXECUTIVE'S REVIEW CONTINUED

OUTLOOK

This is my final report as Group Chief Executive of Breedon. After five years leading the Group, I feel that this is the appropriate time to step down and hand over to my successor to take the Company through the next stage in its development.

Looking back over my time with Breedon, I have been privileged to work with some outstanding colleagues who in my opinion have represented the very best in our industry. When I joined, there were around 1,250 of us working in around 80 sites in England and Scotland. Today, there are nearly three times that number, working across some 350 sites in England, Scotland, Wales, Northern Ireland and the Republic of Ireland.

My colleagues have worked hard over that time to make Breedon a safer company and a more environmentally friendly business. We have expanded our asset base, now with around a billion tonnes of scarce mineral reserves and resources and two well-invested cement plants. Most importantly, we have achieved all this without losing the essential characteristics that made Breedon so successful in its first five years: a flat management structure with strong regional teams, an unremitting focus on our customers and a collaborative and mutually-supportive culture.

I would like to thank Amit for all his support as Chairman and I am really delighted to be handing over the reins to my successor, Rob Wood. Rob and I have worked closely together over the past five years, overseeing Breedon's improved operational performance and expanding the Group both organically and through the integration of a series of successful acquisitions. I could not be leaving the Company in more capable hands and I wish Rob – and his successor as CFO, James Brotherton – every success in the years ahead.

The priority this year will be to complete the integration of the CEMEX Acquisition, begin delivering the operational improvements of which they are capable, and further reduce our debt. However, we will not pass up opportunities to grow and develop our business through the right acquisitions and our pipeline of potential targets remains intact.

Although we remain mindful of the ongoing impact of COVID-19, with the worst of the pandemic now hopefully behind us and some welcome clarity on Brexit, I believe the prospects for Breedon and for our industry are increasingly positive. Against the background of robust commitments from the UK and Irish governments to infrastructure investment and continuing long-term demand for housing, forecasters are expecting this year and next to see steady growth in demand for our products in both countries.

During 2020 we proved our ability to deliver a resilient performance against a backdrop of unprecedented disruption. Our track record, coupled with improving market conditions, gives us considerable confidence in the long-term outlook for our Company.

Patrick R Ward

Pat Ward
Group Chief Executive
10 March 2021

OUR INVESTMENT CASE

1. SUSTAINABLE BUSINESS

Strong corporate governance, with a clear purpose and culture, focused on managing our resources sustainably and maintaining our licence to operate.

SUSTAIN

For more details on our strategy, see pages 16 and 17

2. MARGIN IMPROVEMENT FOCUS

We have a culture of continuous improvement, with opportunities for driving efficiency and increasing utilisation of both our existing assets and newly acquired businesses.

OPTIMISE

For more details on our strategy, see pages 16 and 17

3. LONG-TERM GROWTH MARKETS

Exposure to attractive end markets, including infrastructure and housing, with structural growth trends underpins future demand.

EXPAND

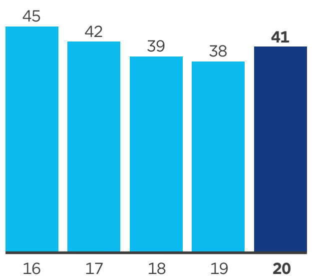
For more details on our strategy, see pages 16 and 17

4. ASSET BACKED

In excess of 1 billion tonnes of mineral reserves and resources, equivalent to over 40 years of production, combined with two cement plants and the broad geographic spread of our assets across the UK and Ireland, provides significant barriers to entry.

RESERVES AND RESOURCES LIFE

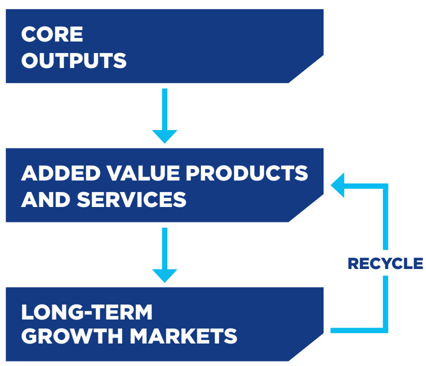
years



For more details on our key performance indicators, see pages 18 and 19

5. VERTICALLY INTEGRATED MODEL

Value-added products and services alongside our growing contracting business, offer margin-enhancing routes to market for our cement and aggregates.



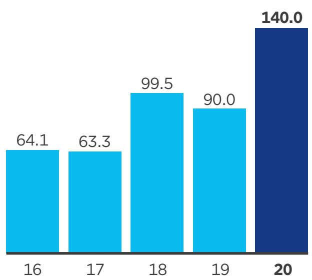
For more key detail on our business model, see pages 12 and 13

6. STRONG FREE CASH FLOW

Strong free cash flow supports both organic and inorganic investment and shareholder returns. We have generated more than £450m of FCF over the last five years.

FREE CASH FLOW

£m



For more key detail on our financial performance, see pages 24 to 28

OUR BUSINESS MODEL

Our vertically-integrated business model offers us significant economies of scale, a high level of self-sufficiency and tight control over our costs.

The objective of our business model is to extract maximum value from every tonne of aggregates we quarry and every tonne of cement we produce. This is achieved through the efficient manufacture and sale of a wide range of downstream products and associated services.

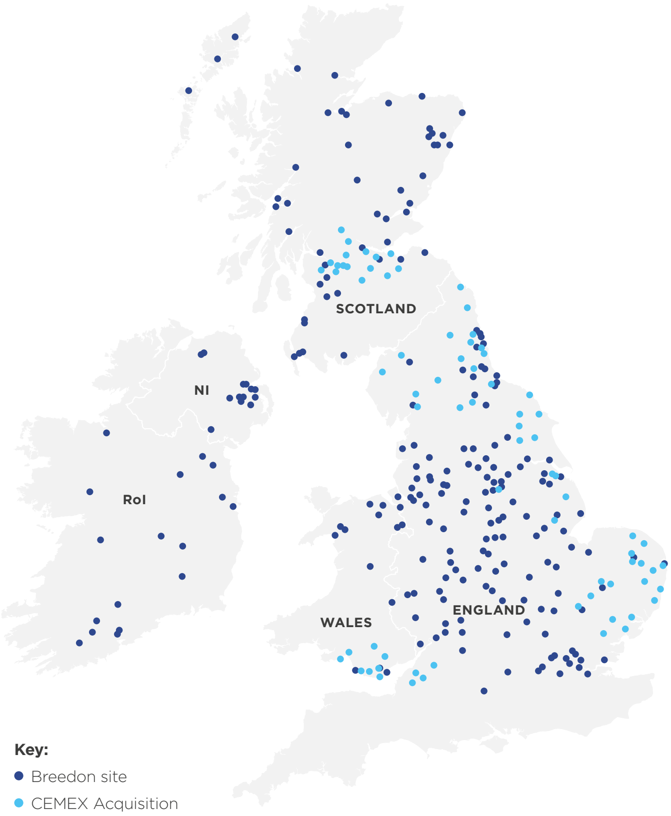
CORE ASSETS

RESERVES AND RESOURCES

>1bn tonnes

CEMENT PLANTS

2



We seek to extend our mineral reserves organically and by acquisition. We aim to replenish as much as possible of what we use each year and ensure that we always have a ready supply of raw material for our downstream operations.

Our business depends upon securing planning consents for new reserves and extensions, which are granted sparingly. To achieve this, we maintain good relationships with local authorities, landowners and communities, and identify suitable opportunities to acquire new quarries and reserves where possible and to expand our cementitious business.

CORE OUTPUTS

AGGREGATES

CEMENT

Whether we are extracting and processing aggregates, or producing cement, our focus is on performing as sustainably, efficiently and cost-effectively as possible.

The logistics of manufacturing and distributing cement and extracting, processing and transporting aggregates are complex and require great technical proficiency. We rely on well-invested plant and smart utilisation, coupled with rigorous quality and environmental controls. This ensures every tonne of material we produce is fit for purpose, whether its end use is as a raw material for asphalt, ready-mixed concrete, blocks, or a host of other applications.

RECYCLE

ADDED VALUE PRODUCTS AND SERVICES

ASPHALT AND CONTRACTING SERVICES

READY-MIXED CONCRETE

OTHER

Other products includes floor screed, mortar, technical concrete products, concrete blocks, bricks, slate and roof tiles.

At the heart of our business model is the aim to maximise the return on every tonne of material we produce. Our vertical integration provides valuable, margin-enhancing routes to market for our core mineral and cement outputs.

We invest heavily in optimising the efficiency of our product manufacturing plants at every stage. We innovate to ensure we produce higher-margin specialist performance mixes of both ready-mixed concrete and asphalt. The success of our contracting services business is down to judicious management of contracts and excellent service delivery.

LONG-TERM GROWTH MARKETS

INFRASTRUCTURE

HOUSING

COMMERCIAL

Our markets are characterised by steady growth over the cycle and the prospects both in GB and Ireland in the medium to long-term are positive, with high levels of pent-up demand for our products.

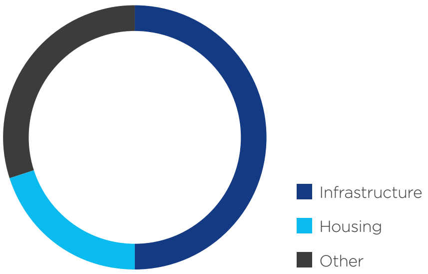
We have successfully positioned our business to take advantage of these growth opportunities, particularly in infrastructure – including road maintenance – housing and commercial. Together these account for the majority of our end-use markets.

OUR MARKETS

As a leading construction materials group in GB and Ireland, we benefit from exposure to attractive infrastructure and residential construction markets.

The majority of our revenues are generated by supplying building materials and products into the infrastructure and residential construction markets in the UK and Ireland. These are structurally attractive markets with strong fundamentals which will support the long-term growth of the Group.

REVENUE BY END MARKET



UK

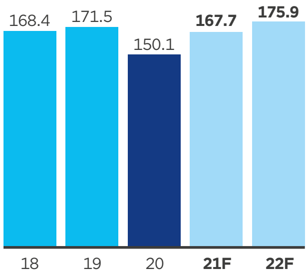
In the UK, infrastructure spending as a percentage of GDP has been well below the levels seen across the EU and US for many years. This underinvestment has been acknowledged by the UK Government and there is cross-party political support for increased infrastructure spending. The current Government has committed to support a range of high-profile projects including HS2, the expansion of Heathrow Airport and national motorway upgrade programmes.

Government capital expenditure on infrastructure is expected to reach £100 billion in the fiscal year ending 2022, £27 billion higher than in 2019, and total £600 billion over the five-year spending review period.

The outlook for the residential construction market in the UK remains positive, with an estimated deficit of up to one million homes caused by housing starts falling short of household formations over the past 10 years or more. There is cross-party political support for the current Help to Buy scheme and to increase housebuilding rates from current levels, with the current Government targeting 300,000 homes per annum by 2025. Furthermore, given the average age of the housing stock in the UK, with over 50 per cent of homes being over 100 years old, there is an ongoing need for repairs and improvements.

UK CONSTRUCTION OUTPUT

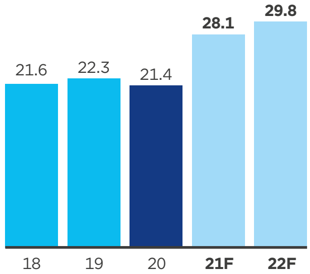
£bn



+4%
over 4 years

UK INFRASTRUCTURE OUTPUT

£bn



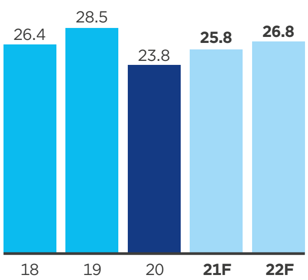
+38%
over 4 years

IRELAND

In RoI, the outlook for our core markets continues to be positive, underpinned by expected demand from the Government's National Development Plan. The plan outlines over €100 billion of public capital expenditure by 2027, to deliver strategic objectives to support future growth and improve environmental and social outcomes. A large proportion of the spend is targeted directly at infrastructure investment in roads, airports and ports which will support demand for our products and services. Residential construction is expected to remain buoyant, with demand for new housing estimated at approximately 30,000 new homes per annum and government support for the sector in the form of extensions to the Help to Buy and Stamp Duty Rebate schemes to the end of 2021 and 2022 respectively. Euroconstruct is forecasting housing starts of 33,000 in 2022, a 16 per cent increase on 2019 levels.

IRELAND CONSTRUCTION OUTPUT

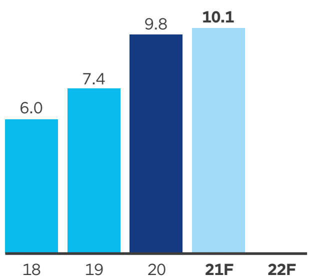
€bn



+2%
over 4 years

IRISH GOVERNMENT CAPITAL EXPENDITURE

€bn



+68%
over 3 years

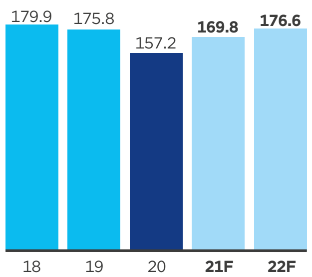
Note: 2022 forecast not available.

ACTIVITY LEVELS IMPACTED BY COVID-19

The year started positively, as political and economic uncertainty began to ease following the formation of a majority government in the UK after the December 2019 general election and clarity on the Brexit withdrawal agreement. However, Government restrictions to control the pandemic began to impact activity levels across the sector in late March due to the national lockdown, and volumes of all our products fell significantly in April and May.

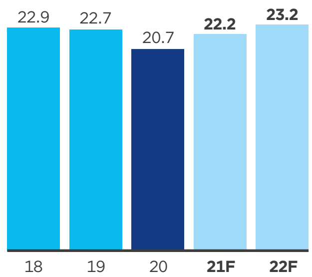
We saw a rapid recovery in the second half of the year, with robust activity levels in both of our key end markets, infrastructure and housing, led initially by RoI. Overall, market volumes of aggregates and asphalt declined by approximately 10 per cent during 2020, whilst ready-mixed concrete volumes declined by 18 per cent due to greater exposure to housing and commercial construction where the post lockdown recovery lagged that of the other products.

AGGREGATES GB MARKET
million tonnes



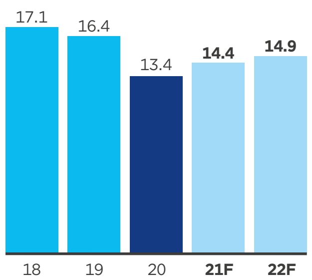
-11%
in 2020

ASPHALT GB MARKET
million tonnes



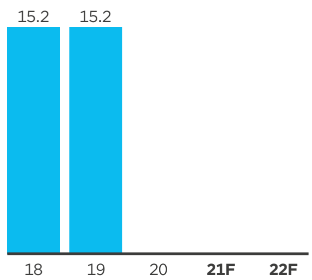
-9%
in 2020

READY-MIXED CONCRETE GB MARKET
million m^3



-18%
in 2020

CEMENTITIOUS GB MARKET
million tonnes



Note: Cementitious market volumes for 2020 will be published in late 2021. Forecasts for 2021 and 2022 not available.

POSITIVE OUTLOOK

Despite the impact of COVID-19 during 2020, forecasters are expecting a recovery in activity levels during 2021, and for overall output to return to pre-COVID levels in 2022.

Total construction output in GB declined by 13 per cent in 2020 due to significant declines in industrial and public housing activity and a more modest decline in infrastructure activity. However, the CPA forecasts growth of 14 per cent for 2021 and a further 5 per cent in 2022, reflecting strong recovery in both infrastructure and housing activity. The MPA forecasts a recovery in demand for our key products of around eight per cent in 2021.

In RoI, Euroconstruct is expecting total construction output to decline by 16 per cent in 2020, with an 8 per cent recovery in 2021 and a further 4 per cent per annum growth until 2023.

In Northern Ireland, construction output is expected to have declined 16 per cent in 2020, with a recovery of 6 per cent anticipated in 2021.

Sources: Construction Products Association, ONS, Euroconstruct, CSO, Government of Ireland Budget 2021, Mineral Products Association, Danske Bank.

Note: MPA product volumes reflect total market volumes for primary aggregates and MPA member volumes for asphalt and RMC. Revenue by end market based on management estimates.

OUR STRATEGY

We have a clear purpose: to make a material difference to the lives of our colleagues, our customers and our communities, recognising that our products are essential to our economic livelihood and to the development of healthy living and working spaces for everyone.

We have simplified our strategy into three pillars, which together demonstrate how we create sustainable value for all of our stakeholders over the long term.

Our strategy is underpinned by robust corporate governance and conservative financial management

Robust corporate governance has been a key focus of the group for several years and we are compliant with the QCA Corporate Governance Code. We have a strategy and business model which promotes long-term value creation and meets our shareholders' needs and expectations, supported by effective risk management and broad stakeholder engagement activity.

We have strengthened and developed our Board to ensure that it is diverse and well-balanced, with the right mix of skills and experience and with governance structures that are fit for purpose to support sound decision-making.

We have always sought to adhere to the highest standards of corporate best practice. In due course this will naturally support a likely transition from the AIM to a full listing on the London Stock Exchange. At that point we will be governed by the FRC's UK Corporate Governance Code, with which we are already substantially compliant.

We aim to balance growth with profitability and strong returns. We prioritise the maintenance of a strong balance sheet with a responsible approach to leverage and combine this with a prudent approach to deploying capital. We invest to sustain and develop our business and ensure that our assets are well-invested, whilst continuing to pursue targeted acquisitions that meet our requirements to accelerate our strategic development.

This conservative approach to financial management will enable us to operate sustainably over the long term and pursue capital growth for our shareholders, whilst supporting our future dividend policy.

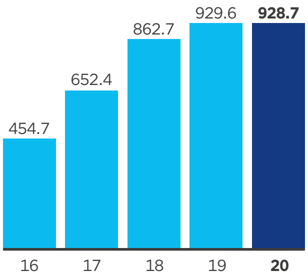
Strategic pillar	SUSTAIN	OPTIMISE	EXPAND
	Our purpose is to make a material difference to the lives of our colleagues, customers and communities. As an extractive industry, we have an obligation to limit our impact on the environment, which will help protect our licence to operate over the longer term, however we believe our obligation extends well beyond this. We have a duty to operate every area of our business as sustainably as possible, for the benefit of all our stakeholders.	The resources we use to produce our products are scarce and valuable, so it is vital that we maintain a high level of mineral reserves and maximise the value of every tonne of material we quarry or manufacture. We achieve this through a disciplined approach to quarry acquisition and development, coupled with a culture of operational and commercial excellence to ensure our operations remain efficient and competitive irrespective of market conditions. This approach will deliver strong margins and returns over the long term.	The Group is focused on construction materials markets that deliver long term profitable growth across the cycle and expects to deliver strong margins and free cash flow generation that will allow us to reinvest in the business. We see numerous opportunities to expand both our geographical footprint and product portfolio through both organic investment and acquisitions.
Progress in the year	During the year we appointed our first Group Head of Sustainability and assigned Board responsibility for sustainability to one of our non-executive directors, Carol Hui. We are developing a clear plan to accelerate our sustainability agenda, with associated KPIs and will report to the Board and external stakeholders on our progress on a regular basis. As part of this process, during 2020 we engaged with all our stakeholders to conduct a materiality assessment that will form the basis of our future sustainability targets. We updated seven formal policies covering key sustainability disciplines, including social responsibility, health and safety and the environment. Crucially, we created a more robust process for data capture across the organisation, which will ensure that our management teams have the right information to ensure that we make meaningful progress against our targets.	During the year we delivered further operational and commercial improvements across our business. Of particular note during 2020 were the investments in new plant at our North Cave quarry, which expanded our product range and significantly increased the efficiency of our operations, and installation of a packing robot at our Kingscourt brick plant has reduced both packaging requirements and distribution costs in this part of our products business. New concrete and aggregates processing plants at our Willington Lock quarry provide an opportunity to increase our penetration of the Bedfordshire and Cambridgeshire markets.	The CEMEX Acquisition was the strategic highlight of 2020 for the Group. The acquisition included approximately 170 million tonnes of mineral reserves and resources, over 600 experienced colleagues and strengthens our position in six key regional GB markets. The increased asphalt capacity we secured provides a platform for a step change in our national asphalt and contracting strategy. In addition, the Group continued to secure additional reserves through targeted investment and constructive engagement with planning authorities. One example of this is the seven million tonnes of mineral reserves now accessible at our Holme Hall quarry in Yorkshire as a result of investment in a new road bridge. Overall, the life of the Group's reserves and resources increased to 41 years.
Future priorities	Looking ahead, we will use the robust data collected across our business and the materiality assessment to generate a suite of specific sustainability targets, with a clear plan as to how they will be delivered over the coming years.	We will ensure that we continue extracting value as efficiently as possible and with due regard to our responsibilities as stewards of the land on which we operate. Our key areas of strategic focus for 2021 is the integration of the CEMEX Acquisition and delivery of targeted synergies to increase margins and deliver value from the acquired assets.	In the short-term, our focus is on de-leveraging through cash generation. However, we remain ambitious to grow the business. We will look to leverage our expanded asphalt capacity and grow our contracting business in GB to support organic growth and will review acquisition opportunities as they arise. As we start to evaluate international markets beyond the UK and Ireland, we will focus only on those countries which are characterised by robust legal systems, reliable planning regimes and benign local cultures with minimal political risk and where our operating model can be effectively deployed.
KPIs + For more detail on our KPIs, see pages 18 and 19	• Emissions intensity • Employee LTIFR • Employee TIFR • Others in development	• Free cash flow • Return on invested capital • Revenue • Underlying basic EPS • Underlying EBIT margin	• Free cash flow • Leverage • Revenue • Reserves and resources life • Return on invested capital • Underlying EBIT margin
Risk + For more detail on key risks, see pages 20 to 23	• Environment and climate change • Health and safety • IT and cyber security • Legal and regulatory • People	• Acquisitions • Competition and margins • People	• Acquisitions • Financing, liquidity and currency • Legal and regulatory • Market conditions

OUR KEY PERFORMANCE INDICATORS

We use our KPIs both to measure our progress against our strategy (pages 16 and 17) and as risk monitors (pages 20 to 23).

FINANCIAL KPIs

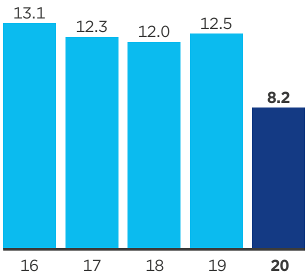
REVENUE
£m



Why we've chosen this measure:
This metric tracks the Group's top-line growth.

How we've performed:
Revenue was broadly flat year-on-year, with the first half disruption due to COVID-19 offset by the strong recovery in trading in the second half of the year and contribution from the CEMEX Acquisition from August onwards.

UNDERLYING EBIT MARGIN
%

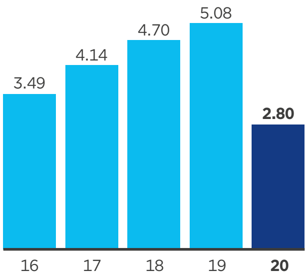


Why we've chosen this measure:
This metric tracks improvements in the relative profitability of the Group and enables us to monitor progress against our stated objective of delivering margin improvement over the medium term.

How we've performed:
Our Underlying EBIT margin decreased as a result of the impact of the pandemic in the first half of the year and the short-term dilutive impact of the CEMEX Acquisition.

Remuneration link:
A component of this measure is used to determine award levels of our annual cash bonus.

UNDERLYING BASIC EPS
pence

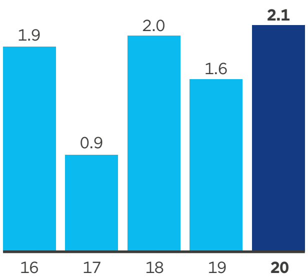


Why we've chosen this measure:
This metric tracks improvements in the Underlying basic EPS for our shareholders.

How we've performed:
The decline in our Underlying basic EPS reflects the impact from the pandemic on trading in the first half of the year.

Remuneration link:
This measure is used to determine vesting levels in our performance share plans.

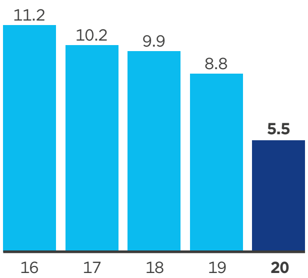
LEVERAGE
times



Why we've chosen this measure:
This metric tracks the ability of the Group to generate sufficient cash flows to service the needs of the business and to pursue its acquisition strategy, whilst covering its contractual debt-servicing obligations.

How we've performed:
Year-end leverage of 2.1x was lower than our expectations at the half year due to strong second half trading and free cash flow generation.

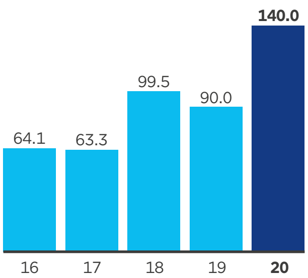
RETURN ON INVESTED CAPITAL
%



Why we've chosen this measure:
This metric tracks how well the Group generates returns in relation to the average capital invested and we target a return across the cycle exceeding our cost of capital.

How we've performed:
The decline in 2020 reflects the impact of COVID-19 on profitability during the period and the short-term dilutive impact of the CEMEX Acquisition.

FREE CASH FLOW
£m



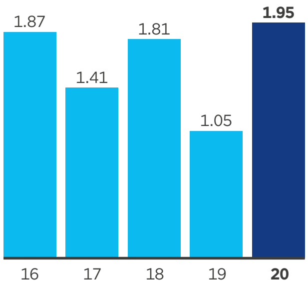
Why we've chosen this measure:
This metric tracks the Group's free cash flow to ensure that its profits generate sufficient cash to support its capital allocation priorities: maintaining a strong balance sheet, sustaining organic investment, pursuing acquisition opportunities and in due course maintaining progressive dividend payments.

How we've performed:
The improvement in 2020 reflects decisive actions taken to manage costs and liquidity in response to COVID-19, including managing working capital and capital expenditure.

NON-FINANCIAL KPIs

Where a financial KPI is a non-statutory measure of performance, a reconciliation to the most directly related statutory measure is provided on pages 141 to 143 in note 29 to the Financial Statements.

EMPLOYEE LTIFR
per million hours worked

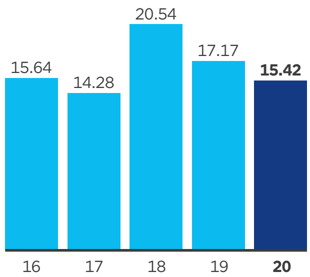


Why we've chosen this measure:
This industry-standard metric tracks our health and safety performance and enables us to maintain a strong health and safety culture.

How we've performed:
We were disappointed to see an increase in the LTIFR during the year due to an increase in minor incidents.

Remuneration link:
This measure is also used to potentially modify the level of annual cash bonus.

EMPLOYEE TIFR
per million hours worked

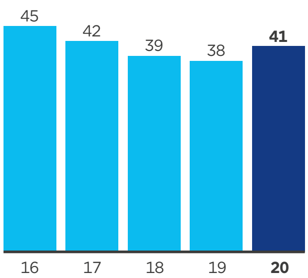


Why we've chosen this measure:
We believe it is appropriate to report on this wider measure of our health and safety performance, which indicates the total recorded injury frequency rate of the Group.

How we've performed:
We delivered a further decrease in 2020 and will continue to work hard to ensure a consistent downward trend in this measure.

Remuneration link:
This measure is also used to potentially modify the level of annual cash bonus.

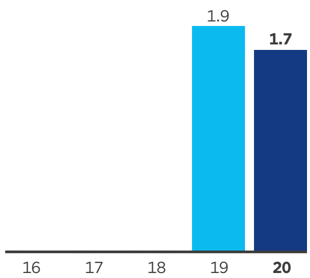
RESERVES AND RESOURCES LIFE
years



Why we've chosen this measure:
This metric tracks the ability of the Group to replenish its reserves and resources.

How we've performed:
We continued to invest in and expand our asset base during 2020, including the addition of c.170 million tonnes of reserves and resources with the CEMEX Acquisition, ending the year with over 1 billion tonnes of reserves and resources.

EMISSIONS INTENSITY
$kgCO_2e$/£ revenue



Why we've chosen this measure:
This is a reporting requirement of the UK Government's SECR regime.

How we've performed:
During the course of 2020, we undertook a number of energy efficiency actions to reduce energy consumption and carbon emissions across our business and this is reflected in the improved intensity figure.

Note: Reported for the first time in 2019

MANAGING OUR RISKS AND OPPORTUNITIES

Identifying and managing our existing and emerging risks effectively means we can focus on our long-term business opportunities.

Our strategy informs the setting of the Group's priorities. Opportunities to achieve these priorities and the risks accepted in pursuit of these, are guided by the risk appetite which is reviewed annually, and approved by the Board, and governed by the Group's risk management framework.

The Group's principal risks and uncertainties do not comprise all the risks associated with the Group. Additional risks not presently known or currently deemed to be less material may have an adverse effect on the Group's business in the future.

Risk is an inherent and accepted element of doing business and effective risk management is fundamental to how we run our business. The Group's approach to risk management is to identify material existing and emerging risks and then to develop actions or processes to accept, transfer or mitigate those risks to an acceptable level.

The Group's nine principal risks are listed on page 21 and are unchanged from the prior year, although events during 2020 have resulted in changes to both the nature and net risk rating of these principal risks.

Seven of our net risk ratings remain unchanged compared to 2019. In particular, following the CEMEX Acquisition, retaining the risks of 'Acquisitions' and 'Financing, liquidity and currency' as high and medium ratings respectively remains appropriate.

The two risks for which the net risk ratings changed during the year were:

- 'Environment and climate change' which has increased from medium to high reflecting the increasing importance to both the Group and its stakeholders of transitioning to a lower-carbon economy.
- 'Health and safety' which has increased from medium to high as a result of COVID-19.

COVID-19

The Group does not consider that COVID-19 presents a principal risk in isolation, but instead impacts on a number of our existing principal risks, most notably on health and safety. The specific impact on each risk is detailed in the 'change in the year' column of our detailed risk descriptions on pages 21 to 23.

BREXIT

The Group does not have a significant exposure to Brexit risk. Generally, our businesses are local and our products do not cross national borders. In addition, the supply chain is generally local.

We do import cement and bitumen into the UK from the EU, and the Brexit process has raised the level of overall risk that the Group is exposed to in respect of both these transactions, and more generally in terms of reduced market confidence, possible delays in our suppliers' supply chains and labour shortages.

The passing into law of the UK-EU trade agreement, effective 1 January 2021, has provided some welcome clarity. This includes confirmation that the Group's material cross-border transactions will not be subject to tariffs, and while the full effects of the agreement are yet to be seen in practice, we believe that the certainty provided reduces the Group's overall risk.

RISK MANAGEMENT FRAMEWORK IN 2020

Board

Responsible for the Group's system of risk management and internal control and for reviewing their effectiveness.

Audit Committee

Reviews the suitability and effectiveness of risk management processes and internal controls on behalf of the Board.

Group Finance Director

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

Group Controls Manager

Works with the businesses to identify and assess the key risks and controls and then reports them to the Group Finance Director. In addition, facilitates the embedding and monitoring of the Board's agreed risk management process within the business, under the direction of the Group Finance Director.

Risk-owners/Senior Management Team

Directors and senior managers ensure that the risk management framework is implemented effectively within their respective business areas. Their key responsibilities include ensuring an effective risk culture is in place, with risk management embedded in the business.

RISK MANAGEMENT IN 2021

From 2021 the Group has appointed RSM to act as internal auditor. RSM will be instructed by, and report to, the Audit Committee. In addition, the Group has recruited additional resource to support the Group Controls Manager. This will enable full implementation of a three lines of defence risk management model.

PRINCIPAL RISKS

Principal risk	Appetite (High, medium, low or very low)	Impact (High, medium or low)	Likelihood (Probable, possible or remote)	Net risk rating high / medium / low / very low	Movement from prior year
Acquisitions	Medium/High	High	Possible		
Competition and margins	Very low	High	Probable		
Environment and climate change	Very low	High	Probable		
Financing, liquidity and currency	Very low	Medium	Possible		
Health and safety	Very low	Medium	Probable		
IT and cyber security	Very low	High	Possible		
Legal and regulatory	Very low	Low	Possible		
Market conditions	Medium/High	High	Probable		
People	Low	Medium	Possible		

1. ACQUISITIONS

Description and context

We could overpay for, fail successfully to integrate, or fail to deliver the expected returns from, an acquisition.

We may fail to identify potential acquisitions to sustain our growth strategy.

Change in the year

On 31 July 2020 we completed the CEMEX Acquisition and, following the conclusion of the CMA's review into the acquisition in December 2020, we have begun the process of integrating these assets into the Group. This increases the risks around the integration of acquired businesses until the process is successfully completed. We expect this integration will complete during 2021.

Mitigation

The Group has a strong acquisition track record, supported by our specialist advisers and rigorous due diligence processes. All major acquisitions are approved by the Board and all acquisitions are subject to detailed integration plans which are executed by project teams, with progress monitored by the Board.

We have developed a management structure which facilitates our growth strategy and, where appropriate, we make arrangements to retain acquired senior management.

The Board holds strategy meetings with our external advisers to review wider acquisition opportunities and our businesses are all tasked with bringing forward potential bolt-on acquisition targets for review at Group level.

2. COMPETITION AND MARGINS

Description and context

Increased competition, increases in energy and hydrocarbon costs or commodity prices, heavy reliance on key suppliers or poor haulage management could all impact profitability or cause supply issues.

An unplanned production outage at a cement plant could significantly impact our ability to supply cement both internally and externally.

Change in the year

Although the Group is fortunate that the majority of its operations are outdoors with limited physical contact points, there is a risk that necessary health and safety measures put in place at the Group's operating locations in response to COVID-19 may negatively impact efficiency and profitability.

Mitigation

We maintain a diverse customer base and focus on providing a high level of service. All major contracts are approved by the Board.

We operate a strategic purchasing plan to minimise key supplier risks, notably in energy and hydrocarbons, including bitumen, and we seek to offset rising commodity prices through our product pricing strategy and hedging programmes and by optimising our internal supply chain. Experienced transport managers optimise truck availability to match demand and we actively engage with our subcontractors.

Both cement plants have real-time performance monitoring and preventative maintenance and inspection programmes and mitigating cement procurement strategies are in place. We hold business interruption insurance and regularly review business continuity plans.

We closely review all health and safety guidance regarding COVID-19 and ensure this is implemented efficiently without compromising the safety of our colleagues and customers.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

3. ENVIRONMENT AND CLIMATE CHANGE

Description and context

The Group's impact upon the environment or the effects of climate change could expose us to regulatory breaches, significant disruption, reputational risk or a reduction in demand for our products.

Emission restrictions and the transition to a low carbon economy could impact performance.

Change in the year

The net risk rating for environment and climate change has increased from medium to high in the year, reflecting the increasing importance to both the Group and its stakeholders of transitioning to a lower carbon economy.

The appointment of the Group's first Head of Sustainability in 2020 has facilitated a more granular understanding of the nature of the Group's environmental risk, with an operational environmental footprint exercise undertaken to identify gaps in environmental data, benchmark the Group's performance and set operational improvement targets for ongoing review and reporting.

Mitigation

The Group's Head of Sustainability has responsibility for developing and implementing an effective sustainability strategy to shape the Group's practices and performance, ultimately improving the sustainability of the Group's operations, products and services.

The Group is a member of the GCCA and as such must comply with the GCCA Sustainability Charter by 2023. We are committed to setting targets, implementing sustainability initiatives and reporting our performance to the GCCA.

We have engaged with a Carbon and Energy Management consultant and implemented processes to comply with the Streamlined Energy and Carbon Reporting regulations, and have taken steps to move towards compliance with the Task Force for Climate Related Disclosure requirements.

We have a particular focus on potential energy efficiencies, renewable energy projects in order to reduce our carbon emissions and have undertaken a materiality assessment with an independent third party, establishing our most material areas of impact and prioritise our focus.

Management, training and control systems are in place to prevent environmental incidents, including Group Health, Safety and Wellbeing, Environment and Quality policies. We have stringent emissions monitoring, maintenance and inspection regimes at key sites.

In 2020 we confirmed a DNED with responsibility for sustainability.

Further details on the Group's sustainability strategy are set out on pages 40 to 57.

4. FINANCING, LIQUIDITY AND CURRENCY

Description and context

The Group may not have sufficient financial resources to meet our obligations as they fall due, or to invest organically or to undertake acquisitions.

The Group borrows at floating and fixed interest rates and is therefore exposed to fluctuations in those rates, and our business in RoI exposes us to additional foreign exchange risks.

Change in the year

The COVID-19 outbreak placed additional strain on the Group's financial resources in the first half of 2020. Initially this led to uncertainty over the outlook for the year and around both the Group's ability to comply with its banking covenants, and in turn to refinance our existing facilities which expire in April 2022.

Subsequently, the business reopened with trade recovering strongly in the second half. With forecasters expecting a recovery in construction activity in GB and Ireland in 2021, and with recent developments in respect of available vaccines, the outlook for our markets remains encouraging.

Mitigation

We maintain strong relationships with our key banks and shareholders, and the Group's committed credit facilities runs to April 2022. We manage our liquidity risk by monitoring forecasts and cash flows to ensure that we maintain significant headroom.

As at 31 December 2020 the Group has £297.4 million of drawn debt on our facilities, cash of £31.7 million, and an undrawn committed facility of £289.3 million.

Our activities are conducted primarily in the local currencies of our respective businesses, resulting in a low level of foreign currency transactional risk. We hedge a proportion of our net investments in foreign businesses with foreign currency borrowings, but do not generally hedge income statement transactional exchange risks.

5. HEALTH AND SAFETY

Description and context

Failure to manage health and safety risks could expose the Group to significant potential disruption, liabilities and reputational damage.

Change in the year

The impact of COVID-19 resulted in increased levels of health and safety risk. Failure to prevent the spread of COVID-19 in our workplaces could cause disruption to the Group's operations and harm to our colleagues and other stakeholders.

COVID-19 has also meant that senior management have been unable to conduct the normal level of Visible Felt Leadership visits to the Group's sites.

Mitigation

We safeguard the health and safety of colleagues, contractors and others working on behalf of the Group, employing experienced health and safety professionals who promote a strong safety culture, provide relevant training, and facilitate personal ownership of health and safety at our operating locations.

We are constantly improving communication and reporting across the Group. VFL visits are conducted, our Executive Committee holds regular safety days and we have a Driver Risk Group which manages risk and safety issues associated with driving.

We closely monitor all government guidance on reducing the risk of transmission of COVID-19 in workplaces and have adopted additional safety measures at all of our sites. Working arrangements have been adapted, where appropriate, to maintain a safe working environment, including social distancing, screens, colleague bubbles, face coverings and other measures to reduce the risk of transmission. COVID-19 audits have been undertaken across the Group to monitor the use of these safeguards.

6. IT AND CYBER SECURITY

Description and context

Disruption to the IT environment could affect our operational performance and lead to reputational damage, regulatory penalties or significant financial loss.

Failure to keep up-to-date with advances in technology could impact demand and our ability to access the market.

Change in the year

COVID-19 materially increased the demand for secure remote access to our systems.

During 2020 we expanded capacity on the Group's network to cope with any increased demand in remote connectivity.

Mitigation

Our dedicated internal IT support teams and external service providers monitor and respond to new and expanding cyber risks and look to implement best practice in IT security management and the Group's disaster recovery plans.

All IT system development projects are carefully planned and managed with defined governance and control procedures and we have an ongoing IT systems enhancement programme.

During the year RSM conducted a review of the IT general control environment. They made various recommendations which will be acted on during the course of 2021 to further improve and strengthen our IT function.

7. LEGAL AND REGULATORY

Description and context

A legal or regulatory breach could result in disruption to operations and reputational damage or regulatory bodies could prevent us from consolidating the smaller end of the heavyside materials industry.

Product quality issues could result in customer claims, while planning, licensing and emission restrictions could prevent us from operating facilities or extracting mineral reserves economically.

Change in the year

The Group's legal and regulatory risk has remained stable throughout the year.

Mitigation

Our Group Solicitor and Group Tax manager monitor and respond to legal and regulatory developments. Compliance policies are maintained and a rolling training programme is in place. We have an established Group Code of Conduct and clearly defined purpose and corporate values. We engage local legal, tax and planning experts for advice on new laws and regulations in our markets.

We have clear and regularly updated contracting terms with all our customers and suppliers, maintain a strict quality control policy and procedures, with high quality laboratories and experienced technical teams, and hold all appropriate business accreditations and insurances.

Our planning and estates teams monitor and respond to changes in planning regulations and track our mineral reserves against planning consents. We consult regularly with our stakeholders, especially those impacted by our operations.

Our transport teams manage compliance with the Group's Goods Vehicle Operator licences and road traffic laws.

8. MARKET CONDITIONS

Description and context

Changes in the macro-economic environment, shifts in Government policy and adverse weather could all have an impact on demand for our products and utilisation of our assets.

Difficult economic conditions may increase our exposure to credit risk from our customers.

Change in the year

The impact of the first wave of COVID-19 lockdowns in the second quarter of 2020 resulted in extremely challenging market conditions as demand from our customers reduced and all but essential operations were closed.

Although demand returned strongly in the second half as sites reopened, the possibility of future downturns or restrictions caused by COVID-19 in the economies in which the Group operates increases the level of risk that adverse market conditions could suppress demand for the Group's products.

Mitigation

We closely follow published indicators of activity in our sectors, including market data and economic forecasts drawn from a wide range of sources. We maintain regular contact with our key suppliers and customers in order to identify significant events which could potentially impact the Group. Our formal budgeting and forecasting process takes account of these assessments.

We have broad exposure to a diverse range of end-uses for our products and our presence in the UK and Irish markets provides geographical diversity. Credit risk insurance cover is maintained over the majority of our private sector customers and authorisation procedures are in place for both insured and uninsured risk.

The Group maintains a diversified customer base, supporting both government infrastructure projects and private clients in the wider construction industry. We closely monitor the profitability of the Group's operations and will adapt accordingly for any long-term changes in the economic environment following the pandemic.

9. PEOPLE

Description and context

Failure to recruit, develop and retain the right people could have an adverse impact on our ability to meet our strategic objectives, as could failing to create a corporate culture that is based upon ethical values and behaviours.

Change in the year

The Group Chief Executive succession process was managed during 2020.

A new management structure was implemented at the end of 2020, including key internal and external appointees.

Outbreaks of COVID-19 may result in higher levels of staff absence, either directly or indirectly as a result of self-isolation or lockdown requirements.

Mitigation

The Board approves the Group's Human Resources policies and the Nomination Committee regularly reviews the succession plan for key leadership roles. The Remuneration Committee reviews all key aspects of executive and senior management remuneration and appropriate packages are in place to assist in the attraction and retention of key colleagues. We have a standardised grading and benefit structure, with a formal development and performance monitoring process.

Our experienced senior leadership team is supported by high-quality operational management and we are strengthening this cohort with the roll-out of management and commercial development programmes.

We have a common culture, principles, values and standards of behaviour that are recognised throughout the business and we look to recruit upcoming talent onto apprenticeship programmes to improve the talent pipeline.

In 2020 we appointed a DNED responsible for workforce engagement.

GROUP FINANCE DIRECTOR'S REVIEW

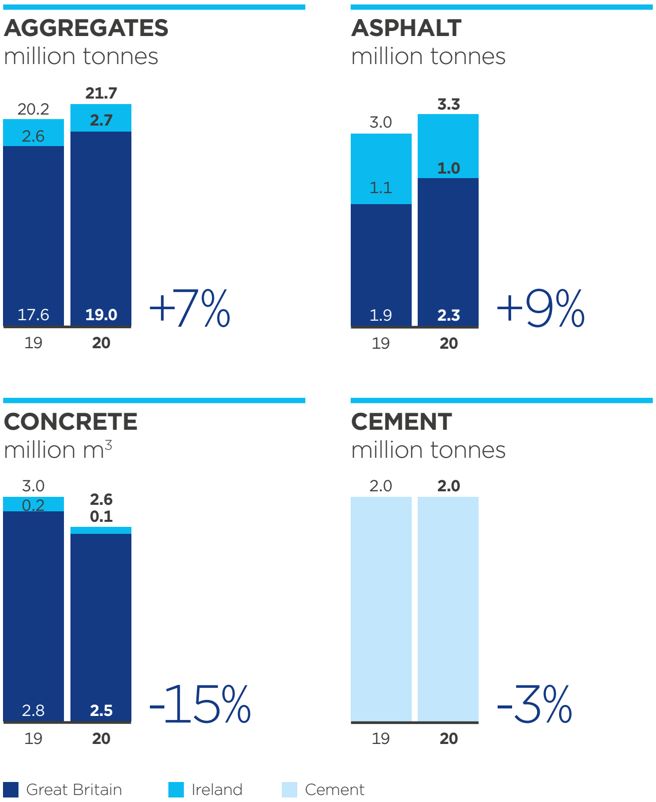
Despite a challenging year, with considerable disruption, I'm very proud that Breedon has delivered a robust performance for the full year, with strong second half trading and free cash flow helping deliver year end leverage of 2.1x."

Rob Wood
Group Finance Director

Like every business, we were impacted by COVID-19. Revenue for the year was affected by lower volumes due to the industry wide shutdown in the second quarter of 2020. However, with a well-invested business, we were well placed to manage the disruption and we saw a strong recovery in activity during the second half of the year with like-for-like revenues and Underlying EBIT ahead of the comparative period.

Overall, revenue for the year at £928.7 million was broadly in line with that of 2019 (£929.6 million). This reflected lower volumes for all our key products, offset by the benefit of the CEMEX Acquisition which completed in July 2020. On a like-for-like basis, revenue was down six per cent on 2019.

The charts below show the year-on-year change in product volumes on a reported basis, including the benefit of the CEMEX Acquisition. Excluding the impact of acquisitions and disposals, like-for-like aggregates volumes were down six per cent, asphalt volumes up one per cent, ready-mixed concrete volumes down 18 per cent and cement volumes down 6 per cent.



Volume data in the above charts have been rounded to the nearest 0.1 million.
Reported percentage movements are calculated based on non-rounded data.

REVENUE AND UNDERLYING EBIT

	2020			2019		
	Revenue £m	**Underlying EBIT* £m**	**Underlying EBIT margin %**	Revenue £m	Underlying EBIT* £m	Underlying EBIT margin %
Great Britain	**622.8**	**34.8**	**5.6**	615.1	62.8	10.2
Ireland	**189.3**	**20.5**	**10.8**	202.0	26.8	13.3
Cement	**177.2**	**30.4**	**17.2**	186.4	36.3	19.5
Central administration	**–**	**(10.9)**	**–**	–	(10.9)	–
Share of profit of associate and joint ventures	**–**	**1.7**	**–**	–	1.6	–
Eliminations	**(60.6)**	**–**	**–**	(73.9)	–	–
Total	**928.7**	**76.5**	**8.2**	929.6	116.6	12.5

* Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items

Trading in the first quarter progressed broadly in line with expectations until late March when the pandemic began to take hold. Accordingly, volumes in the second quarter were heavily impacted, with revenues in April falling to 19 per cent of those recorded in the same month of 2019. However, activity levels across the industry recovered strongly in subsequent weeks, initially led by RoI, and in June revenues reached 99 per cent of those in June 2019. Trading continued to recover during the second half across all areas of the Group and resulted in like-for-like revenues being ten per cent ahead and Underlying EBIT 9 per cent ahead of the second half of 2019.

For the full year, Underlying EBIT was £76.5 million, 34 per cent below 2019 (£116.6 million), primarily reflecting lower gross margins which were impacted by lower volumes year-on-year. The result also reflected a modest benefit from delaying the second shutdown at the Hope cement plant to early 2021. On a like-for-like basis, excluding £4.0 million benefit from the consolidation of the CEMEX Acquisition, Underlying EBIT declined by 38 per cent. As a result of these factors, the Group's Underlying EBIT margin declined by 4.3 percentage points to 8.2 per cent. We expect EBIT margins to recover strongly in 2021.

NON-UNDERLYING ITEMS

Non-underlying items in the year amounted to a net pre-tax cost of £14.9 million (2019: £8.0 million), the major items being acquisition costs relating to the CEMEX Acquisition and amortisation of acquired intangible assets.

INTEREST

Finance costs in the year totalled £13.5 million (2019: £14.0 million) and included interest on the Group's bank facilities and lease liabilities, amortisation of bank arrangement fees, and the unwinding of discounting on provisions.

RECONCILIATION TO STATUTORY PROFIT

	2020 £m	2019 £m
Underlying EBIT	**76.5**	116.6
Non-underlying items	**(14.9)**	(8.0)
Profit from operations	**61.6**	108.6
Financial expense	**(13.5)**	(14.0)
Profit before taxation	**48.1**	94.6
Taxation – at effective rate	**(8.5)**	(16.6)
Taxation – change in deferred tax rate	**(5.9)**	–
Profit for the year	**33.7**	78.0

PROFIT BEFORE TAX

Profit before tax was £48.1 million, 49 per cent below 2019 (£94.6 million). Underlying profit before tax was £63.0 million, 39 per cent below 2019 (£102.6 million).

GROUP FINANCE DIRECTOR'S REVIEW CONTINUED

TAX STRATEGY

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

We endeavour to structure our affairs in a tax-efficient manner where there is commercial benefit in doing so, with the aim of supporting investment in the business and our capital expenditure programmes. All tax affairs are administered in a lawful and responsible manner and we aim to ensure that our actions do not adversely impact our reputation as a responsible taxpayer. The parameters which govern the Group's approach are set by the Board, which regularly reviews the Group's tax strategy.

The Board and Audit Committee are kept regularly informed of all material developments relating to the Group's tax position. The Group Tax Manager oversees tax compliance activities on a day-to-day basis and reports to senior management.

There is an integrated approach to governance across the business through management control, policies, procedures and training. Risks inherent in the calculation, collection and payment of tax are mitigated by documented policies and procedures.

On an annual basis, the Group carries out a review for the purpose of complying with the UK Senior Accounting Officer legislation.

We also take appropriate tax advice and support from reputable professional firms in relation to any tax planning considerations. We are open and transparent in our dealings with the tax authorities in the UK and RoI and deal with any queries in a timely and open manner and on a full-disclosure basis. In areas of complexity, we proactively engage with tax authorities.

The Group has a Prevention of Facilitation of Tax Evasion policy. This confirms both our zero tolerance approach to acts of criminal facilitation of tax evasion and our commitment to act fairly, professionally and with integrity in all our business dealings.

TAX

The tax charge was £14.4 million (2019: £16.6 million). Excluding the impact of the change in deferred tax rate of £5.9 million, an Underlying tax charge of £9.8 million (2019: £17.3 million) was recorded in the year, reflecting lower profitability in the period and resulting in an Underlying effective tax rate for the full year of 15.6 per cent (2019: 16.9 per cent). This reflects the higher proportion of RoI earnings in 2020.

In addition, there have been two significant accounting changes in respect of deferred taxation, neither of which have a cash impact. These are the recognition of a £5.9 million deferred tax charge in the income statement relating to the UK government legislating to cancel the planned decrease in corporation tax rate from 19 to 17 per cent, and a balance sheet reclassification adjustment of £13.4 million between deferred tax and goodwill for assets with a dual tax base, following updated guidance issued by the IFRS Interpretations Committee in 2020 which has been retrospectively adopted by the Group through restatement of the prior period balance sheet with no impact on reported earnings.

The Group benefitted from tax deferrals of which £12.6 million of VAT was automatically deferred by HMRC and will be settled in March 2021. The Group makes a significant contribution to the economies in which we operate through taxation, either borne by the Group or collected on behalf of, and paid to the tax authorities. In 2020 the total taxes borne and collected by the Group amounted to over £160 million (2019: c.£175 million).

EARNINGS PER SHARE

Basic EPS for the year was 1.99 pence (2019: 4.64 pence), reported after the non-Underlying items mentioned above. Underlying basic EPS for the year totalled 2.80 pence (2019: 5.08 pence).

RETURN ON INVESTED CAPITAL

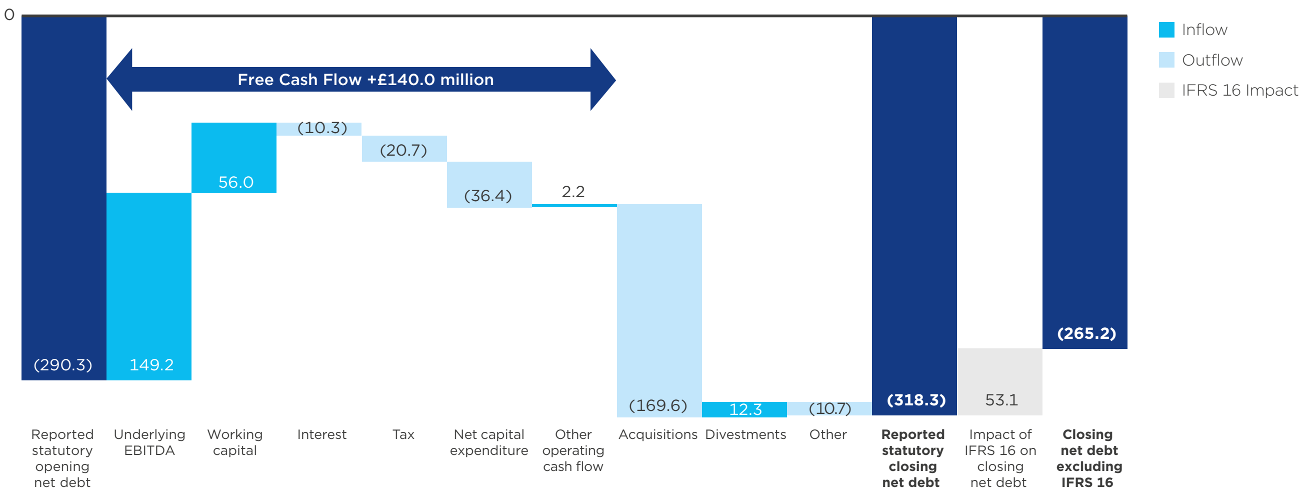
Using average invested capital, year-end ROIC was 5.5 per cent (2019: 8.8 per cent). The decline in 2020 reflects the increase in invested capital resulting from the CEMEX Acquisition, as well as the impact of COVID-19 on profitability during the period. Looking forward, we expect our ROIC will recover as the Group's profitability improves and we deliver an improved performance and cost synergies from the recently acquired assets.

STATEMENT OF FINANCIAL POSITION

Net assets at 31 December 2020 were £888.4 million (2019: £839.1 million). The Group's asset base is underpinned by significant mineral reserves and resources, which at the end of December 2020 totalled over 1 billion tonnes, and by our two well-invested cement plants.

2020 NET DEBT MOVEMENT

£m



FREE CASH FLOW

Free cash flow increased significantly to £140.0 million (2019: £90.0 million) as a result of strong trading in the second half of the year and the decisive actions taken to manage costs and liquidity in response to COVID-19.

Although Underlying EBITDA declined to £149.2 million (2019: £180.2 million), this was offset by working capital inflows of £56.0 million (2019: outflow of £10.3 million) as a result of strong cash collection at the year-end and the benefit of tax and other deferrals. We anticipate a portion of the working capital movement in 2020 will unwind during 2021.

Cash interest charges totalled £10.3 million (2019: £11.0 million) and £20.7 million (2019: £18.1 million) of income taxes were paid, with the latter reflecting an acceleration in the timing of UK corporation tax payments which are now required to be settled in full by the end of the year in which they arise.

Net capital expenditure of £36.4 million (2019: £53.0 million) reduced as a result of restricting capital expenditure to committed and critical items to preserve liquidity. We anticipate returning to a more normalised level of capital expenditure in 2021.

ACQUISITIONS AND DIVESTMENTS

Spend on acquisitions was £169.6 million which primarily relates to the CEMEX Acquisition in July 2020. This was partially offset by a £12.3 million benefit from the disposal of certain assets to Tillicoultry Quarries Limited, which completed in December 2020, to satisfy requirements of the CMA in relation to the CEMEX Acquisition.

NET DEBT

On a pre-IFRS 16 basis, net debt at 31 December 2020 was £265.2 million (2019: £246.7 million) and Leverage was 1.9 times (2019: 1.4 times). Including the impact of IFRS 16, net debt at 31 December 2020 was £318.3 million (2019: £290.3 million) and Leverage was 2.1 times (2019: 1.6 times). This represents deleveraging in the second half of the year following the completion of the CEMEX Acquisition, clearly demonstrating the highly cash-generative nature of the Group.

BANK FACILITIES

In the first half of 2020, the Group exercised an accordion option to increase its existing banking facilities by £80 million in anticipation of the completion of the CEMEX Acquisition (see note 15 to the Financial Statements).

In May we were confirmed as being eligible for the Bank of England's Covid Corporate Financing Facility with an issuer limit of £300 million. The Group's strong cash management and generation during the year meant that we had no need to access this facility.

GROUP FINANCE DIRECTOR'S REVIEW CONTINUED

OUR CAPITAL ALLOCATION PRIORITIES

Organic investment to sustain and develop our existing asset base

Selective acquisitions to accelerate our strategic development

Sustainable and progressive dividend

CONSERVATIVE FINANCIAL MANAGEMENT

Maintain a strong balance sheet, providing flexibility to pursue growth opportunities

At 31 December 2020, the Group's banking facilities comprised a term loan of £205 million (2019: £125 million) and a multi-currency revolving credit facility of £350 million (2019: £350 million). Interest was paid on the facilities during the period at a margin of between 1.30 per cent and 1.95 per cent above LIBOR or EURIBOR according to the currency of borrowings.

The facilities are secured by a floating charge over the assets of the Company and its subsidiary undertakings. The term loan is repayable in two further annual instalments up to April 2022 and the revolving credit facility is repayable in April 2022. The facilities are subject to Group Leverage and Group interest cover covenants which are tested half-yearly.

The Group maintains a good working relationship with its lenders and, helped by strong recovery in trading in the second half of the year, met all covenants and other terms of its bank facility agreements throughout 2020. The Group has commenced preparations for refinancing and has received positive engagement from its lenders. Based on progress made to date, the Directors are confident of being able to complete this process in 2021.

The Group maintains a strong liquidity position and at 31 December 2020, total undrawn facilities available to the Group amounted to £289.3 million.

CAPITAL ALLOCATION

Conservative and disciplined financial management and the maintenance of a strong balance sheet are at the core of our approach to capital allocation. The Board will always seek to deploy our capital responsibly, focusing on organic investment in our business to ensure that our asset base is well-invested. We will continue to pursue selective acquisitions which will accelerate our strategic development and that we are confident will create long-term value.

This conservative approach to financial management enables us to pursue capital growth for our shareholders through active development of our business, whilst supporting our intended sustainable progressive dividend policy.

DIVIDENDS

Recognising the Group's scale, level of maturity and cash generation, the Directors reconfirm their intention to propose the adoption of a progressive dividend policy from 2021.

The Board intends that the Group will pay an interim and a final dividend in the approximate proportions of one-third and two-thirds, respectively, of the annual dividend.

Subject to no material change in trading conditions, the first dividend is expected to be declared with our 2021 interim results.

Rob Wood
Group Finance Director
10 March 2021

BUSINESS REVIEWS

We report as three Divisions: Great Britain, Ireland and Cement.

GREAT BRITAIN

PAGES 30 to 33

Leinthall quarry in Herefordshire

IRELAND

PAGES 34 to 37

Temple quarry near Belfast

CEMENT

PAGES 38 to 39

Kinnegad cement plant in County Westmeath

GREAT BRITAIN

HIGHLIGHTS

- Completion of high-profile projects during the year to maintain the UK road network and support the Scottish Air Ambulance service
- Several key capex projects completed during the year, increasing our operational efficiency and commercial effectiveness
- Completed the CEMEX Acquisition in July and commenced integration before the end of the year

REVENUE
£622.8m

UNDERLYING EBIT
£34.8m

The year began well for our markets in GB, with all our products performing in line with expectations. The lockdown imposed by the UK Government in March had a dramatic impact on demand, which effectively deprived some parts of our business of several months' trading at one of our traditionally busiest times of the year. However, as customers began to reopen their operations, demand swiftly recovered, albeit at a varying pace in different regions, and we were quickly and safely able to return our sites to full operation.

As a result, while our financial performance was markedly down on the prior year in the first half, we recovered to be comfortably ahead in the second. Volumes from July onwards were generally strong, especially in aggregates and asphalt which benefited from recovering infrastructure investment. Later in the year as housing demand strengthened, ready-mixed concrete also picked up the pace. Although major contracts were limited for most of the year, we began to ship significant volumes of aggregates to scheme enabling works on HS2. The supply and lay contract on the A9 in Scotland resumed in late July, with substantial volumes of asphalt and concrete base laid and two-thirds of the project completed by the year-end. In addition we supplied high specification concrete to the Atomic Weapons Establishment at Burghfield.

The assets acquired as part of the CEMEX Acquisition on 31 July 2020 were held separate from the Group and traded as a distinct entity, Pinnacle Construction Materials, until just before the end of the year. The requirements of the hold separate meant that integration of the CEMEX Acquisition could not begin until December 2020 and, as a result, in the period of ownership the business traded broadly in line with its historic performance.

KEEPING THE SCOTTISH AIR AMBULANCE FLYING

Essential construction of the Scottish Air Ambulance Service's new helicopter hangar at Inverness Airport was completed during the lockdown thanks to emergency supplies of ready-mixed concrete and stone from Breedon. In response to an urgent request from the contractor, our local concrete plant and two quarries were reopened specifically in order to supply the several hundred cubic metres of concrete needed to complete the project during the first two weeks of April. The facility was duly opened on schedule in June, enabling the Scottish Air Ambulance Service to continue operating from the airport.

New hangar at Inverness Airport

We took the opportunity during the year to progress a number of key capital expenditure projects in England and Wales, including the replanting of our North Cave quarry on Humberside and a strategic investment in a new road bridge to allow access to seven million tonnes of mineral reserves and resources at Holme Hall in South Yorkshire. New concrete and aggregates processing plants at our Willington Lock quarry improved our penetration of the Bedfordshire and Cambridgeshire markets.

Among a number of innovations during the year, we developed in conjunction with the Welsh Government a new asphalt product using slate as the base aggregate, which was subsequently passed for use on the road network. We also worked with a major customer to create a new self-levelling, self-compacting cementitious screed; the manufacturing methodology used on this product enabled us to extend both our product portfolio and the geographical markets we serve. Following successful trials with a revolutionary new foam mix asphalt, Recofoam®, we completed four contracts with this new material in conjunction with BEAR Scotland, Eurovia and Transport Scotland.

With an eye to improving safety in our vehicle fleet, new 'low cab' mixer trucks were purchased to replace ageing assets in Birmingham as a first step to replacing all our urban owned fleet.

Earlier this year we appointed our first Managing Director of GB Contracting, reflecting the growing importance of contracting as a route to market for our expanding asphalt production capacity.

There is every indication that the market is on a steadily improving trend, with increased infrastructure spend beginning to feed through to demand and a continued structural housing shortage, both of which will benefit our business. One of our main priorities this year is to complete the integration of the CEMEX Acquisition and there are a number of promising new contracts in the pipeline.

MAKING A MATERIAL DIFFERENCE

BUILDING GREAT BRITAIN'S INFRASTRUCTURE

RECOFOAM® CUTS CO_2 EMISSIONS

A revolutionary new product enabled Breedon, in collaboration with Eurovia and BEAR Scotland, to complete resurfacing works on part of the A92 in Scotland using reprocessed asphalt stripped from the same stretch of road.

Using a road planer, one kilometre of the existing road surface of the A92 was removed and the 'planings' were then transported to a special waste quarantine zone at Breedon's Clatchard quarry near Newburgh, where it was reprocessed using innovative technology from Eurovia called Recofoam®. The recycled material was then returned to the A92 and used as a base layer in the newly-resurfaced road.

The recycled 'foam mix' is produced by expanding bitumen via contact with small amounts of water under carefully controlled conditions, then mixing the foamed bitumen with the planings removed from the road. This produces a fully compliant recycled material which can be re-used in the new road construction. The resulting product incorporates up to 85 per cent recycled materials and reduces CO_2 emissions by around 50 per cent.

IRELAND

HIGHLIGHTS

- Strong recovery in activity levels in late spring as Ireland came out of the initial lockdown
- Completed high profile projects to maintain Ireland's infrastructure, including both roads and airport runways
- Further progress with our strategy to increase the output from underutilised assets, with aggregate volumes up year-on-year despite the impact of COVID

REVENUE
£189.3m

UNDERLYING EBIT
£20.5m

After an encouraging start to the year, our operations in RoI were largely brought to a halt in late March as a result of the lockdowns imposed by the Irish government. However, as demand began to recover from May onwards we saw a steady improvement in volumes, with a generally earlier recovery than in the UK.

Over the year as a whole, local authority road maintenance remained broadly in line with the prior year, although a significant reduction in spending by Transport Infrastructure Ireland resulted in appreciably less work on national primary and secondary road maintenance. By contrast, we are pleased to report that new infrastructure work was ahead of the previous year.

We made impressive progress on the upgrade to the N4 Sligo to Collooney dual carriageway, part of the east-west road corridor linking Dublin with the largest transportation node in the North-West. We also completed work on the realignment of the N52, which links the M1 and M7 motorway, and we are delighted to have won a further overlay contract for the 16/34 runway at Dublin Airport.

We extended our asset base further with the acquisition of additional reserves and resources at a number of our quarries, and we committed significant capital expenditure to equipping a number of our asphalt plants for use of RAP.

In NI, market conditions remained challenging in the wake of the spring lockdown, although volumes gradually returned to 2019 levels in the second half. Reduced demand in both the public and private sectors, together with limited tender opportunities, meant that the emphasis during the year was on maximising returns from our existing contracts. Our contracting business achieved a solid performance, generating increased internal volumes of material to our asphalt plants.

Among the contracts completed was Phase 2 of the DP World London Gateway infrastructure project, the third infrastructure scheme successfully delivered by Whitemountain for this customer.

Capital investment and non-critical expenditure was constrained in response to the pandemic, however we continued with the planned replacement of our transport fleet and key contracting equipment and invested in 'power apps' for the electronic capture of site records in order to further reduce paper usage.

Looking ahead, in RoI we are focused on maintaining our contracting market share and building our share of the aggregates and ready-mixed concrete markets through selective bolt-on acquisitions.

In NI, visibility on local government budgets and pipeline projects is limited, however we are encouraged by the UK Government's restated commitment to infrastructure investment and look forward to benefiting from our share of the increased expenditure. We will focus on strengthening our market position, broadening our product range, increasing our mineral reserves and maximising value from our existing assets.

DUBLIN PORT BITUMEN TERMINAL

At our bitumen terminal in Dublin, the combination of operational changes and some modest investment in new heating equipment has resulted in a meaningful reduction in energy usage and costs through the more efficient use of the steam heating system during the night.

Dublin Airport runway resurfacing project

MAKING A MATERIAL DIFFERENCE

ENHANCING IRELAND'S ROAD NETWORK

N52 ROAD SCHEME

The N52 is a key national secondary road in Ireland, linking several motorways and national roads and the improvement scheme is expected to have both economic benefits, reducing travel times as well as significantly improving road safety.

During the year Lagan completed further surfacing works on the N52 Realignment project in County Westmeath, with asphalt materials for the project manufactured and supplied from our Kinnegad depot.

RECYCLING IRELAND'S ROADS

We are delighted to report that our Irish operations are among those leading the way in the use of RAP in their asphalt plants. This is spearheaded by our Cork plant, where a new dynamic RAP slider was installed as part of a computer upgrade last year. This allows us to use material processed from the planings generated by our contracting teams during their road maintenance activities. As a result, our Cork plant is now using 30 per cent RAP, with our Dublin and Kinnegad plants also increasing the proportions in their plants.

The environmental benefits are significant:

- Milled road surface material is recycled rather than going to landfill;
- Less aggregate is needed, which means less rock being quarried; and
- Savings in the binder content mean reduced shipping and haulage of bitumen.

CEMENT

HIGHLIGHTS

- Further improvement in fossil fuel replacement in both Hope and Kinnegad plants during 2020 with Kinnegad now replacing 71 per cent of coal use with lower carbon alternative fuels
- The ARM planning application was submitted to allow for Hope Works to deliver further progress in lowering environmental impact
- Major plant shutdowns at both Hope and Kinnegad sites completed successfully in January 2020; second planned shutdown at Hope deferred to Q1 2021

REVENUE
£177.2m

UNDERLYING EBIT
£30.4m

After a strong start to the year, sales were impacted by COVID-19 from late March, but steadily recovered from June and we saw good demand in the second half of the year. Overall, we noted a slight slowdown in our traditional concrete products market in GB, offset by increased site work and ready-mixed concrete activity.

Two of our three annual kiln shutdowns were completed in January 2020 on time and ahead of budgeted costs, the third shutdown was deferred until early 2021 due to COVID-19 and strong product demand towards the end of the year. At Kinnegad we began to introduce solid recovered fuel to the kiln and we are pleased to report alternative fuels now account for three-quarters of all fuel consumed there. Towards the end of the year we submitted our planning application for a new ARM offload facility at Hope, which will enable us to bring in larger quantities of ARM by rail, cutting down on road transport and further reducing our dependence on high-sulphur shale.

Major investments during the year included the upgrade of our main bag filter at Kinnegad, together with completion of the replacement raw mill drive and kiln shells at Hope. In addition, we started a research project in low emission intensity lime and cement technology and trialling carbon-neutral wood shaving fuel at Kinnegad which, together with a calciner project review at Hope, are part of our drive to reduce carbon emissions and increase the proportion of alternative fuels used in our plants.

More broadly, our efforts to improve sustainability in our cement business are yielding benefits. We have significantly reduced the level of waste produced and increased recycling by 50 per cent at Kinnegad and have introduced a self-contained FDPC treatment area at the plant, using farmed rainwater as an additional water source. We are actively involved in research into calcined clay technology, with the aim of producing a secondary cementitious material with a lower carbon footprint than clinker. Over the longer term, we are monitoring the MPA's fuel-switching trials, with a particular emphasis on the potential to replace current fuels with hydrogen and plasma.

Looking ahead, our priorities for the current year are focused on improving volumes, recovering cost increases, improving the efficiency and utilisation of our owned fleet in the UK and delivering the ARM project at Hope. We aim to make further progress in fuel replacement and in due course we expect to submit a planning application for the extension of our limestone quarry at Hope to secure our long-term needs.

MAKING A MATERIAL DIFFERENCE

INVESTING IN OUR ASSETS

SUSTAINING PRODUCTION AT HOPE

Keeping the two giant 70 metre kilns turning at our Hope Works in Derbyshire is essential to the 24-hour operation of the UK's largest cement plant. Every so often parts of the kiln shells, which both date back to 1969, need to be replaced due to wear from sustained mechanical, thermal and chemical stresses. In 2020 it was the turn of Kiln 2, where a 12.7 metre section was replaced during the plant's annual maintenance shutdown. The opportunity was taken this time to increase the initial thickness of the shell from 26mm to 30mm and upgrade the steel composition to slow down deterioration. Innovations of this sort are of growing importance. Our team at Hope seeks to enhance the kilns' resistance to chemical attack resulting from the increased use of more sustainable alternative fuels.

SUSTAINABILITY

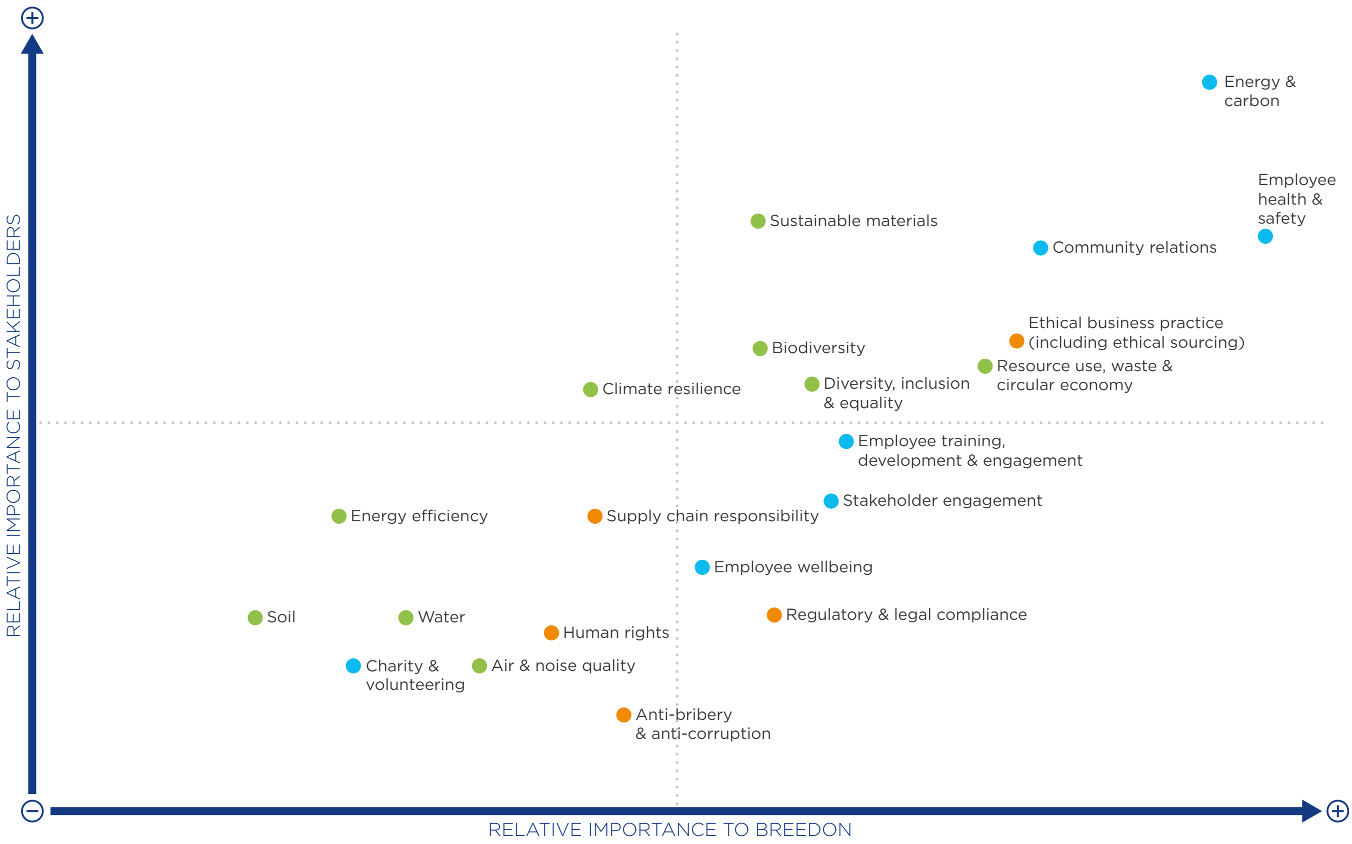
Our products play an essential role in enabling a sustainable future for everyone, creating homes, roads, runways, hospitals, energy plants, reservoirs and flood defences. Concrete in particular is vital, bringing benefits that endure for decades – it is versatile, durable, flood and fire resilient, low carbon over its long lifecycle, recyclable, affordable and readily available. The challenge is to provide this sustainable future for everyone in a balanced and responsible way: reducing risks while mitigating any negative impacts and improving our positive impacts.

LEADERSHIP AND GOVERNANCE

Our commitment to sustainability is reflected in our purpose – to make a material difference to the lives of our colleagues, customers and communities – and this is embedded as a key part of our corporate strategy (see pages 16 and 17). At Breedon, sustainability starts with our Board of Directors and in 2020 we confirmed a DNED with responsibility for sustainability. In June we appointed our first Group Head of Sustainability and we have been focussed on understanding our operational performance and our most material areas of impact – setting a solid foundation for the development of a new sustainability strategy and targets for 2021. Good governance underpins all our sustainability commitments.

We have established an effective cross-division Sustainability Working Group. This group is responsible for ensuring that our sustainability focus aligns with external expectations and is made relevant to each Division's activities, locations and impacts. During 2020 three existing Group-wide policies were updated and four new Group-wide policies were developed and issued, clearly outlining our commitments and our expectations and to encourage further improvement to achieve the highest standards in relation to: Health, Safety and Wellbeing; Quality; Environment; Energy and Carbon; Circular Economy; Biodiversity; and Social Responsibility.

MATERIALITY MATRIX



Key: Environmental Social Governance

MATERIALITY ASSESSMENT

Alongside our usual business risk management process, in 2020 we conducted a materiality assessment exercise with internal and external stakeholders, to identify and prioritise those ESG issues that are of highest importance to Breedon and our stakeholders, in order that we align our strategies, resources and investment accordingly.

Based on future trends, longer term business risks and notable ESG reporting frameworks, including the SASB conceptual framework, GRI and sector materiality, 16 ESG criteria were selected as being 'potentially' of material significance to our broader stakeholders.

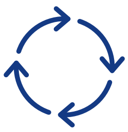
Breedon's views on these ESG criteria were obtained through multiple business unit workshops and executive level interviews. External stakeholder feedback was obtained from survey responses and from scoring the comprehensiveness of reporting on ESG issues, based on publicly available data. This exercise covered competitors, customers, suppliers, investors, NGOs and trade bodies.

KEY SUSTAINABILITY TOPICS

We have mapped the outcomes of this feedback exercise on a materiality matrix and have grouped the 21 topics under six themes: Responsible business; Climate change and energy; Circular economy; Environment and nature; Social responsibility; and Contributing to a sustainable built environment.

1. RESPONSIBLE BUSINESS

2. CLIMATE CHANGE AND ENERGY



3. CIRCULAR ECONOMY

4. ENVIRONMENT AND NATURE

5. SOCIAL RESPONSIBILITY

6. CONTRIBUTING TO A SUSTAINABLE BUILT ENVIRONMENT

We will focus our efforts on these key topics to demonstrate that we operate safely, ethically, responsibly and that we effectively manage environment, quality, energy, carbon reduction, waste, water, and biodiversity impacts. Demonstrating our positive contribution to our colleagues, suppliers and the communities in which we operate is of key importance to the sustained success of our business. Additional non-financial key performance indicators are being considered for 2021, further embedding our sustainability focus into our business strategy.

OPERATIONAL ESG DATA COLLECTION

With numerous successful acquisitions over the past 10 years we have acquired multiple management information systems and varied operational data sets across our business. In 2020 we performed a companywide ESG performance data footprint assessment exercise to obtain a standardised baseline using 2019's operational performance data for our most impactful sites. This data collection exercise allowed us to identify data gaps, to set standard methodologies, and to benchmark our performance which will enable us to improve our data collection, granularity and reporting, and to set meaningful and appropriate sustainability targets in 2021.

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The 17 United Nations Sustainable Development Goals are designed to "achieve a better and more sustainable future for all by 2030". We have identified the 13 SDGs that that are most material to us as a construction materials company, along with where we can make a positive contribution to these SDGs.

OUR FOCUS FOR 2021

- **Developing an overarching sustainability strategy and framework, with clear targets to drive improvements**
- **Advancing the development of a decarbonisation roadmap to 2050**
- **Improving data collection, granularity and reporting**
- **Assessing and selecting an appropriate external reporting framework, with the aim of increasing our disclosure and transparency**
- **Increasing colleague awareness, engagement and competency around our material areas of focus for sustainability**
- **Linking remuneration and incentives to our sustainability-related KPIs**
- **Establishing partnerships to collaboratively achieve goals**

SUSTAINABILITY CONTINUED

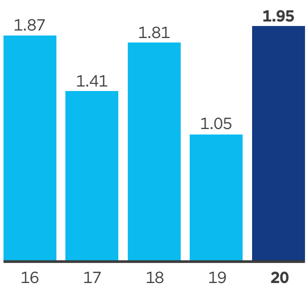
1. RESPONSIBLE BUSINESS

With increasing expectation that businesses demonstrate their responsibilities transparently, we embed our values into our actions to ensure that we act safely, ethically, responsibly and transparently.

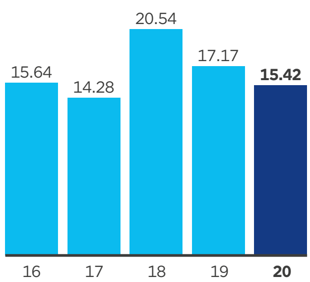
HEALTH AND SAFETY PERFORMANCE

COVID-19 had a significant impact on our health and safety performance in 2020. It affected reporting levels as sites were mothballed. In addition, senior management were unable to be as visible on site due to travel restrictions. However, feedback from Health & Safety Executive site visits and the COVID-19 task audits monitoring our controls confirmed that we have managed the situation in 2020 in a robust manner.

EMPLOYEE LTIFR
per million hours worked



EMPLOYEE TIFR
per million hours worked



TIFR saw an overall decreasing trend in the number of incidents during 2020 taking into account worked hours. Whilst the volume of LTIs increased the majority were low severity incidents confirmed by a decreasing trend in the overall long-term injury severity rate. 2020 saw an increase in headcount and worked hours due to the acquisition of additional assets resulting in an additional 606 colleagues joining Breedon.

There were 95 injuries to colleagues reported in 2020, a decrease from 114 reported in 2019. These include all bump, scrape, first aid, medical treatment and lost time injuries. A total of 12 LTIs occurred in 2020. This is an increase from the 2019 figure of 7 due to a higher number of minor incidents but we will refocus for 2021 concentrating on key high-risk areas.

During the year we adapted our processes to take account of the different working practices required by the pandemic and once travel restrictions were lifted, senior leaders resumed site visits to check on colleague welfare and site safety procedures, logging over 5,300 Visible Felt Leadership interactions. Safety Observation (Unsafe Acts/Conditions) reporting remained strong despite furloughed staff and mothballed operations.

Further improvements include the:

- achievement of ISO 45001 by units of GB and Cement
- launch of a new Group Health, Safety & Wellbeing policy
- improvement of our SHE ASSURE internal reporting system
- development of the HSEQ HUB, an easy-to-use Sharepoint based intranet repository storing the company's Health, Safety, Wellbeing, Environment and Quality procedures, guidance and forms resource for our managers and key suppliers

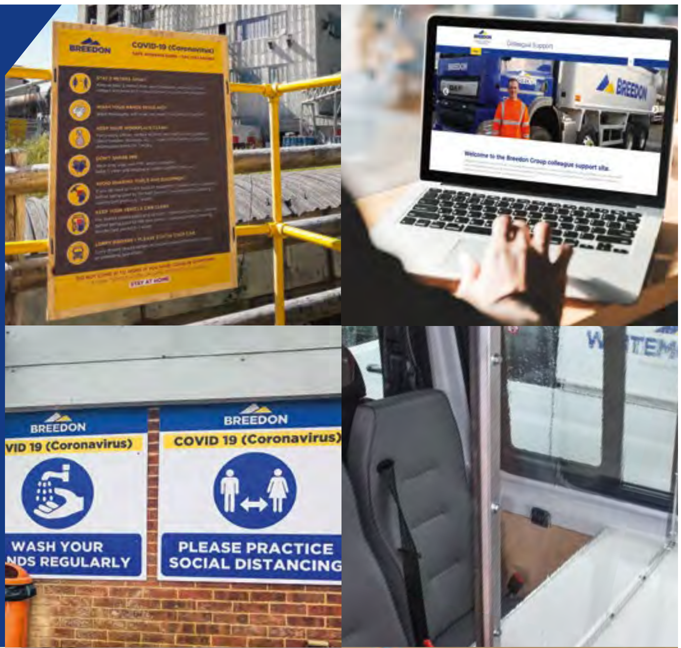
DIGITAL X-RAY SERVICE

During 2020 Breedon started an industry-leading digital X-Ray service with our provider IDC Limited, as part of our occupational health programme. The clarity of the X-Ray is far more detailed than conventional X-Rays and initial results indicate the service has helped to identify potential health issues that would not have been picked up on a routine X-Ray.

COVID-19 RESPONSE

A range of COVID-19 related response actions were undertaken by the Divisions to keep people safe.

- ‘Staying well... Apart’ wellness programme introduced
- Digital temperature recording equipment at sites
- Room sanitising foggers
- On-site hand sanitising stations
- Driver cab modifications
- Welfare units supplied and fitted with PVC and perspex screens
- Wellbeing gift boxes supplied to all GB Cement colleagues
- Colleague support website created so that all our colleagues, especially those on furlough or leave of absence, can keep up-to-date with developments during the pandemic



SUPPORTING THE HEALTH AND WELLBEING OF OUR WORKFORCE

The overall health and wellbeing of our colleagues is a key priority for us and in conjunction with our continued focus on excellence in safety practices, plays a significant role in our journey towards zero harm. Our Group policy was updated to reflect our increased focus on wellbeing and a range of initiatives have been taken to support our colleagues’ physical and mental health during 2020. We introduced robust COVID-19 protocols, management audits on control measures and a plethora of information, guidance and resources for our people to work safely from home wherever possible and for our managers to control the COVID-19 risk.

We held 107 health surveillance assessments, despite many of these having to be conducted remotely and 61 per cent of our colleagues have undergone a medical since the programme began in 2019. We also provided 345 flu vaccination vouchers to colleagues and administered 98 vaccinations in-house. We trained additional Mental Health First Aiders and rolled out Mental Health Resilience training at our Cement plants.

Weekly webinars were held and site committees formed to help colleagues control their health and manage their energy levels and adopt healthier behaviours such as exercise and nutrition.

A confidential, free employee assistance resource remains available to colleagues and their families together with a package of employee resources on the HSEQ HUB.

ETHICS

We are committed to doing business fairly and ethically. Our Code of Business Conduct reinforces our values. All relevant colleagues are expected to comply with our anti-bribery and competition law policies and codes of conduct. Training is provided, although the pandemic has impacted face-to-face training. In 2021 we will continue with face-to-face training where suitable, and will develop online training for a wider audience.

We have a whistleblowing policy and a confidential, anonymous third-party operated telephone contact number and online service, which is available to all colleagues, and through which colleagues can raise any concerns. Calls received are followed up and the results of the issues raised are sent directly to the Group Services Director and Group Human Resources Director, and, if appropriate, the Group Chief Executive for action.

Summary reports of all issues and their resolution were shared with the Audit Committee periodically during 2020.

1. RESPONSIBLE BUSINESS CONTINUED

MODERN SLAVERY

We support the aims of the Modern Slavery Act 2015 and seek to ensure that we operate an open, honest and ethical business. To support these goals, in 2020 we produced and distributed an internal guidance note to all senior managers across the Group, and a toolbox talk to engage all colleagues on the risks in the construction industry and to advise how to identify and report any potential issues. We included a new Modern Slavery awareness section in our standard colleague induction packs to ensure that all our new starters are aware of the potential issue and how to raise any concerns. Information posters in multiple languages displayed at our sites helped to raise awareness amongst our contractors, supply chain partners and anyone else who might pass through our sites.

To further demonstrate our commitment to working collaboratively to eradicate modern slavery and labour exploitation from the supply chains across the building industry, we joined some of the biggest names in UK construction to sign the Gangmasters and Labour Abuse Authority's Construction Protocol in September 2020.

RESPONSIBLE SOURCING

Our commitment to sustainable development and ethical and responsible sourcing has been formally recognised through the accreditation of key sites to the BES 6001 Framework Standard for Responsible Sourcing. Cement from the Kinnegad Cement plant, and concrete and mortar from 103 GB sites were successfully re-certified to BES 6001 with the GB concrete business increasing their certification from a Pass to a Very Good rating. Whitemountain went through the BES 6001 pre-assessment audits for the first time in 2020, with the aim of achieving full certification in 2021. This demonstrates to our customers that we produce our materials in a sustainable manner and we will seek to improve our performance in this area.

In 2021 we intend to review our supplier assessment systems and procedures, to provide us with more confidence around potential supplier-related risks and opportunities.

DELIVERING FOR THE SDGs

3 GOOD HEALTH AND WELL-BEING

Our health, safety and wellbeing activities for our colleagues, contractors and visitors contribute towards SDG 3

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Our transparent governance, compliance with laws and regulations and our focus on ethics and anti-bribery and corruption contributes towards SDG 16

OUR FOCUS FOR 2021

- **Reinforcing our existing Visible Felt Leadership processes and our employee engagement on health and safety**
- **Focusing on behaviour in the workplace and reinforcement of key high-risk areas that require additional controls to keep our colleagues, contractors and visitors safe**
- **Developing a revised Occupational Road Risk strategy to reduce incidents on public highways**
- **Occupational health will remain a key focus with a dedicated communications plan, and targeted focus in the key area of wellbeing**
- **Developing online anti-bribery and competition law training**
- **Undertaking a Human Rights Risk Assessment to determine potential areas of focus in our supply chain**
- **Reviewing our supplier assessment systems and procedures**

2. CLIMATE CHANGE AND ENERGY

We acknowledge that climate change is a material risk that is increasing in likelihood and impact (see how we manage our risks on pages 20 to 23). Whilst our sector will face challenges to decarbonise by 2050, there are opportunities for our products to enable a lower carbon, resource efficient future.

PHYSICAL IMPACTS OF CLIMATE CHANGE AND THE TRANSITION TO A LOWER CARBON ECONOMY

We recognise that increased severity of extreme weather events such as droughts, floods and fires could potentially impact the availability, accessibility, or affordability of key operational resources such as water, electricity or fuels, which in turn could potentially disrupt production and increase operational costs. The operational environmental footprint exercise undertaken across all our Divisions has enabled us to establish an operational baseline; to identify gaps in our data; and to benchmark our performance, with a view to setting operational improvement targets for ongoing management review and reporting. In 2021 we will determine the most appropriate framework to engage with for increased external disclosure of our climate related performance.

The transition to a lower carbon economy also presents opportunities for Breedon through resource efficiency and cost savings; the utilisation of low-emission energy sources; through the opportunity to develop products and solutions that improve infrastructure resilience (for example, flood defences; sustainable urban drainage systems; or building products with high thermal mass potential) and for the provision of carbon positive nature-based solutions on our large land holdings.

REPORTING AND DISCLOSURES

We are committed to reducing the level of carbon emissions and have stringent emissions monitoring, maintenance and inspection regimes at key sites. We engaged a Carbon and Energy Management company and implemented processes to ensure compliance with the UK 'Streamlined Energy and Carbon Reporting' regulations. In 2020 we gathered a second year's worth of performance data and we held workshops with all our Divisions to further determine priority areas of focus.

We also issued a new Energy and Carbon policy and over the next twelve months we will set clear short and medium term carbon reduction targets and develop a decarbonisation roadmap to 2050 for cement. We are determined to reduce our emissions per tonne by improving the energy efficiency of our production facilities and through the increased use of by-products and waste-derived resources as raw materials and fuels. We will continue to focus on providing our customers with lower carbon, resource efficient products and solutions. Furthermore, we will assess how the recommendations of the Taskforce for Climate-related Financial Disclosure apply to our organisation and what work should be done.

METHODOLOGY

The methodology applied to the calculation of Greenhouse Gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard' and an 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting – 2020'. Emissions are reported as CO_2e. Location and market-based electricity emissions have been reported, to reflect the fact that Breedon Group's electricity was purchased from renewable sources.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

The table shows the total annual energy use associated with the consumption of; electricity, natural gas, all other fuels combusted on-site, and fuel consumed for relevant business transport purposes, for the year, together with a comparison of 2019. To provide a true reflection of our relevant emissions, the scope of fuels reported is broader than the minimum requirement set by the regulations and includes direct process emissions associated with cement manufacture.

WORLD CLASS FOSSIL FUEL REPLACEMENT RATE

Kinnegad cement plant is currently achieving a world class rate of 71 per cent replacement of fossil fuels with lower carbon alternative fuels.

SUSTAINABILITY CONTINUED

2. CLIMATE CHANGE AND ENERGY CONTINUED

ENERGY AND CARBON STATEMENT

The following statement contains Breedon Group's annual energy consumption, associated relevant greenhouse gas (GHG) emissions, and additional related information. Under SECR regulation our UK businesses are required to include energy and emissions data from electricity, gas and transport within their annual company reporting from 2020. As a Group we are exceeding the legal minimum reporting requirements to include non-UK information and additional emissions in this Group statement.

EMISSIONS INTENSITY

For purposes of baselining and ongoing comparison, we are required to express the emissions using a carbon intensity metric. The intensity metric chosen is £ revenue. The resultant emissions intensity for 2020 is 1.7 kgCO_2e/£ revenue, using our 'location-based' emissions total. This represents a reduction in comparison to 1.9 kgCO_2e/£ revenue in 2019.

BREEDON GROUP ENERGY CONSUMPTION AND EMISSIONS 2020

By reporting segment	Great Britain	Ireland	Cement	Group Total 2020	Group Total 2019	Group Total % Difference
On-site combustion (MWh)	399,802	148,183	1,614,161	**2,162,145**	2,392,888	(9.6%)
Electricity (MWh)	78,596	13,438	221,655	**313,690**	329,380	(4.8%)
Road Transport (MWh)	53,360	7,182	15,938	**76,481**	95,531	(19.9%)
Energy (MWh)	531,758	168,803	1,851,755	**2,552,316**	2,817,799	(9.4%)
Process Emissions Scope 1 (tCO_2e)	n/a	n/a	912,515	**912,515**	1,021,060	(10.6%)
Scope 1 (tCO_2e)	112,542	38,505	415,507	**566,554**	647,550	(12.5%)
Scope 2 (tCO_2e) location based	18,477	3,865	57,226	**79,567**	95,429	(16.6%)
Scope 2 (tCO_2e) market based	–	–	–	**–**	n/a	n/a
Total (tCO_2e) location based	131,019	42,370	1,385,247	**1,558,636**	1,764,039	(11.6%)
Total (tCO_2e) market based	112,542	38,505	1,328,022	**1,479,069**	n/a	n/a

By geographic location	Energy MWh	%	tCO_2e (inc. process)	%
UK	1,871,351	73%	1,153,414	74%
Rest of World	680,965	27%	405,222	26%
Total	**2,552,316**	**100%**	**1,558,636**	**100%**

Our total 'location-based' emissions for this period were 1.56 MtCO_2e. This represents a reduction of 12% in comparison to 2019.

ENERGY EFFICIENCY ACTIONS

During the course of 2020, we have undertaken a number of actions to reduce energy consumption and carbon emissions across our business, these include:

- Replacing and upgrading processing equipment with more energy efficient versions including: the use of variable speed drive systems on motors and fans, introducing more efficient burners and improving the operational efficiency of existing equipment and the purchase of more efficient compressors.
- Process improvements in our asphalt manufacturing which have significantly reduced mixing temperatures, and consequently reduced the energy input required for the process.
- Significant investment in a new processing plant at our North Cave Quarry site, replacing three older inefficient plants and rationalising on-site water pumps. This has greatly increased the energy efficiency of operations and reduced waste. By having the infeed material in one place the site has also rationalised the mobile plant requirements and reduced gas oil usage.
- Continuing to upgrade light fittings across the business, with further installations of low energy LED lighting.
- Successful initiatives to reduce transport fuel consumption include: the introduction of fast charging sites for electric vehicles at all of our head office sites; replacing older vehicles with new vehicles designed to more efficient standards; the use of telematics systems and fuel efficiency monitoring software; and training to improve driving behaviours.

We increased the use of on-site renewable technologies through the use of landfill gas and the installation of Solar PV panels and all of our electricity is now purchased from renewable sources.

TRANSPORT AND LOGISTICS

We aim to reduce the climate change related impacts of the transport and delivery of our materials and products. Our fast charge units enable colleagues and visitors to utilise electric or hybrid vehicles.

Our investment in new Mercedes Econic low entry cab mixers with all the latest safety features puts us at the forefront of low emission and clean air standards.

SUSTAINABLE TRANSPORT

Our investment in new Mercedes Econic low entry cab mixers puts us at the forefront of low emission and clean air standards.

At GB Cement we continue to work to increase the proportion of the primary movement of our materials by rail and in 2020 we saved approximately 100,000 road miles. Our rail volumes increased by three per cent despite lockdown restrictions where depots were closed for up to three months. We also continued to increase our average payload year-on-year, by 170kg per load, removing approximately 30,000 road miles.

We have continued to focus on driver training, supported by telematics systems. Fuel efficiency monitoring software has been installed for all of our taxable vehicles at Whitemountain. A behavioural telematics trial showed a 12 per cent improvement in fuel usage and a 11 per cent CO_2 emission reduction. This will be rolled out to a further 300 commercial vehicles in 2021. A telematics solution was also trialled on GB Cement's own fleet and has helped save 19,000 litres of diesel consumption. We worked with our contract haulage provider to install a similar system on their fleet in 2020 and are working with their drivers to improve fuel efficiencies and driving styles.

CARBON REDUCTION ACTIONS AT OUR CEMENT PLANTS

Both our cement plants have been reducing the use of fossil fuels year-on-year, with Kinnegad currently achieving a world class rate of 71 per cent replacement of fossil fuels with lower carbon renewable alternative fuels.

We have begun conducting trials using carbon-neutral wood shavings as fuel and researching developments in low emission intensity lime and cement technology.

We have made a major investment in upgrading Kinnegad's main bag filter and replacing Hope's raw mill drive and kiln shells to improve kiln resistance to chemical deterioration resulting from the increased use of sustainable alternative fuels.

Towards the end of 2020 we submitted our planning application for a new alternative raw material offload facility at Hope, to enable us to bring in larger quantities of ARM by rail, reducing road transport and further reducing our reliance on high-sulphur shale materials.

We are also actively involved in research into the many emerging technologies in the area of carbon capture and use, as well as researching and developing enhanced use of secondary cementitious materials such as calcined clays, as part of our carbon reduction strategy.

Over the longer term, we are carefully monitoring various technology advancements, including hydrogen and plasma use, with a particular emphasis on continual replacement of residual fossil fuels.

COMMITMENTS AND COLLABORATION

As a member of the MPA UK Concrete group, we support the sector's 'Roadmap to Beyond Net Zero' which launched in October 2020 with the aim of removing more carbon dioxide from the atmosphere than the industry emits each year.

Achieving Net Zero will require concerted support from government, as well as significant collaboration and change across the wider construction, energy and transportation sectors to achieve wholesale decarbonisation.

In September 2020 as a member of the GCCA, we joined 40 of the world's leading cement and concrete companies to unveil a joint-industry, global '2050 Climate Ambition' with an aspiration to drive down the CO_2 footprint of our operations and products as we collectively deliver society with carbon neutral concrete by 2050.

DELIVERING FOR THE SDGs

7 AFFORDABLE AND CLEAN ENERGY — Our use of renewable energy and waste energy sources contributes towards SDG 7

13 CLIMATE ACTION — Our energy efficiency and carbon reduction actions contribute towards SDG 13

17 PARTNERSHIPS FOR THE GOALS — Our membership of organisations such as the Global Cement and Concrete Association contribute towards SDG 17

OUR FOCUS FOR 2021

- **Setting and embedding carbon reduction targets across all Divisions**
- **Assessing the recommendations of the Taskforce for Climate related Financial Disclosure relevant to our organisation**
- **Seeking to reduce reliance on fossil fuels and introduce more sustainable energy substitutes into our business**
- **Improving driver training and reducing fuel consumption in our transport fleets**
- **Continued research and development and trial of technologies and solutions to achieve a reduction in emissions**

3. CIRCULAR ECONOMY

Our focus on the circular economy drives the efficient use of natural resources throughout their life cycle. In addition to considering the extraction, production and transportation impacts of our products, we consider incorporating secondary materials and we provide a waste reutilisation solution.

RESPONSIBLE MATERIALS USE AND REDUCTION OF WASTE

Alternative fuels

In 2020 we used over 136,000 tonnes of alternative fuel (such as refuse derived fuels, chipped tyres, waste oils and solvents, animal meal and plastics) in our cement plants, achieving a fossil fuel replacement rate of more than 45 per cent.

Using renewable waste streams as alternative fuels for clinker manufacture diverts low value residual wastes which would otherwise be sent to landfill and ensures they are upcycled into long-lived, fully recyclable cementitious and concrete products. Unlike other combustion processes such as energy from waste or incineration, the ash from fossil and waste derived fuels form part of the mineral content of the cement clinker and is not a waste residue from the process. Our cement manufacturing simultaneously recycles the mineral content of wastes and recovers their thermal energy, in a process known as ‘co-processing’.

Alternative raw materials

In addition, our cement plants used around 100,000 tonnes of waste derived alternative raw materials such as Pulverised Fuel Ash and recycled gypsum to replace primary raw material, in conjunction with lowering associated carbon emissions.

Hope Works is currently undergoing a planning application process for an alternative raw material handling system which will enable the use of a wider variety of alternative raw materials and in larger quantities.

Waste

Our Hope cement plant works with a waste management company who operate a ‘zero to landfill’ waste disposal facility to ensure all waste removed from site achieves the highest possible disposal route in the waste hierarchy. In 2020 no process waste from the Hope plant was sent to landfill, and only one per cent of all waste removed from site was sent to landfill which was largely from asbestos waste removal.

Working collaboratively with its waste management provider, the GB business achieved a 93 per cent diversion of waste from landfill in 2020 for the sites involved.

Kingscourt Brick’s new palletless brick bales and automatic packaging has reduced wooden pallet use by 80 per cent and completely eliminated paper sheet use.

Responsible materials use

We continue to reuse or repurpose a range of materials to extend their use: ceramic waste and recycled glass used as a substitute for sand in facing bricks; concrete waste reused as fill material in new road developments; 80,000 tonnes of old stock reprocessed from Milebush quarry to make concrete sand and aggregates; crushed glass fines incorporated into asphalt products, reducing cost base and preserving primary aggregates; slate by-products used in asphalt base and binder courses and in concrete block production.

REUTILISING WELSH SLATE BY-PRODUCTS

Appropriate use of our Welsh Slate by-product is a key drive for our business with roofing slate production yields of less than three per cent.

To reduce wastage we reutilise our Welsh Slate by-products:

- in asphalt base and binder courses
- in production of concrete blocks and bricks
- by mixing and producing modified soils
- in the production of cement at our Hope Cement plant

The ARM project at Hope Cement intends to enable the repurposing of 100,000 tonnes per year of Welsh Slate waste materials.

KINGSCOURT DE-HACKER ROBOT PACKING MACHINE

Kingscourt Brick benefited from the installation and commissioning of a semi-automatic packaging line. The new investment was officially operating and producing new palletless brick bales by end of September 2020. This new packaging line:

- eradicates the use of 20,000 wooden pallets (an 80 per cent reduction, saving £22,000 a year)
- discontinues the use of 115,000 paper sheets (eliminating paper sheet use)
- achieves a 3 per cent reduction in shipping movements and a 9 per cent reduction in transport costs due to weight reduction and an increased number of bricks per bale

In conjunction with the Welsh Government and local councils, in 2020 we developed slate asphalt using secondary products and waste streams, with trials using over 90 per cent waste aggregate.

In 2020 we reviewed our RAP strategy and we intend to further increase our use of RAP in 2021. We will continue to consider new products and develop demand for existing products which use RAP, we will also look for opportunities to maximise the storage and production opportunities at our network of sites in major urban markets in order to grow the circular economy.

Our operations in Ireland are among those leading the way in the use of RAP in their asphalt plants. A new RAP slider was installed at our Cork plant, enabling the plant to use material that has been processed from road maintenance activities that had been undertaken by our contracting teams. The Cork plant utilised 30 per cent RAP and our Dublin and Kinnegad plants are working towards increasing the proportion of RAP used in their plants. Recycling milled road surface materials means the material is diverted from going to landfill, less aggregate is needed, and there is less shipping or haulage of bitumen, overall producing significant environmental benefits.

DELIVERING FOR THE SDGs

Our efficient use of resources and our use of by-products, recycled materials or waste derived resources as alternative fuels and raw material sources contribute towards SDG 12

OUR FOCUS FOR 2021

- **Improving waste data and management reporting**
- **Targeting reductions on the total amount of waste generated at our sites compared to the previous year, with area managers tasked to identify and share positive improvements to waste, recycling or circular thinking**
- **Increasing the rate of recycling and reuse of on-site waste and internally-produced product**
- **Continuing to explore ways to increase the use of alternative fuels and alternative raw materials at our cement plants**

4. ENVIRONMENT AND NATURE

We carefully manage the environmental impacts of our operations, reducing emissions to air and water and enhancing biodiversity and habitats.

MANAGEMENT OF ENVIRONMENTAL IMPACTS

We maintain certification to ISO 14001 for Environmental Management Systems to demonstrate achievements in sustainable development and to continuously improve our environmental performance.

Management, training and control systems are in place to prevent environmental incidents, including a revised Environment policy and a new Biodiversity policy launched in 2020.

There were 72 complaints reported and 99 environmental incidents recorded across the Group in 2020. This shows that our colleagues are aware of environmental impacts and that mechanisms are in place to report issues, investigate and correct their root causes.

The system for capturing complaints was further updated to make recording of complaints more accessible and analysis of trends more effective. This trend data is now communicated through a new Group monthly report focused specifically on environmental topics which commenced in October 2020, whereby positive improvements and potential areas of concern are highlighted to the Board.

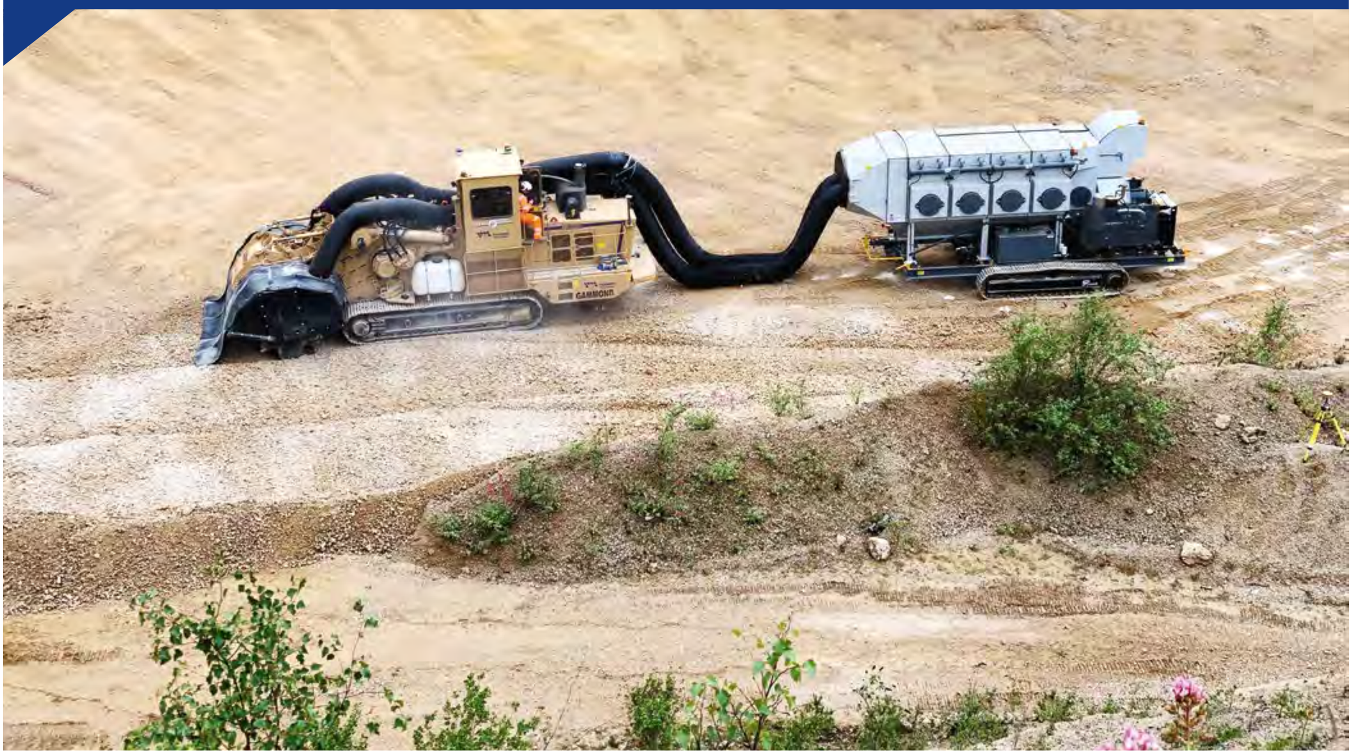
Over 250 audits of the environmental management system across the Group were carried out by internal and external auditors, with no major issues identified. We will look to improve the evaluation of audit non-conformance trends and communication of issues in 2021.

In the year, 73 visits by regulators were recorded, with no prosecutions or enforcement notices received. Whilst we maintain ongoing communications with regulators on a number of issues, no prosecutions are expected.

MANAGING ENVIRONMENTAL IMPACTS

Breedon quarry's Rock Hawg machine with Grysdale Dust Collector is the first of its kind in the UK.

Due to our sensitive village location in Breedon on the Hill we were looking at new sustainable methods of extracting our mineral at Breedon quarry. We have been working on a 'no blast' approach and after trialling various processes now have a successful solution. Using the Rock Hawg in conjunction with Grysdale's mobile dust collector has enabled us to continue extraction in a more environmentally friendly manner, minimising noise and dust. The machine uses 3D machine control to take up layers of fine rock and the dust collector sucks up the dust, ensuring 99.9 per cent clean air. Both machines also operate at a lower fuel burn rate due to their engine types, reducing fuel consumption and related emissions.



WATER IMPROVEMENTS AT DUBLIN DEPOT, LAGAN

The emulsion plant in Dublin uses water through a heat exchanger to cool emulsion during production. All water used through the plant is diverted back to storage with the water used for dust suppression and wheel wash for the Dublin Depot yard.

WATER MANAGEMENT

We aim to minimise our impact on water resources by reducing water withdrawal through the use of recycling, the promotion of water efficient practices and a responsible management of water discharges.

During the year we undertook a number of actions to reduce water consumption and improve efficiency across our business, these include:

- Improving the silt pond capacity to recycle more process water at Tom's Forest sand plant operations.
- Commencing the upgrade of the lagoons in Bweeng quarry to allow an increase in the amount of aggregate that can be washed. This ongoing project will ensure the water going to discharge is cleaner and will deliver the additional benefit of reducing waste in the quarry.
- Upgrading the dust suppression systems and installing additional sprinklers to the systems at Lobinstown quarry and Bweeng quarry and at the Dublin Depot.
- Diverting all the water used through the emulsion plant at Dublin Depot into storage for dust suppression and wheel wash use in the Dublin Depot yard.
- The installation of rainwater collection tanks for use in the conditioning of FDPC at Kinnegad cement plant, to collect rainwater off adjacent coal storage roofs and the associated FDPC bunded concrete working pad, saving approximately 2,000 cubic metres of extracted water. Kinnegad also uses around 17,000 cubic metres of surface run off water for road dust suppression and cleaning each year.

In 2021 we are determined to improve our water data, our water data capture systems and procedures and, where sites operate under a water abstraction or discharge permit, to look to implement automatic flow data logging to improve accuracy and drive further improvements.

CARING FOR NATURE

We always leave some of the old faces open in our quarries for the sand martins – this is Potton quarry.

We ensure ongoing protection of our sand martin colony sites at Ballystockart, Temple, Sandy Bay and Macosquin, and have established a habitat for them at Blackmountain quarry.

BIODIVERSITY AND RESTORATION

Biodiversity and restoration is a key priority at all business levels. During the year we have been involved in many projects to further this goal.

In 2020 we issued a new Biodiversity policy, underpinning our commitment to operate our business in a manner which seeks to protect and enhance biodiversity across all our operational sites through the development and implementation of well-designed biodiversity management plans and rehabilitation plans. We recognise that the delivery of nature-based solutions supports the long-term sustainability of our operations.

At local, regional and national levels we continue to identify and develop partnerships with conservation organisations and other key stakeholders. This means we ensure biodiversity opportunities are understood and realised; develop rehabilitation plans that consider the needs and expectations of our stakeholders whilst working to protect ecosystems, biodiversity and habitats to maximise our contribution to nature conservation.

We have ongoing restoration programmes, planting indigenous trees and grasses, and regenerating the land across various sites.

We recognise the importance of collaboration to achieve enhanced results and we work in partnership with organisations such as the Wildlife Trust at various sites, managing a range of biodiversity related activities such as tree planting, species recording, monitoring bats, relocating snakes and establishing habitats. Our Cement business also sponsors the Derbyshire Wildlife Trust's Forest School, based at the Hope cement plant site.

At Gart Pond, Cambusmore quarry near Stirling we are working to increase the site's ecological value. We have bird count data going back to 2013. Counts have identified a reasonably steady increase in bird numbers on the site over the past seven years. 2020 was the first year the count exceeded 1,000 and it appears the site is increasing in ecological value as the restoration scheme matures. The species list includes various red listed bird species, including a red kite which has near threatened status.

At Benderloch quarry in Oban, our revised working scheme now excludes 15 acres of land in Phase 5 North. The land has been recognised as valuable peatland habitat and a management plan has been devised. Retention of the mineral in-situ means that drainage channels into the Lochan Dubh will now not be disturbed. An Otter Protection Plan has also been drawn up to protect the local habitat.

RECORD BIRD COUNT NUMBERS AT GART POND, CAMBUSMORE QUARRY

The restored area around Gart pond includes lowland meadow, islands, scrub and mature trees – a high quality habitat that supports a high diversity of species, including a number of red-listed birds of conservation concern. The lakes support a good diversity of wildfowl, especially over the winter months. The grass is grazed by deer and wildfowl and invertebrate numbers are high over the summer season, supporting the feeding of the songbird population. The Scottish Ornithology Club has provided detailed records of species and numbers going back decades. It appears the site is increasing in ecological value as the restoration scheme matures, with the bird count exceeding 1,000 for the first time in 2020.

Our Kingscourt Brick site has signed up to the 'All-Ireland Pollinator Plan' and will implement specific actions as a part of its biodiversity action plan in 2021.

The Whitemountain Community Fund programme has distributed more than £7.2 million to over 200 community and biodiversity programmes since its inception in 2007. During 2020 the programme awarded funding for 21 projects including development of community gardens and protection of habitat and promotion of red squirrels and pine martens.

We joined more than 560 companies worldwide as part of Business for Nature's 'Call to Action' in the run-up to delivering a Post–2020 Global Biodiversity Framework, urging international governments to adopt policies now to reverse nature loss in this decade.

DELIVERING FOR THE SDGs

Our water management activities contribute towards SDG 6

Our biodiversity management activities contribute towards SDG 15

OUR FOCUS FOR 2021

- **Focusing on site environmental hazard awareness and re-enforcing the requirements of environmental permit conditions with all relevant members of the workforce**
- **Increasing competency through the development and roll out of IEMA supported environmental management training courses**
- **Improving the quality of monitoring data collected and target sites to increase efficiencies in mains water usage**
- **Setting objectives and targets for biodiversity management and site rehabilitation; monitoring and reviewing performance against agreed KPIs and industry best practice to drive sustained improvement**
- **Updating rehabilitation plans for our quarries and working towards enhancing and protecting biodiversity at our operational sites**
- **Undertaking ecological assessments as part of our quarry planning applications, to assist us with determining the biodiversity value of our sites and developing biodiversity management plans for those sites where opportunities exist**
- **Seeking to develop influential partnerships with conservation organisations and key stakeholders, involving our colleagues in local ecological improvement projects where possible**

5. SOCIAL RESPONSIBILITY

We are committed to make a positive contribution to the quality of life of our colleagues, their families and the communities around our operations.

DIVERSITY AND INCLUSION

In 2020 we issued a new Social Responsibility policy, making our expectations clear around our commitment to make a material difference to the lives of our colleagues, customers and communities.

To achieve this with our colleagues, we focus on three areas: Attract, Perform and Retain to get the best out of the most talented people available from a diverse range of backgrounds.

For us, diversity is about having the best people regardless of their background. This means our workforce will be all inclusive with varying characteristics such as gender, ethnicity, age, education, disability and sexual orientation.

To do this we are creating a culture of inclusion and empowerment where colleagues are listened to via regular engagement surveys; their ideas are embraced; they are respected, treated fairly and provided with opportunities to excel in their chosen careers.

We see inclusion as how we work with our colleagues to embrace and benefit from the differences they bring to the business.

To ensure our recruitment and selection processes meet Company guidelines and are fair, consistent and appropriate, our human resources experts are heavily involved in the advertising, interview and selection process.

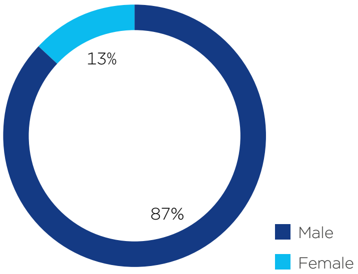
DELIVERING STEM SESSIONS TO SCHOOLS

Our colleagues volunteer to deliver STEM education sessions to school children.

Over the last 18 months we have prioritised the delivery of a suite of human resources training modules, including Equality, Diversity and Dignity at Work modules, to all our line managers. Furthermore, we have adapted this training package into a toolbox talk to enable it to be delivered to a wider colleague audience.

We see our culture and values and our three focus areas of Attract, Perform and Retain as the driving force behind Breedon being recognised as a great place to work and an employer of choice.

EMPLOYEE GENDER SPLIT



TRAINING AND DEVELOPMENT

Despite an extremely challenging year we have continued to support and develop our colleagues across the Group. The impact of COVID-19 instigated a shift from traditional learning methods such as 'classroom' training to virtual and blended solutions. We have continued our Management Development Programme and Commercial Development Programme, pausing during the height of the pandemic yet still enabling 68 colleagues to complete these programmes in 2020.

Colleagues studying further and higher education courses have also been affected, with institutions turning to remote learning. Despite these challenges, 21 colleagues achieved degrees, diplomas and professional qualifications last year, and we have seen an encouraging uptake from 18 colleagues embarking on study in the 2020-21 academic year.

BEST COMMUNITY ENGAGEMENT PROJECT

We are pleased to report that our sponsorship of the Highland Football League has been named as the Best Community Engagement Project in Scotland.

We have continued to recruit and develop apprentices and trainees throughout 2020 with our first cohort of LGV driver apprentices taking to the road in July. 16 colleagues successfully progressed from apprenticeships and traineeships to permanent roles. We recruited an additional 11 apprentices, and are continuing to develop 32 trainees across the Group.

In the second half of 2020 we launched a suite of online learning resources for colleagues, accessible to all through our intranet and external colleague support website.

COMMUNITY ENGAGEMENT

We seek to identify and minimise potential impacts of production and transport on local communities and build good relationships. Our best practice 'Good neighbour' plans are now being implemented more widely across more of our sites.

We are actively involved in community liaison meetings, hold open days for the general public and provide materials, resources and voluntary labour to benefit the communities in which we operate.

Our colleagues visit schools and provide STEM education sessions, and get involved in numerous community volunteering and fundraising campaigns.

DELIVERING FOR THE SDGs

4 QUALITY EDUCATION — Our employee training and development activities and our STEM education activities contribute towards SDG 4

5 GENDER EQUALITY — Our equality, diversity and inclusion activities contribute towards SDG 5

8 DECENT WORK AND ECONOMIC GROWTH — Our employment of people, our procurement of goods and services, our training activities and our working conditions contribute towards SDG 8

OUR FOCUS FOR 2021

- **Developing a Diversity and Inclusion policy**
- **Increasing our ability to provide training to more people online**
- **Implementing our best practice 'Good Neighbour' plans across more of our sites**
- **Developing guidance to improve the impact of our strategic social investment, donations and volunteering activities**

6. CONTRIBUTING TO A SUSTAINABLE BUILT ENVIRONMENT

We collaborate and engage with our customers and our suppliers to develop innovative products and services that enable resource efficient or low carbon sustainable construction solutions.

A safe, resilient and sustainable built environment is required for society to be able to adapt to increasingly extreme climate related risks such as floods, strong winds, overheating and even fires. Construction products and solutions can contribute towards enabling a lower carbon, materials efficient and sustainable built environment through consideration of the embodied impacts associated with manufacture and production. Consideration should be given not only to the benefits the product can deliver during use (for example flood control or thermally efficient buildings) but also to the whole-life potential of the product, including after first use.

WHOLE-LIFE ASSESSMENTS

We continue to work collaboratively across the sector, through the MPA and the GCCA to determine the most appropriate methods for Life Cycle Assessment, for increased transparency and disclosure of embodied product impacts, and to develop low carbon labelling approaches that can help guide our customers towards lower carbon, resource efficient products and solutions.

PRODUCT INNOVATION

We continue to collaborate and develop sustainable products such as Recofoam®, and participate in various trials and collaborations to achieve positive outcomes for the wider society.

RECOFOAM® PRODUCT INNOVATION

A revolutionary new product enabled Breedon, in collaboration with Eurovia and BEAR Scotland, to complete resurfacing works on part of the A92 in Scotland using reprocessed asphalt stripped from the same stretch of road.

Using a road planer, the existing road surface was removed along a one kilometre length of the A92 and the planings were transported to a special waste quarantine zone at Breedon's Clatchard quarry near Newburgh, where it was reprocessed using an innovative technology from Eurovia called Recofoam®.

The recycled material was then returned to the A92 and used as a base layer in the newly-resurfaced road.

The recycled 'foam mix' is produced by expanding bitumen via contact with small amounts of water under carefully controlled conditions, then mixing the foamed bitumen with the planings removed from the road. This produces a fully compliant recycled material which can be re-used in the new road construction. The resulting product incorporates up to 85 per cent recycled materials and reduces CO_2 emissions by around 50 per cent.

This is only the second time that the Recofoam® technology has been used in Scotland and it has proven its value as the most sustainable way of reprocessing worn-out asphalt. It not only cuts emissions and reduces our environmental impact – both in the production process and through fewer truck journeys – but it also significantly reduces the need for hazardous waste to be sent to landfill.

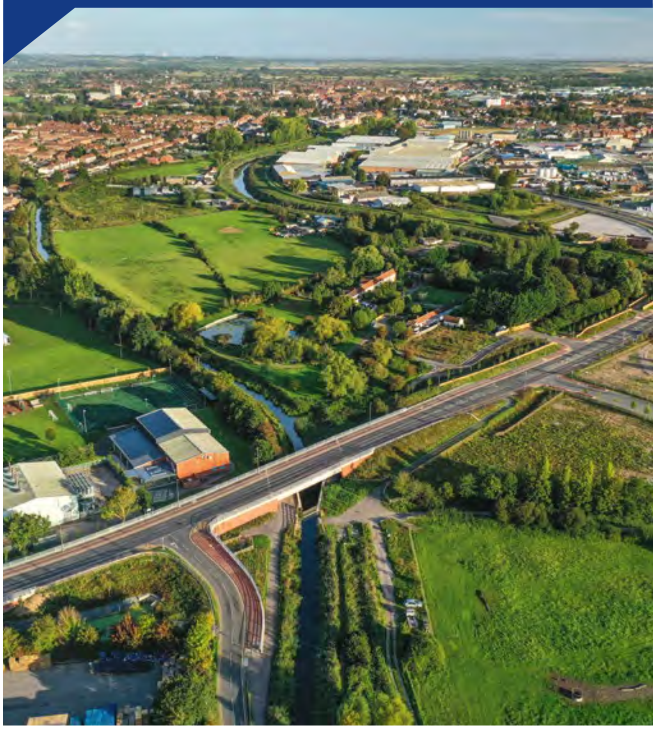
TRANSPORT INNOVATION AWARD

Whitemountain, in partnership with Somerset County Council and AECOM, were awarded The Transportation Innovation Award at The Chartered Institution of Highways and Transportation South West Awards for the Colley Lane Southern Access Road Project.

The £18.4 million scheme comprised 840m of carriageway, two bridges, plus improved cycle and footway links.

It is estimated the road will provide peak-hour economic benefits of £36 million over the next 60 years through improved journey time reliability and cost savings for businesses. It has substantially reduced noise levels at 398 residential properties and is projected to cut air pollution by 5,230kt of CO_2 per year by reducing unnecessary journeys.

Another social benefit was improved access to residential properties, with one home provided with vehicular access for the first time, and improved accessibility along the canal by removing the old swing bridge, repairing embankment damage, and upgrading links along the towpath. The road was completed on time, within budget and was named Squibbers Way by the community. In total more than £3.9 million – a third of the construction value – was paid to local suppliers and subcontractors during the project.



DELIVERING FOR THE SDGs

Our focus on innovation, research and development and our adoption of environmentally sound technologies and processes contributes towards SDG 9

Our collaboration and technical products and solutions enable sustainable infrastructure, housing and accessible public spaces, contributing towards SDG 11

OUR FOCUS FOR 2021

- **Assessing the most appropriate tools and methodologies for carbon calculations, Life Cycle Assessments and Product Declarations**
- **Determining the 'eco' credentials of our products and solutions**
- **Researching, developing and trialling products that provide solutions and benefits to our customers**
- **Seeking opportunities to collaborate with academia and other institutions to collaborate on research and development and innovation**

STAKEHOLDER REPORT

The Board is committed to and actively encourages effective relationships and communication with the Group's stakeholders. This will realise a greater understanding of each stakeholder's needs. The Board believes that by taking into account these needs and interests, this in turn will help maximise value for the Group and the continued long-term success of the Company.

Our purpose is to make a material difference to the lives of everyone who lives, works, travels and socialises in communities throughout GB and Ireland. The Board is of the opinion that it has acted in a way which would be likely to promote the success of the Company for the benefit of its members and other stakeholders through the decisions the Board has taken in the year to 31 December 2020.

The Group has three strategic pillars which are underpinned by robust corporate governance and conservative financial management. These are:

- Sustain, operate with a clear purpose and a duty to run our business as sustainably as possible for the benefit of all our stakeholders.
- Optimise, a culture of operational and commercial excellence to maximise the value of every tonne of material that we quarry.
- Expand, continue to re-invest in the business to deliver long-term growth.

Further information can be found on pages 16 and 17.

The Board is responsible for establishing the Group's long-term strategy and objectives, however it recognises that the executive and senior managers of our businesses can support in fulfilling this. The Board has an effective delegation structure in place which allows local boards and their workforces to engage effectively and react accordingly, to understand the needs of their suppliers, customers, communities and regulators at a local level.

The Board is of the opinion that engaging the majority of its stakeholders on a local level is the most effective process for the long-term success of the Group. During 2020 the Board appointed a DNED for workforce engagement with a remit to engage further with the workforce and bring those things that are of concern to the attention of the Board, notwithstanding the provisions that are already in place for engagement with our colleagues.

Recognising that ESG is of great importance to ourselves and our stakeholders, during 2020 the Board appointed a DNED for sustainability and a Group Head of Sustainability. We proceeded swiftly to conduct a materiality assessment exercise with internal and external stakeholders. The purpose was to identify and prioritise key ESG issues and ensure that we align our strategies, resources and investment accordingly. Based on future trends, longer term business risks and notable ESG reporting frameworks, including the SASB conceptual framework, GRI and sector materiality, 16 ESG criteria were selected as being 'potentially' of material significance.

COLLEAGUES

We recognise our dedicated workforce as a key driver of the value derived from the business. Our colleagues are offered development opportunities to further fulfil their potential. All colleagues are offered a fair benefits and compensation package relative to their role and level in the organisation.

In 2020, the Board oversaw the response to COVID-19 and set up a dedicated hub for those staff on furlough. In response to the concerns expressed by our workforce who were furloughed, a decision was taken by the Board to have their payments topped up to 100 per cent of their salary during the first phase of the pandemic. A comprehensive review and support for returning to work was implemented, with training, appropriate PPE and changes for them to work safely together. Mental health and wellness programmes were also introduced to alleviate concerns expressed from our colleagues on their mental health during the pandemic.

CUSTOMERS AND SUPPLIERS

We work alongside our customers by striving to deliver best customer service and seek innovative solutions to support many of the major projects on which we operate. We pride ourselves on going the extra mile and recognise customer loyalty as a key part of our long-term success. The Group also recognises the huge role its suppliers play in its long-term success. We endeavour to maximise value from our supplier's and work with them to support the delivery of our customer's needs.

During 2020, there was a managed and communicated shutdown of a number of our operations and sites. Engagement continued with our suppliers and customers and the decision to re-open our sites was based on listening to feedback on our customer's needs and also our suppliers. Our businesses remain local for both our customers and suppliers, and in 2020 the Board committed to the principles of the circular economy and the responsible use of resources, to seek to minimise waste and maximise the reuse and recycling of materials throughout our operations. On a local level our businesses have committed to understand their individual suppliers and customer's needs and how these have changed during the pandemic.

COMMUNITIES

We are at the heart of the communities in which we operate so recognise our responsibility to be good, supportive and engaged neighbours. Our businesses have active liaison programmes with the communities in which they operate, and they seek to take into account the interests and concerns of those communities in their operational activities. Our communities are firmly featured within our three strategic pillars.

In 2020 the Board approved our Social Responsibility policy. This confirmed they would oversee the social responsibility policy performance of each Division within the Group and the adequate provision of resources and management arrangements to ensure the effectiveness of the policy. This reflects the engagement and history of acting in a responsible and ethical manner, and of being actively and positively present in the communities where we operate. The Board intends to set objectives and targets for social responsibility and believes the local businesses are best placed to understand their community's needs. On a local level 'Good Neighbour' plans are widely in place across the Group. For example when the Highland Council Committee approved plans to extend the Banavie quarry in 2020 they commended us on our consultation and community liaison programme.

INVESTORS

Our shareholders play an important role in the continued success of our business. We maintain purposeful and close relationships with them and our three strategic pillars are at the forefront of our relationship with our shareholders and investors.

Although the pandemic limited face-to-face contact with our shareholders, we have continued to keep them informed through an increased number of trading updates; engaged in two-way dialogue with over 100 calls representing over 70 per cent of our issued share capital; and encouraged engagement through questions being posed to our Board in advance of our closed AGM. Furthermore the Board has made a key appointment in the year with a Head of Sustainability and a DNED for sustainability following feedback from investors in this key area.

REGULATORS/LOCAL GOVERNMENT/ TRADE ASSOCIATIONS

Developing and sustaining good relationships with the many regulators who govern our businesses is central to the success of our business and maintaining our licence to operate. We are committed to adherence to our legal and regulatory requirements.

In 2020 the Board approved various policies which support some of the issues that are material to our regulators. These include a Biodiversity policy, an Energy and Carbon policy, an Environment policy, a Quality policy and a Health, Safety and Wellbeing policy. Engagement has continued to be positive with our businesses working closely with our local environmental authorities, councils and regulators over permits, planning permissions and the health, safety and wellbeing of our colleagues.

STAKEHOLDER REPORT CONTINUED

	Colleagues	Customers & Suppliers	Communities	Investors	Regulators/ Local Government/ Trade Associations
Their material issues	• Physical working conditions • Pay and benefits • Communication • Opportunities for development and training • Health and safety	• Cost • Product development • Service levels • Sustainability commitments • Product quality • Payment practices	• Noise • Transportation routes • Safety • Environment • Communication • Support for local causes	• Governance • Profitability and return on investment • Sustainability commitments • Dividend policies	• Emissions and discharges • Climate change • Site restoration • Health and safety • Vehicle management
Methods of engagement	• Intranet, newsletters, presentations, email, notices and post • Employee groups and committees • Workforce engagement DNED • Surveys • Development reviews	• Direct engagement • Contracts and terms of business • Third party engagement • Website • Industry associations • Tender quotations	• Local liaison meetings • Social media • Community events • Letters, emails, notices • Site tours • Websites • School visits	• One-to-one meetings • Telephone calls • Site visits and field trips • Investor conferences • Brokers' contacts • AGM	• Mandatory returns and applications • HSE visits • Notices • Meetings with regulators • Industry associations
Frequency of engagements	On-going	On-going	On-going	On-going	As required
Impact in 2020	• Topped up furlough payments • Training, support and PPE provided • Over 1,300 participated in SAYE options • New approved policy on Health, Safety & Wellbeing • Appointment of DNED responsible for workforce engagement • New on-line training programme rolled out	• Re-opened sites following lockdown in early 2020 based on demand from customers; some sites stayed open • New policies approved including Circular Economy and Quality	• Moved local liaison meetings on-line so they could still take place • Continued to sponsor communities throughout the pandemic • Worked with communities to gain support for important planning developments	• Announced intention to pay an interim dividend in 2021 • Head of Sustainability appointed • Head of Investor Relations appointed • Appointment of DNED responsible for sustainability	• Successful planning applications received and Environment Agency permits renewed • New policies for Biodiversity, Energy and Carbon, Social Responsibility, Environment, Quality, Health Safety and Wellbeing
Value created	Improved engagement with colleagues will develop and retain our workforce and attract new colleagues that want to work for us.	Engaging with our customers helps us deliver excellent customer service, build relationships to enable us to get the right product, to the right place, at the right time for the right price. Engaging with our suppliers helps us deliver a sustainable supply chain and circular economy.	Positive engagement with our communities ensures that we understand their concerns and needs so that we can address these and improve the communities that we live and work in.	Our engagement with investors and shareholders ensures we communicate our achievements in a structured manner such that people choose to invest in us.	Through our engagement we are able to respond and contribute to sector needs and requirements and deliver on compliance and regulatory standards.

GOVERNANCE REPORT

In the following pages we report on the governance framework and how it drives the long-term success of our business.

BOARD OF DIRECTORS

OUR LEADERSHIP

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

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BOARD OF DIRECTORS

- A Member of the Audit Committee
- R Member of the Remuneration Committee
- N Member of the Nomination Committee
- S Senior Independent Director

1. AMIT BHATIA

Non-executive Director, Chairman

Appointed to Board: 2016

Independent: No

Core strengths and experience:
- Over 15 years' experience in corporate finance and private equity

Other positions currently held:
- Chairman of Global Relief Initiative and Queens Park Rangers Football Club
- Partner at Summix Capital, Swordfish Investments and Initial Capital
- Director of Brimary Investments Sarl, QPR Holdings Limited, Summix Capital Limited and Global Relief Initiative

Background

Amit has over 15 year's corporate finance and private equity experience and has held previous Board and Chairman positions. He is a Gold Leaf member at the Aspen Institute and a William Pitt group member at Chatham House. Amit was Executive Chairman of Hope Construction Materials until it was acquired by Breedon Group in August 2016 when he joined the Board. He was appointed Deputy Chairman in 2018 and Non-executive Chairman in May 2019. Amit also Chairs the Nomination Committee.

2. PAT WARD

Group Chief Executive

Appointed to Board: 2016

Core strengths and experience:
- Over 30 years' experience in the aggregates and construction industries in the UK, USA and Middle East
- Former CEO of Aggregate Industries Europe a subsidiary of LafargeHolcim
- Director of Minerals Products Association

Background

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

3. ROB WOOD

Group Finance Director

Appointed to Board: 2014

Core strengths and experience:
- Over 15 years' experience in the building materials industry, including Hanson PLC and HeidelbergCement AG
- Qualified Chartered Accountant with M&A experience

Background

Rob has over 15 years' experience in the international building materials industry. He qualified as a Chartered Accountant with Ernst & Young and subsequently joined Hanson PLC where he held a number of senior positions including Finance Director Brick Continental Europe, Finance Director Building Products UK and Chief Financial Officer Australia and Asia Pacific. Following the acquisition of Hanson PLC by HeidelbergCement AG, Rob returned to the UK and joined Drax Group plc as Group Financial Controller. During his time at Drax he also spent a period of time as Head of M&A. Rob joined Breedon and was appointed to the Board in 2014. In October 2020, Rob was announced as Chief Executive Officer Designate and was appointed Chief Executive Officer from April 2021.

4. CLIVE WATSON

Non-executive Director

Appointed to Board: 2019

Independent: Yes

Core strengths and experience:
- Chartered Accountant and member of the Chartered Institute of Tax with significant finance experience in a variety of industries

Other positions currently held:
- Non-executive Director discoverIE Group PLC, Chair of Audit and Risk Committee
- Non-executive Director Kier Group plc, Chair of Audit and Risk Committee
- Non-executive Director Trifast plc, Senior Independent Director

Background

Clive has considerable finance experience, having previously been the Group Finance Director of Spectris PLC, Chief Financial Officer and Executive Vice President for business support at Borealis, Group Finance Director at Thorn Lighting Group and held a variety of finance roles at Black & Decker. In 2019, Clive retired as a non-executive director of Spirax Sarco Engineering plc, where he was Chair of the Audit Committee and Senior Independent Director. Clive was appointed to the Board in September 2019 and became the Senior Independent Director and Chairman of the Audit Committee in April 2020.

5. MONI MANNINGS

Non-executive Director

Appointed to Board: 2019

Independent: Yes

Core strengths and experience:
- Solicitor with significant Board and Remuneration Committee Chair experience

Other positions currently held:
- Senior Independent Director and Chair of the Remuneration Committee of Investec Bank PLC
- Deputy Chair and Trustee of Barnardo's and Trustee at St Marks Hospital Foundation
- Non-executive Director and Chair of the Remuneration Committee of easyJet plc
- Non-executive Director, Chair of the Remuneration Committee and member of the Risk Committee of Hargreaves Lansdown PLC

Background

Moni previously held a number of senior non-executive positions, including as a Board member of the Solicitors Regulation Authority (chairing its Equality, Diversity and Inclusion Committee), Cranfield University, Dairy Crest PLC and Polypipe Group plc where she was also Chair of the Remuneration Committee. Until 2017, Moni was Chief Operating Officer of Aistemos Limited. From 2000 until 2016, Moni was a Partner and Head of the International Banking and Finance Division of Olswang LLP, before which she held senior positions with Dewey Ballantine LLP and Simmons & Simmons. Moni was appointed to the Board in December 2019 and appointed Chair of the Remuneration Committee in January 2020. In September 2020, Moni was appointed as Designated Non-executive Director for Workforce Engagement.

6. CAROL HUI

Non-executive Director

Appointed to Board: 2020

Independent: Yes

Core strengths and experience:
- Executive and non-executive director with extensive corporate and commercial experience primarily in major infrastructure businesses

Other positions currently held:
- Chief of Staff, General Counsel and a Board Director of Heathrow Airport Limited
- Non-executive director of the British Tourist Authority and Chair of their Audit and Risk Committees

Background

Carol has previously held senior positions in British Gas plc and Amey plc, and was originally a corporate finance lawyer with City law firm Slaughter and May. Carol was the Chairman of Robert Walters plc, stepping down at the end of December 2020 after nine years. Carol was previously a Board member of Action for Blind People and London South Bank University and a Review Body member for Doctors' and Dentists' Remuneration. She has received numerous awards in her career including FT Innovative Lawyers Award. Carol was appointed to the Board on 1 May 2020 and appointed as Designated Non-executive Director for Sustainability in September 2020.

BOARD INDEPENDENCE

The Board considers all the Non-executive Directors as independent with the exception of Amit Bhatia, who has been appointed as Abicad Holding Limited's representative on the Board of the Company, pursuant to a relationship deed dated 17 November 2015.

CORPORATE GOVERNANCE STATEMENT

AMIT BHATIA
Chairman

In 2020, we celebrated the 10th anniversary of Breedon and in this Annual Report I reflect on not just the operational growth of the Group, but also how we have strengthened governance over that time, particularly in the last couple of years during my tenure as Chairman.

Good governance is key to the success of the Group and during 2020 we appointed Carol Hui as a new independent Non-executive Director and Clive Watson as our Senior Independent Director. In addition, Moni Mannings and Clive Watson, took the Chair of our Remuneration and Audit Committees respectively. Both have previous committee chairmanship expertise and have already overseen developments to key areas of executive remuneration and reward, and risk and control.

The Board appointed Moni Mannings as the Designated Non-executive Director with responsibility for workforce engagement and Carol Hui as the Designated Non-executive Director with responsibility for sustainability, both of whom will develop these roles during 2021. Together with the appointment of Helen Miles as a further independent Non-executive Director in 2021, I strongly believe that the governance of the Group is in a good position to develop and support the strategic growth of the Group. This is imperative as our Group Chief Executive, who has led the Group over the last five years, is retiring during 2021, and we welcome the continuity that the appointment of Rob Wood as Chief Executive Officer will bring to the Group and to the Board.

In September, the Board engaged the services of Independent Audit Limited* (Independent Audit) to assist them with their triennial external Board Evaluation. Independent Audit do not have any connection with the Group or its Directors or provide any other service and this is their first appointment for us. Independent Audit was selected and appointed by the Board following a tender process which was overseen by the Chair, Senior Independent Director and Group Services Director. The Board was confident that Independent Audit would have independence and objectivity to carry out the review.

The objective of the Board Evaluation was primarily the review of effectiveness of the Board and its committees with the scope encompassing the Board's effectiveness in relation to ESG matters, stakeholders and purpose, values and culture. A number of different criteria were used during the process including observations of Board and Committee meetings, reviewing Board and Committee papers and interviews with the Board, Executives and others who support the Board namely the external audit partner, remuneration consultant partner and NOMAD.

Independent Audit's report was discussed by the Board and actions were agreed based on the suggestions made. A number of notable strengths of the Board were identified including that the Chairman had created a positive and productive boardroom dynamic, the new non-executive directors had added relevant and complementary skills, the Group Chief Executive and Group Finance Director had demonstrated leadership skills and knowledge of the sector which had contributed to the success of Breedon, and both the Audit and Remuneration Committees were working well under new chairmanships. Board composition was assessed favourably with the necessary mix of skills, knowledge and expertise and diversity.

The process identified a number of key areas for the Board to strengthen their effectiveness, which the Board have committed to commence work upon during 2021. These included work on the strategy framework for the Group, the Board's wider interaction with the management team and with colleagues and other stakeholders; and to embed the three lines of defence within the risk management and internal controls process.

The Directors and I continue to recognise the value of strong and effective corporate governance and are fully accountable to the Group's stakeholders. We are responsible for ensuring that commercial risks and financing needs are properly considered, the obligations of a public company are adhered to and all decisions are made objectively in the interest of the Group and its stakeholders. In 2021, we will seek as a Board to maintain the highest standard of corporate governance across the Group.

* Independent Audit Limited have reviewed and agree with the description of the Board Evaluation process as set out in the report.

Set out on this page are a number of key governance highlights from 2020:

BOARD MEETING ATTENDANCE

The Board held ten formal meetings during the year. In response to the pandemic the Board also met informally on a number of occasions through the year to discuss and debate the particular challenges faced by the Group.

	Meetings attended	Eligible to attend
Amit Bhatia	10	10
Pat Ward	10	10
Rob Wood	10	10
Peter Cornell[1]	3	3
Susie Farnon[1]	2	3
Carol Hui[2]	4	4
Moni Mannings	10	10
Clive Watson	10	10

1 Retired 31 March 2020
2 Appointed 1 May 2020

APPOINTMENTS

Moni Mannings
appointed as Chair of the Remuneration Committee and non-executive director responsible for workforce engagement

Clive Watson
appointed as Senior Independent Director and Chair of the Audit Committee

Carol Hui
appointed as an independent non-executive director and non-executive director responsible for sustainability

Rob Wood
appointed as Chief Executive Officer designate, and CEO with effect from April 2021

James Brotherton
appointed as Chief Financial Officer designate, and CFO with effect from April 2021

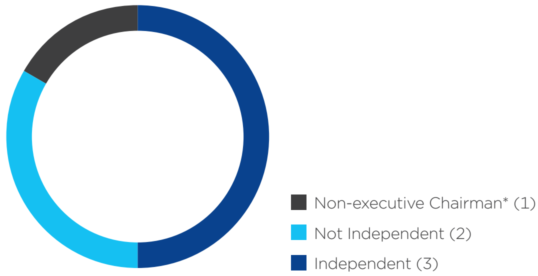
Helen Miles
announced as an independent non-executive director with effect from April 2021

RETIREMENTS

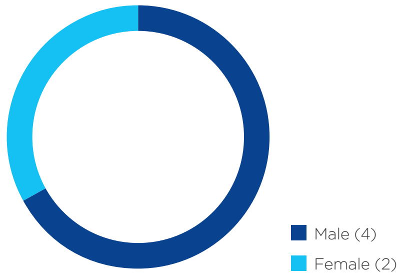
Susie Farnon
retired as an independent non-executive director

Peter Cornell
retired as an independent non-executive director

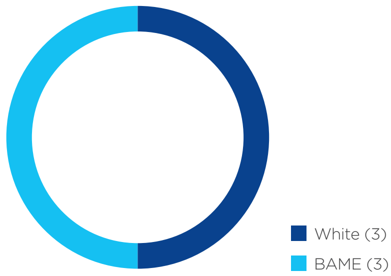
INDEPENDENCE BALANCE (at 31 December 2020)



GENDER BALANCE (at 31 December 2020)



ETHNICITY BALANCE (at 31 December 2020)



TENURE OF BOARD (to 31 December 2020)

* see page 63 regarding independence

CORPORATE GOVERNANCE STATEMENT CONTINUED

CORPORATE GOVERNANCE CODE

The Board adopted the QCA Corporate Governance Code with effect from 1 January 2019 and a summary of our approach during 2020 is set out below and an explanation of how we comply fully with the QCA Code is provided below. The Company will provide annual updates on its compliance with the QCA Code in its future annual reports, which will also be published on the Group's website.

Principle	What we did in 2020
Establish a strategy and business model which promote long-term value for shareholders	As part of the Group's growth strategy, the Board oversaw the completion of the CEMEX Acquisition during the year.
Seek to understand and meet shareholder needs and expectations	During 2020 over 100 meetings were held with shareholders, mainly consisting of calls, due to COVID-19. This equates in the period to the Executive team having contact with shareholders holding over 70 per cent of the Group's issued share capital. The Remuneration Committee consulted with shareholders proposed changes to the Group's remuneration practice. Due to the pandemic, the 2020 AGM was held as a closed meeting, therefore the Board set-up a facility whereby questions could be asked directly by shareholders in advance of the AGM.
Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board designated a non-executive director for workforce engagement and a non-executive director for sustainability. The Board supported the appointment of a Head of Sustainability and during the year have approved new policies including Circular Economy, Social Responsibility, Energy & Carbon, Biodiversity, Quality, and Environment,
Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board, through the Audit Committee, has agreed that the Group should have an Internal Audit function, to be independent of its internal controls and which is in line with the three lines of defence model. The Audit Committee has appointed an independent external provider for the services of internal audit.
Maintain the Board as a well-functioning, balanced team led by the Chair	The Board has been complemented in 2020 with the further appointment of an independent non-executive, following the two appointments made in 2019. The new Director brings a wealth of experience and skills to complement those already on the Board. An evaluation of the Chairman was undertaken by the Senior Independent Director and a new comprehensive Board induction plan was put in place.
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Nomination Committee reviewed the current skills matrix and made recommendations on four appointments in the year based on skills, experience and knowledge that would complement the Board.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board undertook a triennial board effectiveness review with notable strengths identified together with some suggestions which the Board have committed to action.
Promote a corporate culture that is based on ethical values and behaviours	The Board led on a process to identify a new culture and values to be embedded throughout the Group during 2020, to make a material difference to the lives of our colleagues, customers and communities.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The Board met ten times formally in the year and moved to an electronic format of receiving papers to ensure timely delivery in advance of meetings. The outcome of the 2020 triennial effectiveness review was that the Board and each of the supporting Board committees were considered to be effective.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company has published four trading statements in the year in addition to its full year and half year results together with statements relating to the impact of the pandemic on the Group. The Group has kept shareholders and stakeholders updated with eight statements relating to the CEMEX Acquisition.

DELIVER GROWTH

PRINCIPLE 1

Establish a strategy and business model which promote long-term value for shareholders

The Board has established the Group's strategy and regularly reviews progress towards the Group's objectives. This strategy consists of three pillars which are underpinned by robust corporate governance and conservative financial management. These are: Sustain, operate with a clear purpose and a duty to run our business as sustainably as possible for the benefit of all our stakeholders. Optimise, a culture of operational and commercial excellence to maximise the value of every tonne of material that we quarry. And, Expand, continue to re-invest in the business to deliver long-term growth.

The Board ensures that the Group communicates its strategy to investors, colleagues and other stakeholders using means appropriate for each group.

We have a fully vertically-integrated business model which gives us significant economies of scale, a high level of self-sufficiency and tight control over our costs. The objective of our business model is to extract maximum value from every tonne of aggregates we quarry and every tonne of cement we produce, through the efficient manufacture and sale of a wide range of downstream products and associated services.

The Group's Business Model and Strategy, together with the key challenges faced by the Group in their execution, are described in more detail on pages 12 and 13, and 16 and 17.

PRINCIPLE 2

Seek to understand and meet shareholder needs and expectations

The Board is committed to and actively encourages effective relationships and communication with the Company's shareholders.

We are committed to maintaining good communications with our shareholders. Members of the Board have meetings with representatives of institutional shareholders and potential investors to promote a greater understanding of the business, and the Board's strategy for the continued long-term success of the business. Through these meetings, the Board is also able to gain feedback to have a clear understanding of the views of the major shareholders, and the needs of potential shareholders. The Group Chief Executive plays an important role in ensuring that all views of shareholders are communicated to the Board as a whole, and we believe that we have been successful in ensuring that all Directors have a clear understanding of major shareholder's views.

The executive directors are primarily responsible for shareholder liaison and may be contacted via investors@breedongroup.com. Any individual can subscribe for the Group's regulatory news and information via www.breedongroup.com.

All shareholders are actively encouraged to participate in the Company's AGM. At general meetings the Company proposes separate resolutions on each substantially separate issue. The Company provides shareholders with the opportunity to appoint a proxy. In addition, proxy votes are counted, and the results announced.

The Chair of the Remuneration, Audit and Nomination Committees, the Senior Independent Director, and all other Directors are available to answer questions at each AGM of the Company.

The Company arranges that notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting, giving time for all shareholders to consider resolutions properly.

PRINCIPLE 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

We recognise the importance of balancing the interests of our key stakeholders – colleagues, customers, investors, suppliers and the wider communities in which we operate. Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. To this end, the Board has put in place a non-executive director responsible for workforce engagement and a non-executive director with responsibility for sustainability. These roles support engagement with our stakeholders to ensure that the Board fully understands any concerns.

The way in which the Board engages and takes into account stakeholder issues, together with the resultant impact is detailed on pages 58 to 60.

CORPORATE GOVERNANCE STATEMENT CONTINUED

PRINCIPLE 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises its responsibility for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives and priorities and maintains sound risk management and internal control systems. The Board reviews and approves the Group's risk appetite on an annual basis.

Risk management processes are embedded throughout the Group to assist management in identifying and understanding the risk that they face in delivering business objectives and the key controls that they have in place to manage those risks. By identifying and managing those existing and emerging risks, the Board can focus on long-term business opportunities.

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

Further details of the Group's approach to risk management, together with a full description of the key risks faced by the Group, are set out in pages 20 to 23.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE 5

Maintain the Board as a well-functioning, balanced team led by the Chair

The Chair sets the Board's agenda and the Board is provided with clear, regular and timely information on the financial performance of the businesses within the Group, and of the Group as a whole. Also provided are other trading reports, contract performance and market reports and data, including reports on personnel-related matters such as health and safety and environmental issues. The Board has approved a schedule of matters reserved for the Board.

The Chair encourages and facilitates the contribution of each of the Directors to ensure that no one individual can dominate its proceedings. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Senior Independent Director undertakes an evaluation of the Chair annually and the Board undertakes an external validation of its effectiveness every three years.

The Board has established Audit, Remuneration and Nomination Committees to support the Board in the performance of its duties, and the Board believes that the members of those committees have the appropriate skills and knowledge to perform the functions delegated to them. A review of the effectiveness of the committees is carried out annually.

The time commitment expected from Directors is set out in their service agreements or letters of appointment (as appropriate). Executive directors are required to work such hours as may be necessary for the proper performance of their duties. The Board has agreed that each executive director may take on one non-executive directorship of a public company outside of the Breedon Group.

Non-executive directors are expected to devote such time as is necessary for the proper performance of their duties, including in preparation for and attendance at Board, Committee and shareholder meetings. When accepting their appointment, each non-executive director confirms that they can allocate sufficient time to meet the expectations of their role.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Group on the other, to enable the Board to discharge its duties and responsibilities effectively. The Board considers all of its non-executive directors, with the exception of the Non-executive Chairman, to be independent in character and judgement.

PRINCIPLE 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The composition and performance of the Board, and the skills and experience of each Director are regularly evaluated, to ensure that they best fit the evolution of the Group's business. The Nomination Committee regularly reviews the succession plan to ensure that when seeking to recommend new members to the Board, consideration of a range of relevant matters including the diversity of its composition is given.

The Board considers that each of the Directors brings a senior level of experience and judgement to bear on issues of operations, finance, strategy, performance, resources (including key appointments) and standards of conduct. Directors are given regular access to the Group's operations and personnel as and when required. All non-executive directors have a wealth and breadth of experience gained through their directorships on the Boards of other listed companies. The individual biographical details of Directors including the skills and experience they bring to the Board can be found on pages 62 and 63.

The roles of Non-executive Chairman and Group Chief Executive are not exercised by the same individual and the division of responsibility is clear and set out on the Group's website.

The primary role of the Chair is to ensure the Board is effective in setting and implementing the Group's direction and strategy and the operation of the Company's governance structures. He is responsible for leadership of the Board and ensuring that the Group maintains an appropriate level of dialogue with its shareholders. The role of the Chief Executive is to oversee the operational management of the Group's businesses, and the role of the Senior Independent Director is to act as a sounding board for the Chairman and other members of the Board and to be an alternative point of access for shareholders for matters that they do not wish to raise through other channels.

The Board considers and reviews the requirement for continued professional development and each director is encouraged to reflect on their own individual needs. The Board seeks to ensure that their awareness of developments in corporate governance and the regulatory framework is current, as well as remaining knowledgeable of any industry-specific updates. The Group Services Director, the Group's Nominated Adviser and other external advisers serve to strengthen this development by providing guidance and updates as required.

PRINCIPLE 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board regularly reviews its own effectiveness and considers whether the Board comprises the appropriate skills to meet the needs of the business. The Chairman is in regular contact with each member of the Board to ensure that any concerns are identified and acted upon. The Senior Independent Director undertakes an annual performance review of the Chairman.

The Board carries out an externally facilitated Board Effectiveness Review every three years and welcomes input as part of the process from stakeholders outside of the Board. The Board is committed to actioning any suggestions or recommendations that are made to improve its effectiveness.

PRINCIPLE 8

Promote a corporate culture that is based on ethical values and behaviours

All Group colleagues are expected to maintain an appropriate standard of conduct in all of their activities, and the Directors seek to set the tone for such behaviour through their own actions.

To promote a common culture across the organisation, we have defined a clear purpose and set of values that support the successful delivery of our strategy. Led by the Board and Executive Committee, the Group is embedding the purpose 'to make a material difference to the lives of our colleagues, customers and communities' to create a workplace where people feel safe, proud and motivated to do their best. The values at the heart of our business: keep it simple; make it happen; show you care; and strive to improve, will drive the performance of the business, motivating and engaging colleagues, building customer loyalty and strengthening our relationship with local communities.

The Group has established a robust Compliance Framework to regulate its activities in respect of inter alia Business Conduct, Modern Slavery, Competition Law Compliance, Anti-Bribery and Corruption, Data Protection, Whistleblowing, Non-facilitation of Tax Evasion and Conduct of Suppliers and closely monitors compliance with these.

Through our Visible Felt Leadership programme, our leaders ensure that there is a culture of safe behaviour through interactions which allow an exchange of views in an open and honest environment.

CORPORATE GOVERNANCE STATEMENT CONTINUED

PRINCIPLE 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board meets at least six times per year in accordance with its scheduled meeting calendar. The Board receives appropriate and timely information prior to each meeting, a formal agenda is produced, and these papers are distributed in good time before each meeting. At the start of each meeting, the Board considers any Directors' Conflicts of Interest.

The Board is responsible for the long-term success of the Group. It is responsible for overall Group strategy, approval of annual budgets, annual and interim results, dividend policies and approval of major investments, including long-term contracts, acquisitions or large capital items. However, the Board recognises that governance is not just about compliance. The Board strives for good and effective governance, with informed and transparent decisions contributing to the delivery of the Group strategy. The Chairman is responsible for maintaining strategic focus and direction and the Group Chief Executive is responsible for implementing the strategy and overseeing the management of the Group through the executive and management teams.

There is a formal schedule of matters reserved to the Board which includes Strategy and Management, Structure and Capital, Financial Reporting and Controls, Internal Controls, Contracts, Communication, Board Membership and other appointments, Remuneration, Governance and Corporate Policies.

The Board is supported by the Audit, Remuneration and Nomination Committees. Terms of reference of each Board committee, and the schedule of matters reserved to the Board are set out on the Group's website at www.breedongroup.com. The activities of the Audit, Remuneration and Nomination Committees during 2020 are described on pages 71 to 88.

The executive and management teams, who are overseen by the Group Chief Executive with input from the individual business managing directors, are responsible for day-to-day management of the Group's business and its overall trading, operational and financial performance.

BUILD TRUST

PRINCIPLE 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

We are committed to maintaining good communications with our shareholders, and have put in place appropriate processes and structures to allow that to happen. The Group communicates with our shareholders through the Annual Report and Accounts, trading announcements, the AGM and in the manner set out in the commentary in relation to Principle 2.

We also maintain a dedicated email address which current or potential investors can use in order to communicate with the Group's investor relations team (investors@breedongroup.com).

The Group announces the result of the proxy votes cast for each resolution proposed at each general meeting of the Company immediately after such meeting, and a range of corporate information (including all historical annual reports and notices of meetings, announcements and presentations) is made available on the Group's website at www.breedongroup.com.

The Board receives regular updates on the views of shareholders through reports from its brokers and from Directors following shareholder meetings and consultations. Analysts notes are also reviewed and discussions held with the Company's brokers to maintain a broad understanding of varying investor views.

Amit Bhatia
Chairman
10 March 2021

AUDIT COMMITTEE REPORT

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

CLIVE WATSON
Chair, Audit Committee

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Clive Watson, Committee Chairman[1]	3	3
Moni Mannings, Non-executive Director	3	3
Carol Hui, Non-executive Director[2]	2	2
Susie Farnon, Non-executive Director[1]	1	1
Peter Cornell, Non-executive Director[1]	1	1

1 Clive Watson appointed Chairman of the Committee on 31 March 2020, following the retirement of Susie Farnon (who chaired the Committee up to this date) and Peter Cornell from the Board

2 Appointed 1 May 2020

AUDIT COMMITTEE

I assumed the role of Audit Committee Chair following the retirement of Susie Farnon from the Board on 31 March 2020.

The role of the Committee is to monitor the integrity of the Group's Financial Statements and to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.

The Committee monitors and reviews the effectiveness of the internal financial controls, the internal control and risk management systems and the compliance environment operating within the Group, including the Group's whistleblowing arrangements.

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

The Committee has relevant financial experience at a senior level as set out in their biographies on pages 62 and 63.

COMMITTEE EFFECTIVENESS

As part of the triennial external Board Evaluation which took place during the latter half of 2020, a review of the effectiveness of the Audit Committee was undertaken.

The outcome of the evaluation confirmed that the Committee was effective.

From the suggestions that came out of the evaluation, the Audit Committee will be looking to strengthen the Group's internal control systems through further embedding the three lines of defence model and realising the benefits of the additional investment made in second line of defence risk and control resources in 2021.

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, the Committee met formally three times. Relevant members of management including the Group Chief Executive, Group Finance Director and Group Financial Controller were also in attendance at these meetings, which covered the following topics:

March

- Review of Annual Report, including:
  - Significant accounting issues and disclosures
  - Going Concern and Viability
  - Fair, balanced and understandable reporting
- Discussion of KPMG's findings from the 2019 audit
- Review of KPMG's independence and effectiveness
- Review of risk management processes and principle risks
- Review of tax status and strategy
- Approval of internal controls review plan

July

- Review of Interim Financial Statements
- Review of effectiveness of risk management and internal control systems

November

- Approval of external audit strategy and fees
- Approval of Internal Audit Operating Model as fully outsourced
- Redefined management responsibilities to facilitate adoption of three lines of defence model
- Internal audit tender and approval of Internal Audit Charter
- Report on findings of internal control reviews
- Review of whistleblowing reports and subsequent action taken
- Approval of revisions to Audit Committee Terms of Reference

AUDIT COMMITTEE REPORT CONTINUED

SIGNIFICANT ACCOUNTING MATTERS

The Audit Committee considered key accounting issues, judgements and disclosures in relation to the Group's 2020 Financial Statements, the most significant of which were acquisition accounting, impairment of goodwill and restoration provisions.

These key issues were discussed and reviewed with management and the external auditors and the Audit Committee challenged judgements and sought clarification where necessary.

The Committee received a report from the external auditors on the work they had performed to arrive at their conclusions and discussed in detail all material findings contained within that report. The information contained in the table below should be considered together with KPMG's independent external audit report on pages 94 to 101 and the accounting policies disclosed in the notes to the financial statements as referenced in the table.

Area of focus	Audit Committee review	Conclusions
ACQUISITION ACCOUNTING*		
See note 26 to the Financial Statements	During the year, the Group completed the CEMEX Acquisition. This is accounted for as a business combination under IFRS 3 and involves significant judgement to calculate the fair value of the opening balance sheet. Additionally, given the CMA review of the acquisition, the Group was required to consider the requirements of IFRS 10 and determine whether it was appropriate to consolidate the results of the acquired business from the point of legal completion on 31 July 2020 rather than when the CMA review process concluded in December. The Group was also required to estimate the value of assets, including goodwill, which were subsequently divested to satisfy the requirements of the CMA. The Audit Committee reviewed and discussed with both management and the external auditor the written submissions received from management setting out the process followed and basis of calculation for the key areas in respect of the acquisition accounting exercise. This included the identification of intangible assets, the valuation of mineral and plant assets and the point at which control was obtained under IFRS 10.	The Committee was satisfied that an appropriate process had been undertaken to identify and calculate the fair value of assets and liabilities acquired, and that the value of residual goodwill at £26.8 million was reasonable relative to the commercial substance of the transaction. Having considered the level of control the Group was able to exercise over the acquired business from the point of acquisition on 31 July 2020 the Committee concluded that the criteria for control were met and that it was appropriate to consolidate the results of the acquired business from that date.
IMPAIRMENT OF GOODWILL*		
See note 9 to the Financial Statements	The Group has £455.4 million of goodwill arising from acquisitions. This is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts for each segment to which goodwill has been allocated are calculated by determining the value in use of each segment, based on the net present value of projected cash flows, with the most significant judgements being the forecast financial performance, longer-term growth rates and discount rates. The Committee was presented with a written report from management setting out the basis of the calculation, support for the key assumptions used and a reconciliation to the Group's market capitalisation. The Committee discussed the assumptions underlying the cash flow projections with both management and the external auditor, considered the appropriateness of the key assumptions and the adequacy of the disclosure provided in note 9 of the Financial Statements. In addition the Committee considered the additional sensitivity analysis around the possible impact of COVID-19 on impairment calculations which was prepared by management.	The recoverable amounts of each segment show significant headroom compared to their carrying value when reasonably possible changes are made to key assumptions. The Committee was therefore satisfied that no impairment of goodwill was necessary and that the disclosure in the accounts was appropriate.

*** Denotes significant risk area**

Area of focus	Audit Committee review	Conclusions
PROVISIONS*		
See note 17 to the Group Financial Statements	The Group is required to provide for the future costs of restoring and decommissioning its trading assets. Given the nature of the Group's asset base, these amounts can be especially significant for the Group's quarries and cement plants. The Group conducts an annual process to review the ongoing accuracy and adequacy of these provisions, with the aid of external experts where appropriate. During the year, the discount rate used by the Group was updated to reflect the lower risk-free rate due to falling government bond yields. This resulted in a significant increase in the level of provision required. The Committee discussed the output from the annual review of provisions with management and the external auditor, including discussion of the revised discount rate.	The Committee concluded that the adjustment to the discount rate was appropriate and that provisions were appropriately calculated and fairly stated in the accounts.
TAXATION		
See notes 7 and 12 to the Financial Statements	Taxation represents a significant cost to the Group, which is required to comply with the tax regimes in both the UK and Ireland. During the year, two significant adjustments impacted the deferred tax position of the Group, and were considered by the Committee. Firstly, the cancellation of the planned decrease in the UK tax rate from 19 per cent to 17 per cent resulted in the recognition of a rate change adjustment in the Consolidated Income Statement of £5.9 million. The Committee considered the presentation of this adjustment on the face of the Consolidated Income Statement as 'Underlying' and presented on a separate line to aid users of the accounts in understanding the impact of such a material item. Secondly, the announcement made by the IFRS Interpretations Committee in April 2020 in respect of the measurement of deferred tax balances with dual tax bases resulted in the restatement of the prior year balance sheet to recognise an additional £13.4 million of deferred tax liabilities under the new interpretation of the Standard. The Audit Committee reviewed the presentation of this adjustment. In addition, the Committee reviewed papers from management on the corporation tax position of the Group.	The Committee was satisfied that the accounting and disclosure of the Group's tax affairs, including deferred tax, was appropriate.
ACCOUNTING IMPACT OF COVID-19		
	The impact of COVID-19 has potentially widespread accounting implications for the Group, across a number of areas of the Consolidated Income Statement and Consolidated Statement of Financial Position. In addition to papers received covering specific accounting areas which incorporated the effect of the pandemic, the Committee reviewed an overview paper prepared by management which considered the potential COVID-19 impact on a number of additional areas, including accounting for receipts under the government job retention schemes, recoverability of working capital balances, impairment of tangible assets and the potential for onerous contracts.	The Committee was satisfied that the potential impact of COVID-19 had been thoroughly considered, with appropriate accounting entries made as required.

*** Denotes significant risk area**

Area of focus	Audit Committee review	Conclusions
IDENTIFICATION OF NON-UNDERLYING ITEMS		
See note 3 to the Financial Statements	The identification and presentation of certain items as non-underlying on the face of the Consolidated Income Statement requires management to apply judgement in identifying and appropriately disclosing these items. In 2020, total non-underlying items were £14.9 million and primarily related to acquisition costs and the amortisation of acquired intangible assets. The Committee considered the nature of the items which were presented as non-underlying and the associated disclosures in the notes to the Financial Statements.	The Committee was satisfied that the non-underlying items identified by management were appropriately disclosed and that this presentation to provide stakeholders with useful additional understanding of business performance by reflecting the way in which the business is managed. They noted that the nature of such items were consistent over time and were clearly disclosed in the accounts with reconciliations provided to statutory measures.
ALTERNATIVE PERFORMANCE MEASURES		
See note 29 to the Financial Statements	The Group utilises a number of Alternative Performance Measures in response to demand from its shareholders. Care is required to ensure that the use of these measures is compatible with the Group's obligation to prepare an Annual Report which is fair, balanced and understandable. In particular, these measures should be calculated on a consistent and transparent basis over time and given no more prominence than related statutory measures. The Committee reviewed the use and presentation of these measures throughout the Annual Report, alongside the full reconciliations back to statutory measures provided in note 29 to the Financial Statements.	The Committee was satisfied the use of Alternative Performance Measures enhances the reporting of the Group by providing additional information that is useful to users of the accounts. They considered that these were appropriately calculated and that these are presented fairly together with full reconciliations alongside the relevant statutory measures.
GOING CONCERN & VIABILITY		
See note 1 to the Financial Statements and the Viability Statement on page 91	The Group assesses at each reporting date whether it remains appropriate to prepare accounts on a Going Concern basis. The Group makes a statement on its longer-term viability in the Director's Report. The Committee acknowledges that this is an area of significant stakeholder focus. They reviewed and considered a paper from management setting out the justification for the Directors' conclusion that the Group is a Going Concern. This included an update on progress made with refinancing the Group's bank facility, which expires in April 2022, the possible impact of COVID-19 on short-term trading prospects, and sensitivity analysis in the form of a 'severe but plausible' downside scenario. Going Concern was discussed with the External Auditor, including discussion of how the audit approach had been impacted by the newly effective amendments to ISA (UK) 570 – Going Concern in the year. The Viability Statement was reviewed, alongside a supporting paper from management, incorporating both a base case and downside scenario covering the three year period of the statement.	The Committee recommended to the Board the use of the Going Concern assumption and approved the Viability Statement. They were satisfied that the disclosure in the basis of preparation note to the Financial Statements was a fair reflection of the underlying reality, and included all factors relevant to users of the accounts.

FAIR, BALANCED, AND UNDERSTANDABLE ASSESSMENT

The Committee reviewed the Annual Report and was able to confirm to the Board that the Committee considered the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

EXTERNAL AUDITOR

The external auditor, KPMG attended all meetings of the Committee held in 2020. The Chair of the Committee also met KPMG without the executive directors being present to provide a forum to raise any matters of concern in confidence.

The Committee discussed and agreed the scope of the audit plan with KPMG, and subsequently reviewed their findings, covering the control environment in the Group, key accounting matters and mandatory communications.

The Audit Committee considers the effectiveness of KPMG's audit on an annual basis, including consideration of the standard of KPMG's formal communication around audit strategy and findings, ad hoc engagement throughout the year and the feedback which is provided by management following an internal survey of relevant stakeholders. The Committee remains satisfied with the quality of the audit provided by KPMG and that they remain objective and independent.

Following the conclusion of the 2020 audit, the lead audit partner, Craig Parkin, has served three years of a maximum tenure of five years before mandatory rotation.

KPMG, either directly or via KPMG Channel Islands Limited has acted as auditor to the Group since its formation in 2008, with the audit last put out to a full competitive tender in 2019.

There were no non-audit services provided by KPMG in respect of either 2020 or 2019, and therefore there were no circumstances where KPMG was engaged to provide services prohibited by the FRC's 2016 ethical standard or which might have led to a conflict of interest.

INTERNAL AUDIT

In recognition of the increasing size of the Group, management and the Committee have agreed that there is a need to establish an independent internal audit function from 2021. In 2020 the Committee approved an Internal Audit Charter setting out the purpose and responsibilities of the function, and, following a tender process, appointed RSM Risk Assurance Services as the outsourced internal auditor to the Group.

The Head of Internal Audit provided by RSM reports directly to the Chair of the Audit Committee. RSM are independent of management, do not perform any other service for the Group and will not be invited to provide other services to the Group for the duration of their appointment.

RSM will work closely with the Group Risk & Controls Manager, who has previously performed a number of activities that an internal audit function would perform. In 2021 management have committed to increasing the level of resource dedicated to internal control and internal audit to strengthen the second line of defence.

During the transition to the new operating model, the Audit Committee continued to receive regular formal updates on risk and controls, covering planned activities, findings of reviews performed and updates on agreed actions from previous reviews.

WHISTLEBLOWING

The Group has adopted a whistleblowing policy which gives its colleagues, or indeed any other third party, the means to raise concerns in confidence and, if they wish, anonymously. The Committee reviews reports on notifications received and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow up action.

TERMS OF REFERENCE

During the year the Committee reviewed and revised its terms of reference to reflect best practice. These revised terms of reference were adopted by the Board on 17 November 2020 and are available on the Group's website.

AREAS OF FOCUS FOR 2021

During 2021, the Committee will focus on further strengthening the Group's internal control systems, overseeing the first year of the newly established independent internal audit function and realising the benefits of the additional investment being made in second line of defence risk and control resources.

They will also look to implement the recommendations arising from the triennial external Board Evaluation undertaken during 2020.

Clive Watson
Chair, Audit Committee
10 March 2021

DIRECTORS' REMUNERATION REPORT

The Group needs to ensure that its pay and benefits practices are competitive in its market place and will attract high calibre people, incentivise them to perform and retain them as colleagues for the long term.

MONI MANNINGS
Chair, Remuneration Committee

REMUNERATION COMMITTEE

The responsibility for establishing the Group's overall remuneration policy lies with the Board. The role of the Remuneration Committee is broadly to determine the terms of employment for the executive directors and senior management of the Group within the framework agreed by the Board. The Committee works within agreed terms of reference to make recommendations to the Board on that framework. The terms of reference for the Committee are available on the Group's website.

The Remuneration Committee was chaired by myself throughout the year and my co-members were Susie Farnon and Peter Cornell until their retirement on 31 March 2020, Clive Watson, and Carol Hui who was appointed to the Board on 1 May 2020.

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, the Remuneration Committee met formally nine times and discussed the following:

- **Pay and benefit levels across the Group**
- **Executive Committee remuneration**
- **Annual bonuses**
- **Long-term incentives**
- **Remuneration response to the pandemic**
- **Remuneration review and shareholder consultation**
- **Remuneration packages for the incoming Chief Executive Officer and Chief Financial Officer**
- **The Directors' Remuneration Report**

As part of the triennial external Board Evaluation which took place during the latter half of 2020, a review of the effectiveness of the Remuneration Committee took place. The outcome of the evaluation confirmed that the Committee was effective.

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Moni Mannings Committee Chair	9	9
Carol Hui[1] Independent Non-executive Director	6	6
Clive Watson Independent Non-executive Director	9	9
Peter Cornell[2] Independent Non-executive Director	3	3
Susie Farnon[2] Independent Non-executive Director	3	3

1 Appointed to the Board and the Committee on 1 May 2020
2 Retired from the Board and the Committee on 31 March 2020

DEAR SHAREHOLDER

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020. Having been appointed as a non-executive director on 1 December 2019 and Chair of the Remuneration Committee on 1 January 2020, whilst as reported in the 2019 report I found all aspects of executive remuneration to be in order, a full review of remuneration policy was overdue.

During 2020, the Committee dealt with several aspects of remuneration in light of the impact from the pandemic and the anticipated change of Group Chief Executive and Group Finance Director. Together with our advisers, the Committee conducted a review of all aspects of our remuneration policy, to ensure it is appropriate for us as we enter the next phase of our growth and development. Although later than expected due to the pandemic, I have also consulted with our major shareholders to ensure we are aligned on the choice of performance measures and the implementation of good practice features.

This report comprises two sections: the 'Policy Report' summarises our current remuneration policy; and the 'Annual Report on Remuneration' shows the amounts earned by Directors in 2020, and how we propose to apply the Policy in the future. This year, for the first time, shareholders will be given the opportunity to approve this report in an advisory vote at the Annual General Meeting.

2020 BUSINESS PERFORMANCE

Policy review and Shareholder consultation

As outlined in my introduction the Committee, with the benefit of independent input and advice from our advisers, undertook a full review of the remuneration policy of the Group. I subsequently wrote to our major investors setting out our proposals to amend certain areas of policy and align the Group to 'best practice' arrangements across several aspects of executive remuneration.

I am pleased to report the following key changes which will be implemented during 2021 and subsequent years. All of these changes have been agreed with the executive directors and senior management:

Pensions	Following the change in Chief Executive, contribution levels for executive directors will be aligned with the wider workforce rate of 5 per cent per annum.
Annual bonus	Malus and clawback provisions will be introduced for future schemes.
Performance Share Plan	A two year holding period will apply post-vesting for all future awards. It is also intended to introduce malus and clawback provisions for future awards.
Shareholding guidelines	Executive directors will be expected to build and maintain a shareholding equivalent to 200 per cent of their base salary.

The Committee believes these changes bring the Group into line with best practice relating to governance and executive remuneration compared to businesses of a similar size and listing status.

RESPONSE TO THE PANDEMIC

2020 was an extremely challenging year for all of us and for the Group. The focus in the first half of the year was on keeping all of our colleagues and stakeholders safe and healthy while trying to maintain operations at certain sites in order to fulfil essential supplies to government projects. I am pleased to report that in the early stages of lockdown management's actions and the workplace measures which they implemented for those still working enabled us to maintain the safety and health of our colleagues with only a few isolated cases of COVID-19 across our workforce. For the first two months, we also managed to maintain pay at 100 per cent of pre-pandemic levels for all our colleagues who were placed on furlough under the UK and Irish governments' Coronavirus job support schemes. Gradually, as our operations re-opened and we were able to bring colleagues back to work, we paid those who remained furloughed 80 per cent of their average earnings without restricting payment to the upper cap on such payments which the UK and Irish governments imposed. These actions were extremely well received by our colleagues who recognised their health, safety and welfare were at the forefront of our thoughts.

As reported in the Statement from the Chair and Group Chief Executive's review on pages 6 to 10, and the Group Finance Director's review on pages 24 to 28, the Group performed well in the second half of 2020 despite local lockdowns and other prevalent restrictions to daily life in various parts of the UK and Ireland. A great debt of gratitude goes to the excellent team we have in Breedon that enabled us to recover so quickly, then drive strong performance within an uncertain market including significant external disruption.

Salaries

Whilst I reported in the 2019 Annual Report that the salaries of executive directors would increase in April in line with the wider workforce, in response to the pandemic we froze base salaries for executive directors and senior management at the 2019 level, as we did for the rest of the workforce.

The salaries payable to the executive directors in 2020 were therefore as follows:

- £615,000 for the Group Chief Executive, and
- £410,000 for the Group Finance Director.

Annual bonus

The onset of the pandemic coincided with the launch of the 2020 annual bonus plan which covers 470 Breedon employees including the Executive Directors. As the pandemic took hold the Committee felt it was inappropriate to continue with the launch of the bonus scheme and agreed to revisit the bonus scheme later in the year when the effects of the pandemic on our business and sector became clearer.

By mid-summer, as the UK and Irish Governments were encouraging the recommencement of construction, the Committee felt it was appropriate to put in a place a scheme that was based on stretching recovery-based profit targets. Given the impact of the pandemic in the first half of the financial year and as the Committee was setting targets later in the year than normal, we felt it was right to reduce the bonus opportunity by 50% and set targets relating to performance in the second half of the year only. The second half bonus focused on the need for a strong recovery and was based on the budget agreed prior to the pandemic, again covering 470 employees across the Group.

In implementing this arrangement we were conscious of the need to continue to incentivise performance at a time when management teams were, and still are, being asked to demonstrate significant leadership and resilience, whilst ensuring that management's experience was aligned with that of our investors and wider workforce and also recognising the pandemic's impact on society.

This plan helped drive excellent second half performance in excess of original targets and the Board's expectations. The second half Underlying EBIT of £77.1 million compares to 2019 second half Underlying EBIT of £67.1 million and after taking into account a small loss of £0.6 million in the first half of 2020 resulted in a full year Underlying EBIT of £76.5 million which was ahead of the maximum target and compares to a full year 2019 Underlying EBIT of £116.6 million. This exceptional performance resulted in the potential to pay a bonus of 50% of the annual maximum to all 470 participants.

The Remuneration Committee is conscious that it is obliged to apply judgement in considering whether bonus and incentive payments are warranted by taking a broader look at the stakeholder experience as well as management's contribution. The Committee considered this carefully and, on balance, determined that the bonus should be payable having taken into account the following factors:

- Breedon stopped taking support from the UK and Irish Governments after July 2020, broadly in line with the implementation of the second half bonus scheme.
- No bonus scheme was operated for the first half of the financial year when the most significant impact of the pandemic was felt on the Breedon business. The bonus opportunity for the year was therefore halved.
- We are grateful for the support provided by the UK and Irish Governments in the first half of the year which helped us to retain jobs that would otherwise have been lost. In addition, we were able to utilise our own resources to top up furlough to full pay so no colleague was worse off than their pre-pandemic earnings.
- The bonus scheme is far reaching at Breedon and recognises the immense effort of our employees who have worked tirelessly and in difficult conditions in delivering an outstanding result in the circumstances.
- In difficult circumstances, we have delivered to our customers in a timely and efficient manner. Many of our customers are focused on Government related infrastructure projects and initiatives and we are pleased to have supported this drive at this important time.
- Breedon has a vast range of suppliers from plant and machinery providers to third-party hauliers to self-employed local trades people, each of which will have had their own issues resulting from the pandemic. With the pandemic creating a squeeze on business' cash and liquidity, we ensured that our suppliers were provided with work and paid on time.

The following graphs show our share price performance over a ten year and twelve-month period throughout 2020. These demonstrate how £100 invested in Breedon, or spread across the FTSE 250, has performed. Our investor experience has consistently outperformed the FTSE 250 over both periods of time.

Performance Share Plan ('PSP')

Notwithstanding the achievement of the performance criteria at the end of 2019, in light of the uncertainty which was prevalent at the time when the PSP awards made in 2017 were due to vest the Committee decided to seek the agreement of the participants to delay such vesting until the situation had become clearer. All participants agreed to that request. These awards duly vested in late summer of 2020.

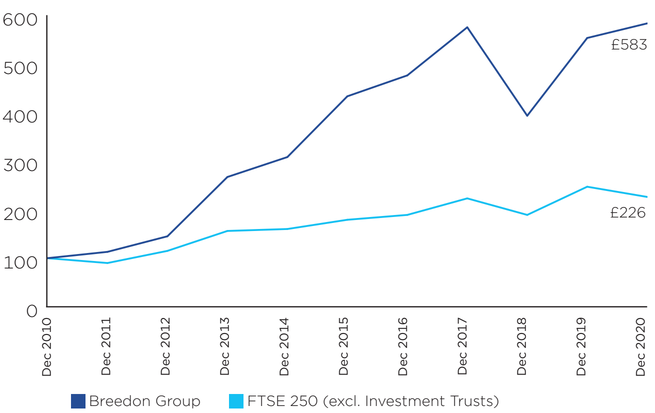
The awards made under the PSP in 2018, which prior to the pandemic, based on the then anticipated earnings in 2020, had been expected to vest at above the threshold level, have now lapsed with no benefit accruing to the participants notwithstanding their contribution to significant earnings growth during the first two years of the three-year performance measurement period.

Based on current market expectations, there is very little likelihood of the awards made in 2019 vesting. This creates a very uncertain outlook for participants which could have a consequential impact on executive motivation and retention in a sector short of talent and in an area where we have made great strides to recruit and develop a strong executive team over recent years.

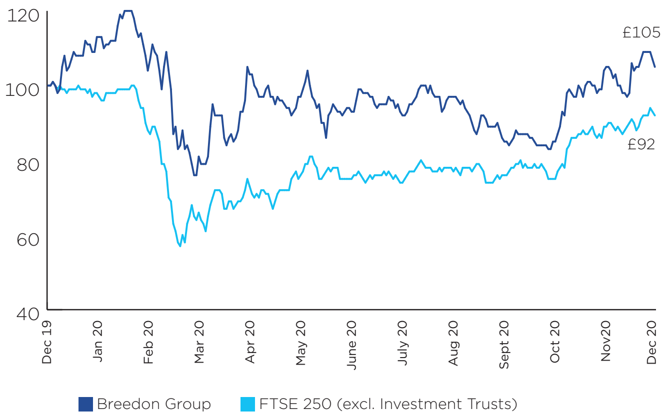
In the midst of the pandemic, the 2020 awards under the PSP, which would normally have been made in April, were delayed until the summer. Awards were made in August 2020 but the setting of performance targets for these awards was deferred until the outlook for the business was a little clearer and market expectations had been recalibrated to reflect the new trading environment. The targets were agreed during November 2020 and took account of improved trading during the second half of the year, the Group's budget for 2021 and updated market expectations.

Subject to approval by shareholders of the amended PSP scheme which is to be proposed at the forthcoming AGM (further details of which are set out in the separate AGM Circular which is to be published alongside this report), it is expected that awards will be made in line with past practice following such approval.

10 YEAR SHARE PRICE PERFORMANCE



1 YEAR SHARE PRICE PERFORMANCE



EXECUTIVE DIRECTOR RETIREMENT AND SUCCESSION

During 2020 our Group Chief Executive, Pat Ward, informed the Board of his intention to retire in 2021 and, on 4 January 2021, he gave the Board formal notice.

Having been made aware of Pat's intentions, as reported in the Nomination Committee report on pages 87 and 88, the Board initiated a search for a suitable replacement involving both internal and external candidates. At the conclusion of that process, the Nomination Committee recommended to the Board that Rob Wood should be promoted to the role of Chief Executive Officer succeeding Pat during 2021. The Remuneration Committee therefore had to consider what level of compensation would be appropriate to offer to Rob in these circumstances. In agreeing the package that was to be offered we took the opportunity to align his employer pension contribution (or payment in lieu thereof) with the rate available for the wider workforce of 5 per cent of base salary, and his starting salary of £575,000 was set at a lower level than that of the outgoing Group Chief Executive in recognition of their different levels of experience in the Chief Executive Officer role. The salary will next be reviewed in April 2022. His maximum annual bonus opportunity will be 125 per cent of salary, and the maximum value of his PSP awards will be 150 per cent of salary per annum.

As a consequence of the promotion of the Group Finance Director, the Nomination Committee also undertook an external search for a Chief Financial Officer, which resulted in James Brotherton being offered the role. He took up the position of Chief Financial Officer Designate on 1 January 2021 and James is expected to join the Board once Rob becomes Chief Executive Officer. The Remuneration Committee considered what would be an appropriate compensation package to offer to James. It was agreed his starting salary of £400,000 would be lower than Rob's current salary to reflect that James will be new to the position and will not initially have Rob's experience of the sector and the dynamics of the industry. As is the case for the new Chief Executive Officer, James' pension will be aligned to the wider workforce rate of 5 per cent of base salary and his maximum annual bonus opportunity will be 125 per cent of salary and the maximum value of his PSP awards will be 125 per cent per annum.

Both Messrs Wood and Brotherton will, over time, be required to build and maintain a minimum shareholding in the Group equivalent to 200 per cent of their base salaries. Details of the Directors' interests in the Company's shares are set out in the Directors' Report on pages 89 to 91.

LOOKING FORWARD TO 2021

During 2020, the Committee conducted a full review of policy and consulted with our major shareholders. As a result of this review, several changes will be implemented from 2021 onwards. The annual bonus scheme for 2021, will be based primarily on operating profits, however it will also include a non-financial strategic objective element alongside the profit measure. Subject to shareholder approval of the amended PSP scheme that will be proposed at the forthcoming AGM, awards to be made in April 2021 under the PSP will include earnings per share ('EPS') and relative total shareholder return ('TSR') performance conditions. The Committee felt that the introduction of a share price measure provides a good balance with EPS and ensures the outcome for executives is further aligned with shareholder returns. To reflect market practice, all future awards made to executive directors and senior management of the Group under the PSP will require a two-year holding period following vesting, further aligning executives' interests with those of shareholders. The Committee has resolved to include malus and clawback provisions for all future annual bonus and PSP awards and to introduce the ability to exercise its discretion to moderate the formulaic outcome of such schemes if it considers that such outcome does not reflect the experience of the Group's wider stakeholders over the relevant performance period. The policy review recommended alignment of pension contribution levels for executive directors to the rate for the wider workforce and this was put in place as part of the Chief Executive succession and appointment of a new Chief Financial Officer previously referred to. These changes have been implemented as a result of the review of remuneration policy and have been communicated to and well received by our major shareholders during the consultation exercise which was undertaken during the year.

As part of the triennial external Board Evaluation which took place during the latter half of 2020, a review of the effectiveness of the Remuneration Committee took place. The outcome of the evaluation confirmed that the Committee was effective. From the suggestions that came out of the evaluation, the Remuneration Committee will be looking to renew their Terms of Reference and to use the insights gained from the interactions of the designated non-executive director for workforce engagement with colleagues to deepen the Committee's understanding of issues and motivations.

POLICY REPORT

BASE SALARY

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

Operation	Maximum opportunity	Performance conditions
Normally reviewed annually or on a significant change of responsibilities. Salaries are determined by reference to the skills and personal performance of the individual. The Remuneration Committee takes into account external market data and pay and employment conditions elsewhere in the Group when considering increases to base salary levels.	Whilst there is no maximum salary, increases will normally be broadly in line with the range of salary increases awarded (in percentage of salary terms) to the wider workforce. Salary increases above this level may be awarded to take into account individual circumstances, including a change in the scope or responsibilities of the role, a change in market practice, a change in the size or complexity of the business or to reflect development and performance in role.	None.

ANNUAL BONUS

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

Operation	Maximum opportunity	Performance conditions
Executive directors may participate in the annual bonus scheme. Performance measures and targets are set by the Remuneration Committee and, based on performance, bonuses are paid in cash shortly after the completion of the audit of the annual results.	For executive directors, the maximum opportunity is 125 per cent of salary. This level of incentive opportunity reflects the Committee's desire to retain a high proportion of remuneration on variable pay. Bonuses are not pensionable. Malus and clawback provisions will apply from 2021 and the Committee will have a discretion to moderate the formulaic outcome under the scheme to ensure it is consistent with other stakeholders' experiences.	Performance measures will be determined each year and may be based on financial and non-financial objectives. The Committee has discretion to adjust the formulaic outcome arising from the performance conditions in the event that it considers such an outcome is not consistent with the wider stakeholder experience.

PERFORMANCE SHARE PLANS ('PSPs')

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

Operation	Maximum opportunity	Performance conditions
Share-based awards of nil cost options or conditional awards are granted annually, typically based on performance measures set over a three-year performance period. Subject to shareholder approval of the amended PSP Scheme which is being proposed at the Company's 2021 AGM: • Malus and clawback provisions will apply for awards made in 2021 and thereafter. • A two-year post vesting holding period will apply for awards made in 2021 and thereafter.	The maximum award limit in any financial year under the plan rules is 250 per cent of base salary. The normal award level is 150 per cent of salary for the Group Chief Executive, and 125 per cent for the Group Finance Director.	The vesting of awards is subject to the satisfaction of performance conditions, typically measured over a period of at least three years. There is expected to be a two-year post-vesting holding period for awards made from 2021 onwards. Performance conditions, and their weightings where there is more than one metric, are reviewed annually to maintain appropriateness and relevance. Awards may be based on measures which could include, but are not limited to, Earnings Per Share and Relative Total Shareholder Return. Awards will usually vest between 20 per cent and 100 per cent for performance between 'threshold' (the lowest level of performance which results in any level of vesting) and 'maximum' performance.

PENSION

To aid recruitment and retention by allowing the directors to make provision for long-term retirement benefits.

Operation	Maximum opportunity	Performance conditions
A salary supplement equivalent to the contribution that would otherwise be made to a defined contribution pension plan or a contribution into the Group Pension Plan.	Executive directors have, in the past, received a pension contribution taken as a salary supplement of 17.5 per cent of their base salary. Upon the change in roles, the new Chief Executive Officer and Chief Financial Officer, and any future director appointments, will receive pension contributions aligned with the wider workforce pension contribution, currently set at 5 per cent of base salary per annum.	None.

OTHER BENEFITS

To provide market-competitive, cost-effective benefits.

Operation	Maximum opportunity	Performance conditions
Other benefits may include private medical insurance, car allowance, executive medical screening and the reimbursement of certain travel costs. The Company operates a UK Sharesave scheme on an annual basis. This scheme is open to all colleagues of the Group including executive directors who are subject to UK taxation and who have completed the requisite length of service at the launch of each invitation.	Based on costs determined by third-party providers. Sharesave contribution limits and the Sharesave option exercise price are set as permitted by the applicable tax legislation and apply in the same way to all qualifying colleagues.	None.

APPROACH TO PERFORMANCE MEASURES

The Committee's approach to the setting of performance measures for the annual bonus and PSPs is to select measures that are aligned with the Group's key performance indicators and the interests of shareholders. Targets are set at levels which require stretching performance to be achieved for maximum payout, but without encouraging excessive risk-taking. When setting targets, the Committee considers a number of reference points, including the Company's own plans, external expectations and the economic environment.

The PSP is operated in accordance with its terms, which includes the ability of the Committee to adjust awards in the event of a variation of share capital and, subject to shareholder approval at the Company's 2021 AGM, to apply its discretion to ensure that the formulaic outcome under the scheme is consistent with other stakeholders' experiences.

NON-EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS' REMUNERATION

To provide market-competitive, cost-effective benefits.

Operation

Non-executive directors each receive a basic fee for holding the office of non-executive director, and may receive an additional fee for further responsibilities (such as holding the office of Senior Independent Director, chairing a Board committee or being designated as having Board responsibility for a particular area of the Group's activities). Fees are set by the Board as a whole, taking into account market rates and the required time commitment.

Non-executive directors do not participate in any incentive scheme, share scheme or pension arrangement, but may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.

SERVICE AGREEMENTS/LETTERS OF APPOINTMENT OF THE DIRECTORS AND LOSS OF OFFICE

Each of the Directors has a service agreement or letter of appointment with the Company as follows:

		Notice Period	
Director	Date of contract/letter of appointment	From the Director	From the Company
Amit Bhatia	1 August 2016	N/A	N/A
Pat Ward	20 January 2016	12 months	12 months
Rob Wood	27 February 2014	12 months	12 months
Carol Hui[1]	3 March 2020	N/A	N/A
Moni Mannings	29 October 2019	N/A	N/A
Clive Watson	24 July 2019	N/A	N/A

1 Appointed to the Board on 1 May 2020

The Board's overriding approach to payments for loss of office is to act in shareholders' interests. The principles on which payments for loss of office will be approached are set out below.

Notice periods and payments in lieu of notice	The maximum notice period for executive directors is twelve months. The Committee retains the right to terminate an executive director's service agreement by making a payment in lieu of notice, consisting of salary, cost of benefits and loss of pension provision for the notice period (or the unexpired portion of it). It is the Company's policy to have regard to the executive director's duty to mitigate their loss in respect of those contractual rights that they would otherwise be entitled to receive.
Annual bonus	The payment of bonus for the year in which the executive director leaves is determined by the Committee, taking into consideration their contribution up to the leaving date and normal pro-rating for time in service during the year.
PSP	PSP awards will usually lapse on cessation of employment. However, if a participant leaves due to death, ill health, injury, retirement with the agreement of the Committee, or any other reason at the discretion of the Committee, their award shall either vest on the normal vesting date or at the date of cessation. In either case, the extent of vesting will be determined by reference to the extent the performance conditions are satisfied and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed.
Other payments	Payments may be made in the event of a loss of office under the Sharesave scheme, which is governed by its rules and the applicable legislation and which does not provide discretion in the case of leavers. In appropriate circumstances, other payments may be made, such as in respect of accrued holiday and outplacement and legal fees.

RECRUITMENT REMUNERATION

When appointing a new executive director, the Committee will seek to ensure that their remuneration arrangements are in the best interests of the Company, and not more than is appropriate. The Committee will typically determine a new executive director's remuneration package in line with the policy set out above. However, the Committee retains discretion to award different elements of remuneration in appropriate circumstances, such as:

- if an interim appointment is being made to fill a role on a short-term basis,
- if, in exceptional circumstances, a non-executive director is required to take on an executive function,
- if the circumstances of the recruitment make it appropriate to provide relocation, travel and subsistence payments,
- where it is considered appropriate to reflect remuneration arrangements provided by a previous employer, including that the Committee may grant 'buy-out' awards to reflect remuneration forfeited on leaving a previous employer. Any such buy-out award would be determined taking into account relevant factors of the forfeited award – including the period over which it would have vested and any applicable performance conditions, and
- where it is considered appropriate to reimburse the new director for any costs they may have incurred as a consequence of resigning from their previous employment.

The Committee would not use this discretion to make a non-performance-based incentive payment, such as a guaranteed bonus.

ANNUAL REPORT ON REMUNERATION

The annual bonus targets for 2020 were set by reference to Underlying EBIT, which tracks improvements in the profitability of the Group. The initial full year scheme was not implemented due to the onset of the pandemic in the first quarter of the year. The Committee decided it appropriate to provide incentivisation for the recovery in the second half of the year and to motivate eligible participants (which included executive directors) to drive performance of the Group following the severe impact of the pandemic in the first half of 2020. The scheme this year was adjusted so participants could only earn a maximum of 50 per cent of their previous full year's entitlement, in line with the revised focus for the second half of the year.

Health and safety performance is fundamental to the Group. We are committed to maintaining a safe environment at all of our operations and have set ourselves the goal of achieving Zero Harm across the entire business. To reflect this, the annual bonus may be reduced or eliminated if safety performance or accident records reach unacceptable levels.

The performance measure applied to Awards previously made under the PSPs is based on EPS, reflecting our focus on profitability and the delivery of value to shareholders. Subject to shareholder approval at the forthcoming AGM, from 2021 a relative TSR performance measure will be introduced together with a two-year post-vesting holding period, whilst maintaining simplicity and line-of-sight for the participants. The Committee retains the ability to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or disposal of a Group business, or a change in prevailing market conditions) which cause the Committee to consider that the measures are no longer appropriate and that an amendment is required to enable them to achieve their original purpose.

The remuneration of the Directors for the year ended 31 December 2020 was as shown in the table below:

	2020						
Director	**Salary**	**Bonus (note 1)**	**Fees**	**Benefits (note 2)**	**Pension (note 3)**	**PSP awards vesting (note 4)**	**Total**
Amit Bhatia	–	–	170,000	–	–	–	170,000
Pat Ward	615,000	384,375	–	19,919	95,925	328,583	1,443,802
Rob Wood	410,000	256,250	–	20,244	63,950	197,150	947,594
Peter Cornell*	–	–	12,500	–	–	–	12,500
Susie Farnon*	–	–	17,500	–	–	–	17,500
Carol Hui**^	–	–	34,805	–	–	–	34,805
Moni Mannings^^	–	–	61,472	–	–	–	61,472
Clive Watson***	–	–	67,500	–	–	–	67,500
Total	**1,025,000**	**640,625**	**363,777**	**40,163**	**159,875**	**525,733**	**2,755,173**

* Retired from the Board on 31 March 2020
** Appointed to the Board on 1 May 2020
*** Appointed Chair of the Audit Committee and Senior Independent Director on 1 April 2020
^ Appointed as Designated Non-executive Director for Sustainability on 8 September 2020
^^ Appointed as Designated Non-executive Director for Workforce Engagement on 8 September 2020

Notes:
1 Further information in relation to the bonuses payable to Pat Ward and Rob Wood is given on page 85 and these bonuses were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme.
2 Benefits paid to Pat Ward and Rob Wood comprise the provision of private medical insurance, the provision of a car allowance and the reimbursement of certain travel costs.
3 Both Pat Ward and Rob Wood received a salary supplement in lieu of a contribution to a pension arrangement.
4 Further information in relation to the PSP awards vesting for Pat Ward and Rob Wood is given on pages 85 and 86. These PSP awards vested in accordance with the scheme rules.

GOVERNANCE

The remuneration of the Directors for the year ended 31 December 2019 was as shown in the table below:

	2019						
Director	Salary	Bonus (note 1)	Fees (note 2)	Benefits (note 3)	Pension (note 4)	PSP awards vesting (note 5)	Total
Amit Bhatia*	–	–	121,385	–	–	–	121,385
Peter Tom CBE**	–	–	309,492	–	–	298,733	608,225
Pat Ward	611,250	635,234	–	19,292	92,646	718,070	2,076,492
Rob Wood	407,500	423,489	–	22,174	61,764	242,537	1,157,464
Peter Cornell	–	–	50,000	–	–	–	50,000
Susie Farnon	–	–	70,000	–	–	–	70,000
Moni Mannings***	–	–	5,000	–	–	–	5,000
Clive Watson****	–	–	20,000	–	–	–	20,000
David Williams*****	–	–	60,000	–	–	–	60,000
Total	1,018,750	1,058,723	635,877	41,466	154,410	1,259,340	4,168,566

* Appointed Chairman on 29 May 2019
** Retired from the Board on 29 May 2019
*** Appointed to the Board on 1 December 2019
**** Appointed to the Board on 1 September 2019
***** Retired from the Board on 31 December 2019

Notes:
1 The bonuses paid to Pat Ward and Rob Wood were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme.
2 Included in fees above is an amount of £189,375 (2018: £437,500) in respect of services provided by Rise Rocks Limited, a company in which Peter Tom had a beneficial interest, and the sum of £120,117 (2018: £340,335) which was paid to Rise Rocks Limited as a bonus pursuant to the consultancy agreement between the Company and Rise Rocks Limited; further information is given on page 76. Both these payments were prorated to 29 May 2019 when Peter Tom retired from the Board.
3 Benefits paid to Pat Ward and Rob Wood comprise the provision of private medical insurance, the provision of a car allowance and the reimbursement of certain travel costs.
4 Both Pat Ward and Rob Wood received a salary supplement in lieu of a contribution to a pension arrangement.
5 The PSP awards vesting for Peter Tom, Pat Ward and Rob Wood vested in accordance with the scheme rules.

BONUSES

Pat Ward and Rob Wood were each eligible to earn a bonus of up to 62.5 per cent of salary which was half of their full year maximum entitlement, based on the achievement of stretching Underlying EBIT targets and a strong recovery during the second half of the year. Bonuses were earned as set out below:

Threshold level of Underlying EBIT £m	Target level of Underlying EBIT £m	Maximum level of Underlying EBIT £m	Actual level of Underlying EBIT £m	Bonus earned (percentage of salary) %
34.0	**58.1**	**74.0**	**76.5**	**62.5**

PSP AWARDS VESTING IN RESPECT OF PERFORMANCE IN 2020

Awards were granted under the PSP in April 2018, with vesting subject to a performance condition based on Underlying diluted EPS growth in excess of RPI over a performance period running from 2018 to 2020. As a consequence of the impact of the pandemic on trading during the year ended 31 December 2020, the performance condition achieved was 3.15 pence, below the threshold level of 5.15 pence, and therefore the awards made to each of the executive directors will not vest and have lapsed in their entirety.

PSP AWARDS GRANTED IN 2020

On 27 August 2020, awards were granted to the executive directors under the PSP. The Committee considered that the level of awards was appropriate given that the Group's share price had not been materially adversely affected by the pandemic and that therefore no adjustment was necessary. The vesting of those awards is subject to a performance condition, which was set in December 2020, based on Underlying diluted EPS growth, assessed over 2020, 2021 and 2022, as follows:

EPS growth per annum	Percentage of award that vests
Less than 1.2%	0%
Equal to 1.2%	20%
Between 1.2% and 2.6%	Between 20% and 100% on a straight line basis
2.6% or more	100%

In setting this performance condition the Remuneration Committee recognised that the base year (being the year ended 31 December 2019) had been unaffected by the pandemic and that therefore before any EPS growth could be achieved in the measurement period it would firstly be necessary for performance levels to recover to that level which was in itself a stretching target.

Awards were granted to the Group Chief Executive at 150 per cent of salary and the Group Finance Director at 125 per cent, with stretching targets setting the context of the recovery from the pandemic and market forecasts, as follows:

Pat Ward:	1,182,692 shares
Rob Wood:	657,051 shares

EXECUTIVE DIRECTORS' SALARIES

As previously reported, the appointment of a new Chief Executive Officer and Chief Financial Officer Designate resulted in both incumbents having their starting salaries fixed until April 2022 with no review taking place as would otherwise have been the case during the normal course of business in April 2021. The new Chief Executive Officer's and Chief Financial Officer's salaries have been set at a level lower than that of their predecessors to reflect their personal experience and time in role at £575,000 and £400,000 respectively. These new base salaries together with the other changes described earlier in the report will take effect upon appointment to the new roles.

NON-EXECUTIVE DIRECTORS' FEES

The fee for the non-executive chairman for 2021 is £170,000.

The fees payable to the non-executive directors for 2021 are:

- Basic fee of £50,000;
- An additional fee for holding the office of Senior Independent Director, or for chairing the Audit or Remuneration Committee of £10,000; and
- An additional fee of £5,000 to non-executive directors designated with responsibility for workforce engagement and sustainability.

EXECUTIVE DIRECTORS' BONUS OPPORTUNITY

For 2021, the executive directors will have the opportunity to earn a bonus of up to 125 per cent of salary. The bonus will be subject to stretching performance conditions based on Underlying EBIT and corporate objectives. The performance targets contain confidential information and so are not disclosed on a prospective basis. However, the Committee proposes to disclose the targets, and performance against them, retrospectively as has been done for the bonuses earned in 2020.

PSP AWARDS

Subject to shareholder approval at the forthcoming AGM, the Committee currently expects to grant awards under the PSP in 2021 at the level of 150 per cent of salary for the new Chief Executive Officer, and 125 per cent for the new Chief Financial Officer. The current Group Chief Executive, having given notice of his retirement, will not participate in the awards for 2021.

The awards will vest subject to the satisfaction of a performance condition assessed over 2021, 2022 and 2023. These awards will be subject to performance conditions based on measures of EPS and TSR.

DIRECTORS' INTERESTS IN SHARE PLANS

Details of the directors' interests in the Company's share-based incentive schemes are set out on page 90.

Moni Mannings
Chair, Remuneration Committee
10 March 2021

NOMINATION COMMITTEE REPORT

The Nomination Committee has continued to keep the leadership of the Group under review, to ensure the Board is able to govern effectively now and in the future.

AMIT BHATIA
Chairman, Nomination Committee

NOMINATION COMMITTEE

It is the responsibility of the Nomination Committee to:

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- Give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and
- Be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.

The Terms of Reference for the Nomination Committee are available on our corporate website.

As per the Committee's Terms of Reference, throughout the year the Nomination Committee was chaired by the Chairman of the Company. The quorum for Committee meetings is a minimum of two Directors and which must comprise a majority of independent Directors.

The Committee was quorate for all meetings in 2020.

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, as a consequence to changes to the Board and Executive Committee, the Nomination Committee met six times and discussed the following:

- **Succession plan for the Board and Executive Committee**
- **Appointment of non-executive directors**
- **Appointment of executive directors**

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Amit Bhatia Committee Chairman	6	6
Peter Cornell[1] Independent Non-executive Director	0	1
Susie Farnon[1] Independent Non-executive Director	0	1
Carol Hui[2] Independent Non-executive Director	5	5
Moni Mannings Independent Non-executive Director	6	6
Clive Watson Independent Non-executive Director	6	6

1 Retired from the Board on 31 March 2020
2 Appointed to the Board on 1 May 2020

During the year, the focus of the Committee has been on the composition of the Board and the succession plans for the Group's senior executives, to ensure that there is the appropriate balance of skills, knowledge, experience and diversity, to enable our sustained success and for us to achieve our strategic goals. This was primarily driven by:

- The recommendation of the appointment of Carol Hui and Helen Miles as independent non-executive directors;
- The consideration of the retirement of the Group Chief Executive and the subsequent consideration and appointment of Rob Wood as Chief Executive Officer designate;
- The consideration and appointment of James Brotherton as Chief Financial Officer designate and future Executive Director; and
- Changes in business operations and the aligning of the Executive Committee to reflect the new operational structure.

NOMINATION COMMITTEE REPORT CONTINUED

FOCUS IN 2020

I am pleased to report that 2020 has seen the Nomination Committee oversee the succession plan for both the Board and senior executives within the business. The Nomination Committee met six times in the year, allowing for a considered approach in the pursuit of the best executive leadership for the organisation, to secure its long-term future.

In terms of the non-executive Board members, during the year the Nomination Committee reviewed the skills gap following the retirement of two Directors who had held considerable length of service and identified the strengths that new independent Board members would need to complement the Board, and help shape the Group in its future. Following the recommendation of the Nomination Committee in February 2020, Carol Hui was appointed to the Board on 1 May 2020. The Nomination Committee in November 2020 made a further recommendation to the Board for the appointment of Helen Miles, who is due to join the Board on 1 April 2021. For the non-executive search, the Nomination Committee used the services of Korn Ferry, who were engaged solely for that purpose.

With regards to senior executives within the Group, the Nomination Committee considered succession plans for both executive directors and the Executive Committee to ensure the continued strategic operational leadership of the Group, particularly in light of the intended retirement of the Group Chief Executive. The Nomination Committee used the services of Odgers Berndtson for the executive search who were encouraged to compile a diverse and inclusive list of candidates for their consideration. The Nomination Committee made recommendations to the Board for the appointment of Rob Wood as Chief Executive Officer and James Brotherton as Chief Financial Officer, to take effect during 2021.

As part of the review of the succession plan, the Nomination Committee also reviewed proposed changes to the composition of the Executive Committee to reflect the revised operational structure of the business which took effect on 1 January 2021.

All recommendations made by the Nomination Committee were accepted by the Board, and I look forward to working with new and current colleagues in 2021. The Nomination Committee when making its recommendations to the Board, robustly ensure that a transparent process is undertaken and that any recommendations on appointments to the Board would complement the existing Board on a range of criteria including independence, time commitment, inclusivity, diversity, industry experience and skills.

As part of the triennial externally facilitated Board Evaluation which took place in 2020, a review of the effectiveness of the Nomination Committee took place. I am pleased to confirm this resulted in a positive outcome as the Committee was found to be effective.

In 2021, the Nomination Committee will continue to monitor the Board and Executive Committee succession plan, implement a Diversity and Inclusion policy, and set out a scheduled annual programme of business.

The Nomination Committee firmly believes that an inclusive culture, with a range of perspectives is a key driver of business success and is committed to having a diverse Board, so as to make effective contributions and effectively challenge management.

Amit Bhatia
Chairman, Nomination Committee
10 March 2021

DIRECTORS' REPORT

The Directors present their report, together with the audited Financial Statements, for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products in GB and Ireland, including cement, asphalt and ready-mixed concrete, together with related activities. Further details of the Group's activities and future developments are included in the Statement from the Chair, and the Group Chief Executive's review on pages 6 to 10 and in the Group Finance Director's review and Business reviews on pages 24 to 39.

RISK MANAGEMENT

The Board is responsible for the Group's system of risk management and continues to develop policies and procedures that reflect the nature and scale of the Group's business. Further details of the key areas of risk to the business identified by the Group are included on pages 20 to 23. Details of the Group's operational key performance indicators are shown on pages 18 and 19.

RESULTS AND DIVIDENDS

For the year to 31 December 2020, the Group's profit before tax was £48.1 million (2019: £94.6 million) and after tax was a profit of £33.7 million (2019: £78.0 million). Recognising the Group's scale, level of maturity and cash generation, the Directors propose to adopt a progressive dividend policy from 2021.

STATED CAPITAL

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

DIRECTORS

The following Directors served during the year:

Amit Bhatia	Non-executive Chairman
Pat Ward	Group Chief Executive
Rob Wood	Group Finance Director
Peter Cornell[1]	Independent Non-executive Director
Susie Farnon[1]	Independent Non-executive Director
Carol Hui[2]	Independent Non-executive Director
Moni Mannings	Independent Non-executive Director
Clive Watson	Independent Non-executive Director

1 Retired 31 March 2020
2 Appointed 1 May 2020

Biographical details of the Directors serving at 31 December 2020 can be found on pages 62 and 63 and details of the Directors' service contracts are given in the Directors' Remuneration Report on page 82.

DIRECTORS' INTERESTS

The Directors in office at 31 December 2020 had interests in the issued share capital of the Company as shown in the table below:

	Ordinary Shares	
	2020	2019
Amit Bhatia	**500,000**	500,000
Pat Ward	**1,300,937**	1,072,994
Rob Wood	**1,077,161**	940,395
Carol Hui	**–**	–
Moni Mannings	**–**	–
Clive Watson	**100,000**	35,000

DIRECTORS' REPORT CONTINUED

In addition, the following Directors had an interest in shares awarded in accordance with the rules of the Group's share-based incentive schemes:

	Performance Share Plan		Savings-Related Share Option Scheme	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
Pat Ward	**2,535,331**	3,118,157	**54,545**	54,545
Rob Wood	**1,408,517**	1,763,214	**54,545**	54,545

The savings-related share options held by Pat Ward and Rob Wood are exercisable at a price of 64.0 pence and are normally exercisable between 1 May 2024 and 1 November 2024.

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

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

There were no further changes in the Directors' interests between 1 January 2021 and 10 March 2021.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that, as at 19 February 2021, other than the Directors, the interests of shareholders holding three per cent or more of the issued share capital of the Company were as shown in the table below:

	Number	%
Abicad Holding Limited*	**164,959,102**	9.8
Lansdowne Partners	**148,501,922**	8.8
Columbia Threadneedle Investments	**136,782,053**	8.1
Jupiter Asset Management	**87,901,237**	5.2
Octopus Investments	**77,294,753**	4.6
Blackrock Investment Management	**65,778,824**	3.9
Soros Fund Management	**61,826,831**	3.7
Baillie Gifford & Co	**60,037,440**	3.6
Invesco	**58,909,887**	3.5
Ninety-One	**57,195,530**	3.4

* Amit Bhatia has been appointed as Abicad Holding Limited's Representative Director on the Board of the Company pursuant to a relationship deed dated 17 November 2015.

COLLEAGUES

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

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

POLITICAL CONTRIBUTIONS

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Pinnacle House, Breedon Quarry, Breedon on the Hill, DE73 8AP on 20 April 2021 at 2.00pm as a closed meeting. The formal notice convening the AGM, together with explanatory notes on the resolutions contained therein, which is available on the Company's website at www.breedongroup.com/investors.

GOING CONCERN

The Group meets its day-to-day working capital and other funding requirements through its banking facilities, which include an overdraft facility. Further details of this facility are provided in note 15.

The Group has prepared cash flow forecasts for a period of more than twelve months from the date of signing these Financial Statements, which show a sustained trend of profitability and cash generation. As at 31 December 2020, the Group had undrawn banking facilities of £289.3 million which is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

The base case assumes a trading performance delivered in line with market consensus over the forecast period, whilst the downside scenario models a 20 per cent reduction in revenues, which the Group believes is an extremely severe sensitivity relative to likely outcomes and historic experience.

The banking facility runs until April 2022, and the Group has started preparations for refinancing during 2021. The Group has received positive engagement from lenders, who remain supportive. Based on progress to date the Directors are confident of being able to complete this process in 2021.

The Directors considered the impact of COVID-19 on the ability of the company to continue operating as a going concern. They note that the Group has recovered strongly from the adverse financial impact of the first wave of the pandemic which resulted in the closure of the majority of operating locations in April 2020. Sites progressively reopened over the following months with appropriate social distancing measures, and trading recovered strongly in the second half of the year, with the Group meeting all covenants and other terms of its bank facility agreements throughout 2020.

This resulted in the Group maintaining its track record of profitability and cash generation, with an overall profit before taxation of £48.1 million (2019: £94.6 million) and net cash from operating activities of £168.4 million (2019: £136.5 million).

Governments in both the UK and Ireland have been clear in their support for the sector in which the Group operates, and have committed to significant investment in infrastructure which helps to drive demand for the Group's products. The re-introduction of lockdown restrictions from late 2020 has not had a significant impact on the Group's ability to trade, and economic forecasters are expecting to see steady growth in demand for the Group's products in both 2021 and 2022. On this basis, the Directors do not believe that the future impact of COVID-19 will impact on the ability of the business to trade as a going concern.

Based on the above the Directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis.

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over a period to December 2023. This is the same period over which financial projections were prepared for the Group's strategic financial plan.

In making their assessment the Directors have taken into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 20 to 23 on its business model, future performance, solvency or liquidity. They stress tested their analysis by running a number of credible scenarios and considered the availability of mitigating actions.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2023.

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

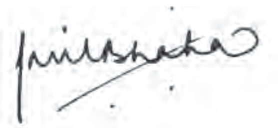
DISCLOSURE OF INFORMATION TO AUDITOR

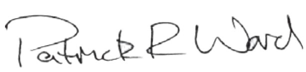
The Directors who hold office at the date of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all steps that he or she ought to have taken to make himself or herself aware of any relevant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

AUDITOR

KPMG LLP has expressed willingness to continue in office and, in accordance with Article 113 of the Companies (Jersey) Law 1991, a resolution to reappoint KPMG LLP will be proposed at the forthcoming AGM.

By order of the Board





Amit Bhatia
Non-executive Chairman

Pat Ward
Group Chief Executive

10 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with adopted IFRS and applicable law.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

Gary Briggs, slate splitter at our Welsh Slate factory

Welsh Slate Penrhyn quarry, Bethesda in North Wales

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Breedon Group PLC ('the Group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion, the Consolidated Financial Statements:

- give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the Group's affairs as at 31 December 2020, and of the profit for the year then ended;
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality:		£3.5m (2019: £4.5m)
group financial statements as a whole		4.4% of 3 years' average group profit before tax adjusted for acquisition costs (2019: 4.8% of group profit before tax)
Coverage		94% (2019: 94%) of group profit before tax
Key audit matters		**vs 2019**
Recurring risks	Recoverability of goodwill allocated to Cement.	◀▶
	New: Provision for restoration and decommissioning obligations.	▲
Event driven	New: Recognition and valuation of the mineral assets acquired in the CEMEX business combination.	▲

Key

◀▶ Risk unchanged from 2019

▲ Risk increased from 2019

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows;

	The risk	Our response
Recognition and valuation of the mineral assets acquired in the CEMEX business combination. £83.9million Refer to page 72 (Audit Committee Report), note 1 (accounting policy) and note 26 (financial disclosures).	**Subjective valuation:** During the period the group acquired trade and assets in respect of the CEMEX business for a cash consideration of £154.1 million. This included £83.9 million of mineral reserves and resources. There are a number of significant and complex judgements involved in valuing the mineral assets acquired, such as the quantum of accessible reserves and resources, the projected cash flows derived from those minerals and the rate at which those cash flows are then discounted.	Our procedures included: • **Asset identification:** We challenged the group's fair value estimates through assessment of the group's identification of the assets acquired, alongside checking internal consistency of the assumptions used in the valuations of these assets; • **Benchmarking assumptions used in the mineral asset valuations:** We challenged the methodology used, agreed the quantum of minerals valued to external expert reports and assessed the discount and growth rate assumptions against externally derived data; • **Assessing experience of external experts:** We evaluated the competence and objectivity of external experts appointed by the group to determine the volume of minerals acquired in the transaction; • **Challenging disclosure:** We evaluated whether appropriate disclosures have been made in the group financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC CONTINUED

2. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
Recoverability of goodwill allocated to Cement £159.8 million (2019: £157.0 million (restated)) Refer to page 72 (Audit Committee Report), note 1 (accounting policy) and note 9 (financial disclosures).	**Subjective estimate:** The future cash flows of the Cement business are dependent on the continued availability of limestone resources and the lack of substitute products becoming available over the remaining life of the asset base. As a result, the amount of headroom of value in use over carrying value is at risk of being reduced or eliminated when testing this Cash Generating Unit (CGU) for impairment. There are inherent uncertainties and estimations involved in forecasting and discounting future cash flows, such as discount rate, growth rate and forecast period. Changes in these assumptions could give rise to material changes in the assessment of the carrying value of goodwill. The effect of these matters is that, as part of our risk assessment, we deter-mined that the goodwill of £159.8 million has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statement as a whole, and possibly many times that amount. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality.	Our procedures included: • **Benchmarking assumptions:** We challenged, using observable market data including available sources for comparable companies, the key inputs used in the group's calculation of the discount rate; • **Our sector experience:** We assessed whether the assumptions used, in particular those relating to the continued availability of limestone resources, forecast cash flow growth and long term growth rates, reflect our knowledge of the business and industry, including known or probable changes in the business environment; • **Historical comparisons:** We considered the historical forecasting accuracy, by comparing previously forecast cash flows to actual results achieved; • **Comparing valuations:** We compared the sum of the discounted cash flows of all CGUs to the group's market capitalisation, thus assessing the reasonableness of these cash flows; • **Sensitivity analysis:** We performed our own sensitivity analysis over the reasonably possible combination of changes in the forecasts on the assumptions noted above; • **Assessing transparency:** We challenged and assessed the Group's disclosures regarding the sensitivity of the impairment assessment to changes in key assumptions, and whether the impact of COVID-19 has been appropriately reflected in the risks inherent to the valuation of goodwill.

	The risk	Our response
Provisions for restoration and decommissioning obligations. £62.7 million (2019: 32.7 million) Following the significant increase in the provisions due to the CEMEX Acquisition and changes in the discount rate together with the normal annual reassessment, we have increased our assessment of the potential impact on the financial statements from restoration and decommissioning provisions to a key audit matter. Refer to page 73 (Audit Committee Report), note 1 (accounting policy) and note 17 (financial disclosures).	**Subjective estimation:** The calculation of restoration and decommissioning provisions requires the group to estimate the quantum and timing of future costs to restore and decommission sites. This is especially complex given the long timescales involved. These calculations also require the group to determine an appropriate rate to discount future costs to their net present value. There is limited restoration and decommissioning activity and historical precedent against which to benchmark estimates of future costs.	• **Assessing experience of external experts:** We evaluated the competence and objectivity of external experts appointed by the group to determine an estimate of restoration and decommissioning costs; • **Validation of obligations:** We evaluated the existence of legal obligations with respect to restoration and decommissioning costs; • **Challenging assumptions and inputs:** We challenged the consistency of the assumptions used by the group in generating the estimated costs of restoration and decommissioning; • **Historical comparisons:** We considered historical forecasting accuracy, by comparing previously forecast costs to actual costs incurred; • **Benchmarking assumptions:** We challenged the inflation and discount rates by comparing them to externally derived data, including available sources for comparable companies; • **Assessing disclosures:** We evaluated whether appropriate disclosures have been provided in the group financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC CONTINUED

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Consolidated Financial Statements as a whole was set at £3.5 million, determined with reference to a benchmark of averaged group profit before tax (adjusted for acquisition costs) of £79.9 million, of which it represents approximately 4.4% (2019: 4.8% of group profit before tax). The benchmark was calculated by averaging the last three years due to volatility in the results as a consequence of COVID-19.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the group was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £2.6 million (2019: £3.4 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

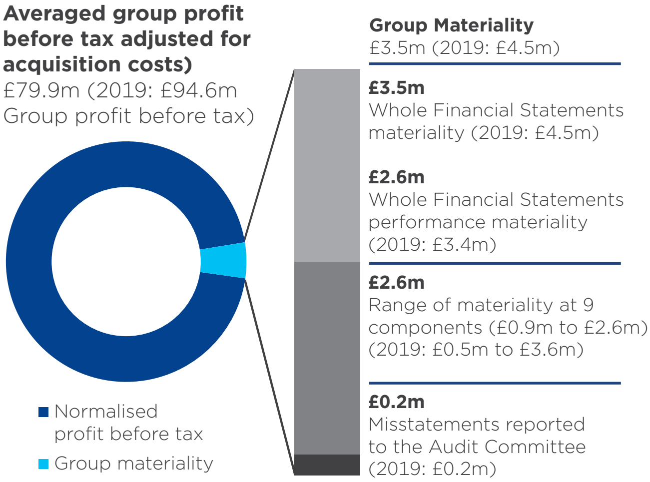
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2 million (2019: £0.2million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

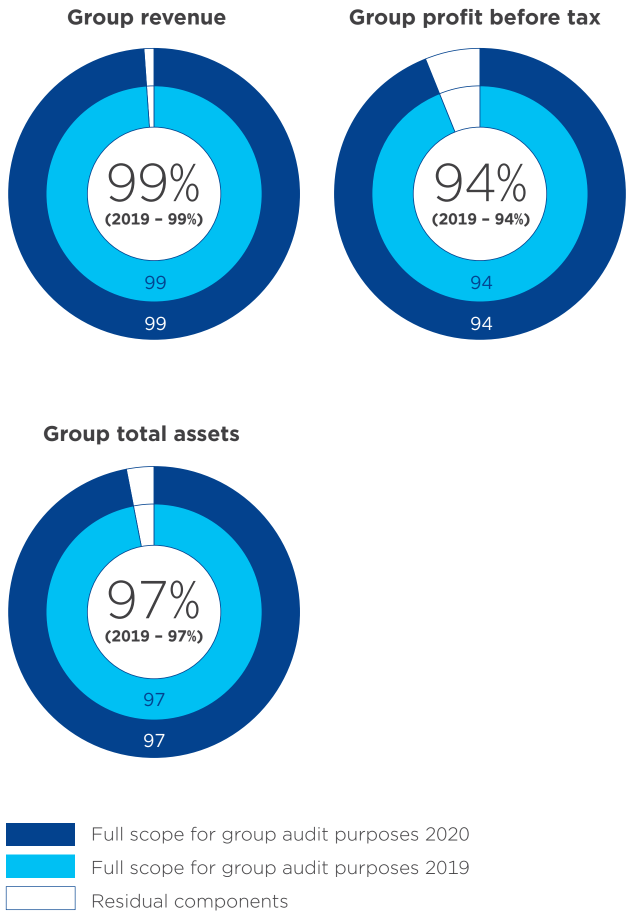
Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Audits for group reporting purposes were performed by component auditors at the key reporting components in the following countries: United Kingdom and the Republic of Ireland and by the group audit team in the following countries: United Kingdom. These group procedures covered 99% of total group revenue, 94% of group profit before taxation and 97% of total group assets. The segment disclosures in note 2 set out the individual significance of a specific country.

The audits undertaken for group reporting purposes at the key reporting components of the group were all performed to materiality levels set by, or agreed with, the group audit team. These materiality levels were set individually for each component and ranged from £0.9 million to £2.6 million, (2019: £0.5 million to £3.6 million).

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team.





4. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect Group's financial resources or ability to continue operations over this period were:

- The ability of the Group to refinance long-term debt facilities within the next 13 months;
- The continued availability of capital to meet operating costs and other financial commitments;
- The impact of COVID-19 on the Group and the wider economy; and
- The ability of the Group to comply with debt covenants.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in notes to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and other management as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading board, audit committee and remuneration committee minutes: and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as mineral assets recognised on acquisition and the valuation of restoration and decommissioning provisions. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures; and
- assessing significant accounting estimates for bias.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC CONTINUED

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT CONTINUED

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non- compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly , the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.
We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the Consolidated Financial Statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Group; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting standards; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 92, the directors are responsible for: the preparation of Consolidated Financial Statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Craig Parkin
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

10 March 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020			2019		
	Note	Underlying £m	Non-underlying* (note 3) £m	Total £m	Underlying £m	Non-underlying* (note 3) £m	Total £m
Revenue	1,2	**928.7**	**–**	**928.7**	929.6	–	929.6
Cost of sales		**(630.8)**	**–**	**(630.8)**	(587.2)	–	(587.2)
Gross profit		**297.9**	**–**	**297.9**	342.4	–	342.4
Distribution expenses		**(158.1)**	**–**	**(158.1)**	(163.8)	–	(163.8)
Administrative expenses		**(65.0)**	**(14.9)**	**(79.9)**	(63.6)	(8.0)	(71.6)
Group operating profit		**74.8**	**(14.9)**	**59.9**	115.0	(8.0)	107.0
Share of profit of associate and joint ventures	11	**1.7**	**–**	**1.7**	1.6	–	1.6
Profit from operations	2	**76.5**	**(14.9)**	**61.6**	116.6	(8.0)	108.6
Financial expense	6	**(13.5)**	**–**	**(13.5)**	(14.0)	–	(14.0)
Profit before taxation		**63.0**	**(14.9)**	**48.1**	102.6	(8.0)	94.6
Taxation – at effective rate	7	**(9.8)**	**1.3**	**(8.5)**	(17.3)	0.7	(16.6)
Taxation – change in deferred tax rate	7	**(5.9)**	**–**	**(5.9)**	–	–	–
Profit for the year		**47.3**	**(13.6)**	**33.7**	85.3	(7.3)	78.0
Attributable to:							
Equity holders of the parent		**47.2**	**(13.6)**	**33.6**	85.2	(7.3)	77.9
Non-controlling interests		**0.1**	**–**	**0.1**	0.1	–	0.1
Profit for the year		**47.3**	**(13.6)**	**33.7**	85.3	(7.3)	78.0
Basic earnings per ordinary share	24	**2.80p**		**1.99p**	5.08p		4.64p
Diluted earnings per ordinary share	24	**2.80p**		**1.99p**	5.07p		4.63p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Profit for the year		**33.7**	78.0
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of foreign operations, net of hedging		**11.6**	(13.3)
Effective portion of changes in fair value of cash flow hedges		**1.7**	(1.5)
Taxation on items taken directly to other comprehensive income	7	**(0.2)**	0.2
Other comprehensive income/(expense) for the year		**13.1**	(14.6)
Total comprehensive income for the year		**46.8**	63.4
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		**46.7**	63.3
Non-controlling interests		**0.1**	0.1
		46.8	63.4

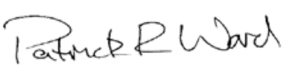
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

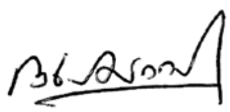
AT 31 DECEMBER 2020

	Note	**2020 £m**	2019 (restated*) £m
Non-current assets			
Property, plant and equipment	8	**816.3**	698.6
Intangible assets	9	**506.9**	477.6
Investment in associate and joint ventures	11	**11.2**	10.8
Total non-current assets		**1,334.4**	1,187.0
Current assets			
Inventories	13	**59.4**	58.5
Trade and other receivables	14	**192.9**	164.7
Current tax receivable		**0.9**	–
Cash and cash equivalents		**31.7**	23.8
Total current assets		**284.9**	247.0
Total assets		**1,619.3**	1,434.0
Current liabilities			
Interest-bearing loans and borrowings	15	**(64.7)**	(43.9)
Trade and other payables	16	**(245.1)**	(177.9)
Current tax payable		**–**	(7.6)
Provisions	17	**(5.0)**	(2.5)
Total current liabilities		**(314.8)**	(231.9)
Non-current liabilities			
Interest-bearing loans and borrowings	15	**(285.3)**	(270.2)
Provisions	17	**(60.3)**	(32.2)
Deferred tax liabilities	12	**(70.5)**	(60.6)
Total non-current liabilities		**(416.1)**	(363.0)
Total liabilities		**(730.9)**	(594.9)
Net assets		**888.4**	839.1
Equity attributable to equity holders of the parent			
Stated capital	18	**551.6**	550.0
Hedging reserve	18	**0.2**	(1.3)
Translation reserve	18	**4.9**	(6.7)
Retained earnings		**331.6**	297.0
Total equity attributable to equity holders of the parent		**888.3**	839.0
Non-controlling interests		**0.1**	0.1
Total equity		**888.4**	839.1

* Following the guidance issued by the IASB in April 2020 in respect of the measurement of deferred tax balances on assets arising through business combinations whose recovery gives rise to multiple possible tax consequences, the Group has updated its accounting policies, resulting in a reclassification of £13.4m between Intangible Assets and Deferred Tax Liabilities in the 2019 balance sheet. Further detail is provided in note 1.

These Financial Statements were approved by the Board of Directors on 10 March 2021 and were signed on its behalf by:





Pat Ward
Group Chief Executive

Rob Wood
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	**Attributable to equity holders of parent £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 January 2019	549.0	–	6.6	217.5	**773.1**	0.2	**773.3**
Shares issued	1.0	–	–	–	**1.0**	–	**1.0**
Dividend to non-controlling interests	–	–	–	–	**–**	(0.2)	**(0.2)**
Total comprehensive income for the year	–	(1.3)	(13.3)	77.9	**63.3**	0.1	**63.4**
Share-based payments	–	–	–	1.6	**1.6**	–	**1.6**
Balance at 31 December 2019	550.0	(1.3)	(6.7)	297.0	**839.0**	0.1	**839.1**
Shares issued	1.6	–	–	–	**1.6**	–	**1.6**
Dividend to non-controlling interests	–	–	–	–	**–**	(0.1)	**(0.1)**
Total comprehensive income for the year	–	1.5	11.6	33.6	**46.7**	0.1	**46.8**
Share-based payments	–	–	–	1.0	**1.0**	–	**1.0**
Balance at 31 December 2020	**551.6**	**0.2**	**4.9**	**331.6**	**888.3**	**0.1**	**888.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the year		**33.7**	78.0
Adjustments for:			
Depreciation and mineral depletion		**74.4**	65.2
Amortisation		**3.6**	3.1
Financial expense		**13.5**	14.0
Share of profit of associate and joint ventures		**(1.7)**	(1.6)
Net loss/(gain) on sale of property, plant and equipment		**4.6**	(0.8)
Share-based payments		**1.0**	1.6
Taxation		**14.4**	16.6
Operating cash flow before changes in working capital and provisions		**143.5**	176.1
Increase in trade and other receivables		**(26.4)**	(0.8)
Decrease/(increase) in inventories		**10.4**	(5.7)
Increase/(decrease) in trade and other payables		**64.6**	(1.8)
Increase/(decrease) in provisions		**7.4**	(2.0)
Cash generated from operating activities		**199.5**	165.8
Interest paid		**(7.7)**	(8.4)
Interest element of lease payments		**(2.6)**	(2.6)
Dividend paid to non-controlling interests		**(0.1)**	(0.2)
Income taxes paid		**(20.7)**	(18.1)
Net cash from operating activities		**168.4**	136.5
Cash flows used in investing activities			
Acquisition of businesses	26	**(151.7)**	(8.9)
Divestment of businesses	27	**9.0**	–
Purchase of share in joint venture	11	**–**	(3.0)
Issue of loan to joint venture		**–**	(4.0)
Dividends from associate and joint ventures	11	**1.3**	0.8
Purchase of property, plant and equipment	8	**(38.1)**	(56.3)
Proceeds from sale of property, plant and equipment		**1.7**	3.3
Net cash used in investing activities		**(177.8)**	(68.1)
Cash flows from/(used in) financing activities			
Proceeds from the issue of shares (net of costs)	18	**1.6**	1.0
Proceeds from new interest-bearing loans (net of costs)		**79.5**	–
Repayment of interest-bearing loans		**(53.4)**	(69.2)
Repayment of lease obligations		**(10.8)**	(12.9)
Net cash from/(used in) financing activities		**16.9**	(81.1)
Net increase/(decrease) in cash and cash equivalents		**7.5**	(12.7)
Cash and cash equivalents at 1 January		**23.8**	37.6
Foreign exchange differences		**0.4**	(1.1)
Cash and cash equivalents at 31 December		**31.7**	23.8

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland. Breedon Group plc is a company domiciled in Jersey. The address of the Company's registered office is 28 Esplanade, St Helier, Jersey JE2 3QA.

Basis of preparation

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

Applicable laws and accounting standards

These Consolidated Financial Statements have been prepared in accordance with Adopted IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention except for the revaluation to fair value of certain financial instruments.

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

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

Going concern

These Financial Statements are prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The Group meets its day-to-day working capital and other funding requirements through its banking facilities, which include an overdraft facility. Further details of this facility are provided in note 15.

The Group has prepared cash flow forecasts for a period of more than twelve months from the date of signing these Financial Statements, which show a sustained trend of profitability and cash generation. As at 31 December 2020, the Group had undrawn banking facilities of £289.3m which is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

The base case assumes a trading performance delivered in line with market consensus over the forecast period, whilst the downside scenario models a 20 per cent reduction in revenues, which the Group believes is an extremely severe sensitivity relative to likely outcomes and historic experience.

The banking facility runs until April 2022, and the Group has started preparations for refinancing during 2021. The Group has received positive engagement from lenders, who remain supportive. Based on progress to date the Directors are confident of being able to complete this process in 2021.

The Directors considered the impact of COVID-19 on the ability of the company to continue operating as a going concern. They note that the Group has recovered strongly from the adverse financial impact of the first wave of the pandemic which resulted in the closure of the majority of operating locations in April 2020. Sites progressively reopened over the following months with appropriate social distancing measures, and trading recovered strongly in the second half of the year, with the Group meeting all covenants and other terms of its bank facility agreements throughout 2020.

This resulted in the Group maintaining its track record of profitability and cash generation, with an overall profit before taxation of £48.1m (2019: £94.6m) and net cash from operating activities of £168.4m (2019: £136.5m).

Looking forward, governments in both the UK and Ireland have been clear in their support for the sector in which the Group operates, and have committed to significant investment in infrastructure which helps to drive demand for the Group's products. The re-introduction of lockdown restrictions from late 2020 has not had a significant impact on the Group's ability to trade, and economic forecasters are expecting to see steady growth in demand for the Group's products in both 2021 and 2022. On this basis, the Directors do not believe that the future impact of COVID-19 will impact on the ability of the business to trade as a going concern.

Based on the above the Directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis.

Accounting estimates and judgements

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

Presentation

These Financial Statements are presented in Pounds Sterling, which is the Group's currency. All financial information presented has been rounded to the nearest £0.1 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 ACCOUNTING POLICIES CONTINUED

New IFRS Standards and Interpretations

Adoption of IFRS Interpretations Committee IFRIC update on measurement of deferred tax

During 2020 the IFRS Interpretations Committee released an IFRIC update in respect of IAS 12 – *Income Taxes*. This clarified how deferred tax liabilities should be calculated for assets acquired through business combinations whose recovery gives rise to multiple possible tax consequences.

The impact of the updated interpretation is that deferred tax liabilities are now required to be recognised on assets obtained through business combinations which are both not eligible for capital allowances and are being recovered 'through use' by being depreciated or amortised over an asset's useful life.

The adoption of the new guidance has resulted in the restatement of the Consolidated Statement of Financial Position as at 31 December 2019 to recognise additional goodwill and deferred tax liabilities as follows:

Impact on the Consolidated Statement of Financial Position at 31 December 2019

	Previously reported £m	Adjustment £m	Restated £m
Intangible assets	464.2	13.4	**477.6**
Total non-current assets	1,173.6	13.4	**1,187.0**
Total assets	1,420.6	13.4	**1,434.0**
Deferred tax liabilities	(47.2)	(13.4)	**(60.6)**
Total non-current liabilities	(349.6)	(13.4)	**(363.0)**
Total liabilities	(581.5)	(13.4)	**(594.9)**

There is no cash implication to this adjustment. The impact on the Consolidated Income Statement is not significant and this has therefore not been restated.

Other new IFRS Standards and Interpretations

The Group has adopted the following standards from 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – *Definition of a business*
- Amendments to IAS 1 and IAS 8 – *Definition of material*
- Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform*

The adoption of these standards has not had a material impact on the Financial Statements.

New IFRS Standards and Interpretations not adopted

At the date on which these Financial Statements were authorised, there were no Standards, Interpretations and Amendments which had been issued but were not effective for the year ended 31 December 2020 that are expected to materially impact the Group's Financial Statements.

Basis of consolidation

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

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

1 ACCOUNTING POLICIES CONTINUED

Foreign exchange

Foreign exchange transactions
Transactions in foreign currencies are recorded at the spot rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date, with all currency translation differences recognised within the Consolidated Income Statement, except for those monetary items that provide an effective hedge for a net investment in a foreign operation.

Foreign exchange translation
The Consolidated Financial Statements are presented in Sterling, which is the functional currency of the Group. The individual Financial Statements of the Group's subsidiaries and joint ventures with a functional currency other than Sterling are translated into Sterling according to IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Results and cash flows are translated using average annual exchange rates for the reporting period, assets and liabilities are translated using the closing rates at the reporting date and equity at historic exchange rates. The translation differences resulting are recognised in the Consolidated Statement of Comprehensive Income until the subsidiary is disposed of. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation and are translated accordingly.

Financial instruments

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

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

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

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

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

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently remeasured in future periods at their fair value. The gain or loss on the remeasurement of fair value is recognised immediately in profit or loss, unless a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability. In this instance 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 hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Consolidated Income Statement.

Amounts recorded in the hedging reserve are subsequently reclassified to the Consolidated Income Statement when the expense for the hedged transaction 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 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.

Mineral reserves and resources

Mineral reserves and resources are stated at cost, including both the purchase price and costs incurred to gain access to the reserves. Where access is gained to new mineral reserves and resources, this cost includes a provision to restore the land disturbed. The value of mineral reserves and resources recognised as a result of business combinations is based on the fair value at the point of acquisition.

These assets are depreciated using a physical unit-of-production method, over the commercial life of the quarry.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 ACCOUNTING POLICIES CONTINUED

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. This includes right-of-use assets recognised under IFRS 16 – *Leases,* which the Group has elected to present alongside owned assets as a single line item in the Consolidated Statement of Financial Position.

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

- Freehold buildings – 50 years
- Fixtures and fittings – up to 10 years
- Office equipment – up to 5 years
- Fixed plant – up to 35 years
- Loose plant and machinery – up to 10 years
- Motor vehicles – up to 10 years
- Right-of-use assets – life of lease or the useful economic life of underlying asset

No depreciation is provided on freehold land.

Intangible assets and goodwill

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

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

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

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

Amortisation is based on the useful economic lives of the assets concerned, currently being the consumption of economic benefits over a period of up to 20 years.

Impairment

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

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 asset's 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.

1 ACCOUNTING POLICIES CONTINUED

Non-current assets held exclusively with a view to resale

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

Inventories

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

Emissions rights

Emissions rights where an annual allowance is received for nil cost, typically European Union Emissions Trading System credits, are accounted for such that an emissions liability is recognised only in circumstances where emissions have exceeded the allowance from the perspective of the Group as a whole and will require the purchase of additional allowances to settle the emissions liability. Assets and liabilities arising in respect of nil cost emission allowances are accordingly netted against one another in the preparation of the Consolidated Financial Statements.

Retirement benefits

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

Provisions

Restoration provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group provides for the costs of restoring a site and of decommissioning associated property, plant and equipment. The initial cost of creating provisions on the commencement of operations is included in property, plant and equipment and depreciated over the life of the site. Changes in the measurement of a previously capitalised provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of the related asset.

All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue

Group revenue arises from the sale of goods and contracting services. IFRS 15 requires revenue from contracts with customers to be recognised in line with a principles-based five-step model. This requires the Group to identify performance obligations within its contracts with customers, determine the transaction price applicable to each of these performance obligations and then to select an appropriate method for the timing of revenue recognition, reflecting the substance of the performance obligation, being either recognition at a point in time or over time.

Sale of goods

The majority of the Group's revenue is derived from the sale of physical goods to customers. Depending on whether the goods are delivered to or collected by the customer, the contract contains either one performance obligation which is satisfied at the point of collection, or two performance obligations which are satisfied simultaneously at the point of delivery.

The transaction price for this revenue is the amount which can be invoiced to the customer once the performance obligations are fulfilled, reduced to reflect provisions recognised for returns, trade discounts and rebates. The Group does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Group believes it will receive. This value excludes items collected on behalf of third parties, such as sales and value added taxes.

For all sales of goods, revenue is recognised at a point in time, being the point that the goods are transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 ACCOUNTING POLICIES CONTINUED

Revenue continued

Contracting services

The majority of contracting services revenue arises from contract surfacing work, which typically comprises short-term contracts with a performance obligation to supply and lay product. Other contracting services revenue can contain more than one performance obligation dependent on the nature of the contract.

The transaction price is calculated as consideration specified by the contract, adjusted to reflect provisions recognised for returns, remedial work arising in the normal course of business, trade discounts and rebates.

Where the contract provides for elements of variable consideration, these values are included in the calculation of the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Where the transaction price is allocated between multiple performance obligations on other contracts, this typically reflects the allocation of value to each performance obligation agreed with the end customer, unless this does not reflect the economic substance of the transaction.

As contracting services performance obligations are satisfied over time, revenue is recognised over time. Revenue is recognised on an output basis, being volume of product laid for contract surfacing.

Warranties and customer claims

The Group provides assurance type warranties over the specification of products, but does not provide extended warranties or maintenance services in its contracts with customers. Additionally, claims with customers may arise in the usual course of business. Both customer claims and warranties are accounted for under IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

Expenses

Financial income and expense

Financial income and expense comprises interest payable, finance charges, lease interest, interest receivable on funds invested, and gains and losses on related 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with any conditions attached to them.

Government grants are recognised in the Consolidated Income Statement over the same period as the costs for which the grants are intended to compensate, and are presented net of these costs.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group are recognised in the Consolidated Income Statement in the period in which they become receivable.

Income tax

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

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

Deferred tax

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

1 ACCOUNTING POLICIES CONTINUED

Deferred tax continued

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.

Leases

Right-of-use assets and liabilities are recognised for any arrangements meeting the definition of a lease set out in IFRS 16 – *Leases*.

Right-of-use assets are presented within property, plant and equipment in the Consolidated Statement of Financial Position. They are measured at cost, comprising the initial amount of the lease liability adjusted for any lease prepayments, plus any initial direct costs incurred, less any lease incentives received. Right-of-use assets are then depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are presented within interest-bearing loans and borrowings. They are measured at the present value of future lease payments, discounted at a rate which reflects both the Group's incremental borrowing rate, adjusted for the time value of money, and the nature of the leased asset.

The Group has elected to take advantage of the practical expedients permitted by the Standard not to recognise lease assets and liabilities in respect of short-term and low-value leases. Charges recognised in the Consolidated Income Statement in respect of these leases are not significant to the Group.

Share-based transactions

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

Dividends

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

Alternative performance measures

The following non-GAAP performance measures have been used in the Financial Statements:

i. Underlying EBIT
ii. Underlying EBIT margin
iii. Underlying EBITDA
iv. Underlying basic earnings per share
v. Free cash flow
vi. Return on invested capital
vii. Leverage

Management uses these terms as they believe these measures allow a better understanding of the Group's underlying business performance. These alternative performance measures are well understood by investors and analysts, are consistent with the Group's historic communication with investors and reflects the way in which the business is managed.

A reconciliation between these alternative performance measures to the most directly related statutory measures is included within note 29.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 SEGMENTAL ANALYSIS

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland.

The Group's activities are split into the following reportable segments:

Great Britain comprising our construction materials and contracting services businesses in Great Britain. This includes the CEMEX Acquisition (see note 26).

Ireland comprising our construction materials and contracting services businesses on the Island of Ireland.

Cement comprising our cementitious operations in Great Britain and Ireland.

A description of the activities of each segment is included on pages 30 to 39. There are no other operating segments.

Income statement

	2020		2019	
	Revenue £m	Underlying EBITDA* £m	Revenue £m	Underlying EBITDA* £m
Great Britain	**622.8**	**77.0**	615.1	98.4
Ireland	**189.3**	**27.9**	202.0	33.8
Cement	**177.2**	**55.0**	186.4	58.8
Central administration	**–**	**(10.7)**	–	(10.8)
Eliminations	**(60.6)**	**–**	(73.9)	–
Group	**928.7**	**149.2**	929.6	180.2

* Underlying EBITDA is earnings before interest, tax, depreciation and mineral depletion, amortisation, non-underlying items (note 3) and before our share of profit from associate and joint ventures.

	2020	2019
Reconciliation to statutory profit		
Group Underlying EBITDA as above	**149.2**	180.2
Depreciation and mineral depletion	**(74.4)**	(65.2)
Great Britain	**34.8**	62.8
Ireland	**20.5**	26.8
Cement	**30.4**	36.3
Central administration	**(10.9)**	(10.9)
Underlying Group operating profit	**74.8**	115.0
Share of profit of associate and joint ventures	**1.7**	1.6
Underlying profit from operations (EBIT)	**76.5**	116.6
Non-underlying items (note 3)	**(14.9)**	(8.0)
Profit from operations	**61.6**	108.6
Financial expense	**(13.5)**	(14.0)
Profit before taxation	**48.1**	94.6
Taxation – at effective rate	**(8.5)**	(16.6)
Taxation – change in deferred tax rate	**(5.9)**	–
Profit for the year	**33.7**	78.0

IFRS 16 adjustments result in increases of £9.3m in Underlying EBITDA (2019: £7.9m), £1.5m in Underlying EBIT (2019: £1.0m), £2.4m in Financial expense (2019: £2.3m), and a decrease of £0.9m in Profit before taxation (2019: £1.3m) for the year ended 31 December 2020.

2 SEGMENTAL ANALYSIS CONTINUED

Disaggregation of revenue from contracts with customers

Analysis of revenue by geographic location of end market

The primary geographic market for all Group revenues for the purpose of IFRS 15 is the UK and RoI. In line with the requirements of IFRS 8, this is analysed by individual countries as follows:

	2020 £m	2019 £m
United Kingdom	**799.5**	793.3
Republic of Ireland	**126.0**	134.7
Other	**3.2**	1.6
Total	**928.7**	929.6

Analysis of revenue by major products and service lines by segment

	2020 £m	2019 £m
Sale of goods		
Great Britain	**545.5**	543.2
Ireland	**51.9**	51.2
Cement	**177.2**	186.4
Eliminations	**(60.6)**	(73.9)
	714.0	706.9
Contracting services		
Great Britain	**77.3**	71.9
Ireland	**137.4**	150.8
	214.7	222.7
Total	**928.7**	929.6

Timing of revenue recognition

All revenues from the sale of goods relate to products for which revenue is recognised at a point in time as the product is transferred to the customer. Contracting services revenues are accounted for as products and services for which revenue is recognised over time.

2 SEGMENTAL ANALYSIS CONTINUED

Statement of financial position

	2020		2019 (restated*)	
	Total assets £m	Total liabilities £m	Total assets £m	Total liabilities £m
Great Britain	**847.7**	**(188.3)**	668.7	(119.6)
Ireland	**252.3**	**(46.0)**	252.8	(39.5)
Cement	**485.8**	**(54.7)**	487.6	(42.0)
Central administration	**0.9**	**(21.4)**	1.1	(11.5)
Total operations	**1,586.7**	**(310.4)**	1,410.2	(212.6)
Current tax	**0.9**	**–**	–	(7.6)
Deferred tax	**–**	**(70.5)**	–	(60.6)
Net debt	**31.7**	**(350.0)**	23.8	(314.1)
Total Group	**1,619.3**	**(730.9)**	1,434.0	(594.9)
Net assets		**888.4**		839.1

* Comparative values have been restated for 2019 to reflect the impact of the Group adopting updated guidance from the IASB for the measurement of deferred taxation on business combinations. This results in £13.4m of additional goodwill assets and £13.4m of additional deferred tax liabilities in 2019. See note 1 for further details.

GB total assets include £11.2m (2019: £10.8m) in respect of investments in associate and joint ventures.

Geographic location of property, plant and equipment assets

	2020 £m	2019 £m
United Kingdom	**697.2**	586.3
Republic of Ireland	**119.1**	112.3
Total	**816.3**	698.6

Analysis of depreciation and mineral depletion, amortisation and capital expenditure

	Depreciation and mineral depletion £m	Amortisation of intangible assets £m	Additions to owned property, plant and equipment £m
2020			
Great Britain	**42.2**	**1.5**	**18.5**
Ireland	**7.4**	**2.1**	**5.2**
Cement	**24.6**	**–**	**12.1**
Central administration	**0.2**	**–**	**2.3**
Total	**74.4**	**3.6**	**38.1**
2019			
Great Britain	35.6	1.1	29.1
Ireland	7.0	2.0	10.6
Cement	22.5	–	17.9
Central administration	0.1	–	0.3
Total	65.2	3.1	57.9

Additions to owned property, plant and equipment exclude additions in respect of business combinations.

3 NON-UNDERLYING ITEMS

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying performance of the business, including non-cash items. In the opinion of the Directors, this presentation aids understanding of the underlying business performance and references to underlying earnings measures throughout this report are made on this basis. Underlying measures are presented on a consistent basis over time to assist in the comparison of performance.

	2020 £m	2019 £m
Included in administrative expenses:		
Redundancy and reorganisation costs	0.9	1.1
Acquisition costs (note 26)	7.5	3.3
Property losses	2.9	0.5
Amortisation of acquired intangible assets	3.6	3.1
Total non-underlying items (before tax)	**14.9**	8.0
Non-underlying taxation	(1.3)	(0.7)
Total non-underlying items (after tax)	**13.6**	7.3

4 EXPENSES AND AUDITOR'S REMUNERATION

	2020 £m	2019 £m
Group operating profit has been arrived at after charging/(crediting)		
Depreciation and mineral depletion:		
Owned assets	65.1	54.9
Leased assets	9.3	10.3
Amortisation of intangible assets	3.6	3.1
Government grant income	(12.7)	–
Property losses (note 3)	2.9	0.5
Loss/(gain) on sale of plant and equipment	1.7	(1.3)
Auditor's remuneration		
Audit of the Company's annual accounts	–	–
Audit of the Company's subsidiary undertakings	0.7	0.5
Non-audit services	–	–
	0.7	0.5

Government grant income relates to receipts under job support schemes put in place by the UK and Irish governments in response to COVID-19. The Group stopped claims under both schemes after July and payments to any colleague who remained furloughed beyond that date were wholly funded by the Company.

5 REMUNERATION OF DIRECTORS, STAFF NUMBERS AND COSTS

Remuneration received by the Directors (the Group's key management personnel) is summarised below. Disclosure by individual director is provided in the Directors' Remuneration Report on pages 84 and 85. Disclosure of share options, including information on all outstanding options, is provided in the Directors' Report on pages 89 and 90.

Directors' Remuneration

	2020 £m	2019 £m
Salaries and short-term employee benefits	**1.9**	2.3
Directors' fees	**0.3**	0.3
Share-based payments (note 19)	**0.5**	1.3
	2.7	3.9

No pension contributions were paid by the Group directly to any pension schemes on behalf of the Directors in either the current or prior years.

Staff Numbers and Costs

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

	Number of employees	
	2020	2019
Great Britain	**2,328**	2,101
Ireland	**387**	397
Cement	**380**	371
Central administration	**109**	90
	3,204	2,959

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

	2020 £m	2019 £m
Wages and salaries	**126.7**	116.3
Social security costs	**13.7**	12.8
Pension costs	**5.3**	5.0
Share-based payments (note 19)	**1.0**	2.3
	146.7	136.4

Pension costs relate to various defined contribution pension schemes operated within the Group. These are accounted for on a contribution payable basis. Contributions outstanding at 31 December 2020 amounted to £0.9m (2019: £0.7m) and are included in payables.

6 FINANCIAL EXPENSE

	2020 £m	2019 £m
Bank loans and overdrafts	**7.7**	8.4
Amortisation of prepaid bank arrangement fee	**1.4**	1.2
Lease liabilities	**2.6**	2.6
Unwinding of discount on provisions	**1.8**	1.8
Financial expense	**13.5**	14.0

7 TAXATION

Recognised in the Consolidated Income Statement

	2020 £m	2019 £m
Current tax expense		
Current year	**12.9**	18.1
Prior year	**(0.7)**	(0.5)
Total current tax	**12.2**	17.6
Deferred tax expense		
Current year	**(3.6)**	(1.0)
Change in deferred tax rate	**5.9**	–
Prior year	**(0.1)**	–
Total deferred tax	**2.2**	(1.0)
Total tax charge in the Consolidated Income Statement	**14.4**	16.6

Recognised in Other Comprehensive Income

	2020 £m	2019 £m
Deferred tax expense/(income)		
Relating to cash flow hedges	**0.2**	(0.2)
	0.2	(0.2)

Reconciliation of effective tax rate

	2020 £m	2019 £m
Profit before taxation	**48.1**	94.6
Tax at the Company's domestic rate of 19 per cent	**9.1**	18.0
Difference between Company and subsidiary statutory tax rates	**(1.4)**	(1.7)
Expenses not deductible for tax purposes	**2.0**	1.4
Property sales	**–**	(0.2)
Share-based payments	**(0.2)**	0.1
Utilisation of unrecognised deferred tax assets	**–**	(0.2)
Income from associate and joint ventures already taxed	**(0.2)**	(0.3)
Effect of change in UK deferred tax rate from 17 per cent to 19 per cent	**5.9**	–
Adjustment in respect of prior years	**(0.8)**	(0.5)
Total tax charge	**14.4**	16.6

The Company is tax resident in the United Kingdom, with a 19 per cent tax rate. The Group's subsidiary operations pay tax at a rate of 19 per cent (2019: 19 per cent) in the United Kingdom and 12.5 per cent (2019: 12.5 per cent) in the Republic of Ireland.

Legislation was passed on 17 March 2020 which substantially enacted a cancellation of the planned reduction in the UK corporation tax rate from 19 per cent to 17 per cent. A deferred tax charge of £5.9m has been recognised to remeasure the Group's UK deferred tax liabilities at 31 December 2020 at this higher rate.

The Group's effective tax rate for the year is 29.9 per cent (2019: 17.5 per cent). Excluding the impact of non-underlying items and the change in deferred tax rate, the Group's Underlying effective tax rate is 15.6 per cent (2019: 16.9 per cent).

In the budget on 3 March 2021, the UK Government announced a proposal to increase the rate of corporation tax from 19 per cent to 25 per cent which will increase the Group's effective tax rate from 2023. This rate change is expected to be substantively enacted in 2021 and will lead to the Group's deferred tax liabilities being recalculated at the higher rate of 25 per cent. This will result in an increased deferred tax liability of approximately £19 million in 2021.

8 PROPERTY, PLANT AND EQUIPMENT

Owned assets (restated*)

Cost – owned assets	Mineral reserves and resources £m	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Balance at 1 January 2019	234.5	96.0	508.9	839.4
Reclassified to leased IFRS 16 right-of-use assets	–	–	(22.9)	(22.9)
Translation adjustment	(1.3)	(2.3)	(3.2)	(6.8)
Acquisitions through business combinations (note 26)	–	–	3.4	3.4
Additions	6.3	2.3	49.3	57.9
Disposals and impairment	(1.5)	(1.4)	(9.3)	(12.2)
Change to capitalised provisions	–	(1.3)	(1.4)	(2.7)
Reclassification	5.2	15.2	(20.4)	–
Balance at 31 December 2019	243.2	108.5	504.4	856.1
Transferred from leased IFRS 16 right-of-use assets	–	–	10.4	10.4
Translation adjustment	1.3	2.3	3.1	6.7
Acquisitions through business combinations (note 26)	83.9	21.4	31.6	136.9
Additions	2.6	0.8	34.7	38.1
Disposals and impairment	(3.4)	(4.8)	(12.1)	(20.3)
Change to capitalised provisions	3.0	2.6	2.1	7.7
Reclassification	3.3	(1.0)	(2.3)	–
Balance at 31 December 2020	**333.9**	**129.8**	**571.9**	**1,035.6**
Depreciation and mineral depletion – owned assets				
Balance at 1 January 2019	34.9	11.7	126.9	173.5
Reclassified to leased IFRS 16 right-of-use assets	–	–	(7.2)	(7.2)
Translation adjustment	–	–	(0.2)	(0.2)
Charge for the year	9.4	5.1	40.4	54.9
Disposals and impairment	(0.8)	(1.2)	(7.2)	(9.2)
Reclassification	–	2.2	(2.2)	–
Balance at 31 December 2019	43.5	17.8	150.5	211.8
Transferred from leased IFRS 16 right-of-use assets	–	–	5.8	5.8
Translation adjustment	0.1	0.2	0.2	0.5
Charge for the year	11.6	5.4	48.1	65.1
Disposals and impairment	–	(1.0)	(6.0)	(7.0)
Balance at 31 December 2020	**55.2**	**22.4**	**198.6**	**276.2**
Net book value – total assets				
Owned assets	199.7	90.7	353.9	644.3
Leased assets (note 21)	–	31.5	22.8	54.3
Balance at 31 December 2019	199.7	122.2	376.7	698.6
Owned assets	278.7	107.4	373.3	759.4
Leased assets (note 21)	–	31.9	25.0	56.9
Balance at 31 December 2020	**278.7**	**139.3**	**398.3**	**816.3**

* This note has been restated to reflect owned property, plant and equipment assets only. Disclosures in respect of right-of-use assets under IFRS 16 are now presented separately in note 21. The 'change to capitalised provisions', previously included in disposals and impairment, has also been presented as a separate line item for 2019.

8 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Movements between owned and leased assets

Items transferred from leased IFRS 16 right-of-use assets represent leases previously classified as finance leases under IAS 17, where the liability has been fully repaid in the normal course of business and ownership has transferred to the Group. Where the underlying physical asset relating to a right-of-use asset is purchased by the Group and the lease ended, this is presented as an addition to owned assets within this note and as a disposal of a right-of-use asset within note 21.

Assets under construction

Presented within plant, equipment and vehicles are assets in the course of construction totalling £22.1m (2019: £31.5m) which are not being depreciated.

Depreciation and mineral depletion

Depreciation and mineral depletion, on both owned and leased assets, is recognised in the following line items in the Consolidated Income Statement:

	2020 £m	2019 £m
Cost of sales	**71.6**	62.5
Administration expenses	**2.8**	2.7
	74.4	65.2

Security

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

9 INTANGIBLE ASSETS

	Goodwill £m	Customer related £m	Other £m	Total £m
Cost				
At 1 January 2019 (restated*)	423.9	41.8	19.6	485.3
Translation adjustment	(7.0)	(1.3)	(0.1)	(8.4)
Acquisitions through business combinations (note 26)	6.6	4.9	–	11.5
Disposals	–	–	(2.9)	(2.9)
At 31 December 2019 (restated*)	423.5	45.4	16.6	485.5
Translation adjustment	6.7	0.9	0.1	7.7
Acquisitions through business combinations (note 26)	26.8	0.1	–	26.9
Divestments (note 27)	(1.6)	–	–	(1.6)
At 31 December 2020	**455.4**	**46.4**	**16.7**	**518.5**
Amortisation				
At 1 January 2019	–	4.3	0.6	4.9
Translation adjustment	–	(0.1)	–	(0.1)
Charge for the year	–	2.2	0.9	3.1
At 31 December 2019	–	6.4	1.5	7.9
Translation adjustment	–	0.1	–	0.1
Charge for the year	–	2.6	1.0	3.6
At 31 December 2020	**–**	**9.1**	**2.5**	**11.6**
Net book value				
At 31 December 2019 (restated*)	423.5	39.0	15.1	477.6
At 31 December 2020	**455.4**	**37.3**	**14.2**	**506.9**

* Comparative values have been restated for 2019 to reflect the impact of the Group adopting updated guidance from the IASB for the measurement of deferred taxation on business combinations. This results in £13.4m of additional goodwill assets and £13.4m of additional deferred tax liabilities in 2019. See note 1 for further details.

9 INTANGIBLE ASSETS CONTINUED

Other intangible assets comprise brand and permit assets arising from acquisitions.

The amortisation charge on these assets is recognised in non-underlying administrative expenses in the Consolidated Income Statement.

Impairment tests for cash-generating units containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, on 31 December, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of CGUs according to the level at which management monitor that goodwill, being the Group's operating segments.

A summary of the carrying value of goodwill allocated to each operating segment is shown below:

	2020 £m	2019 (restated*) £m
Great Britain	**184.3**	158.5
Ireland	**111.3**	108.0
Cement	**159.8**	157.0
	455.4	423.5

* Comparative values have been restated for 2019 to reflect the impact of the Group adopting updated guidance from the IASB for the measurement of deferred taxation on business combinations. This results in £13.4m of additional goodwill assets and £13.4m of additional deferred tax liabilities in 2019. See note 1 for further details.

Key assumptions

The key assumptions used in performing the impairment review are those used in calculating the value-in-use of each CGU, as set out below:

Cash flow projections

Cash flow projections for each operating segment are derived from the annual budget approved by the Board for 2021 and the three-year plan for 2022 and 2023. The key assumptions on which budgets and forecasts are based include sales growth, product mix and operating costs. These cash flows are then extrapolated forward for a further 27 years, with the total period of 30 years reflecting the long-term nature of the underlying assets. Budgeted cash flows are based on past experience and forecast future trading conditions.

Long-term growth rates

Cash flow projections assume a growth rate of 2.0 per cent (2019: between 1.5 and 2.5 per cent) between year 4 to 30 of the cash flow projections. This reflects forecast rates of growth in the UK and RoI.

Discount rate

Forecast pre-tax cash flows for each segment have been discounted at pre-tax rates of between 8.2 and 8.7 per cent (2019: between 9.4 and 10.1 per cent). These rates were determined by an external expert based on market participants' cost of capital and adjusted to reflect factors specific to each segment.

Sensitivity

The Group has assessed the impact of possible changes in the key assumptions to the impairment review. Having performed a sensitivity analysis over the key assumptions, the Directors have concluded that there are no reasonably possible changes to assumptions which would result in an impairment charge being recognised.

Impacts of COVID-19

In performing the impairment review, the Directors have carefully considered the additional uncertainty arising from COVID-19 through performing additional sensitivity analysis based on specific downturn scenarios. These included changes to the discount rate and modelling the impact of a significant decline in short-to-medium term growth caused by an economic shock. This additional analysis indicated the existence of continued headroom for all segments.

10 PRINCIPAL GROUP COMPANIES

	Country of incorporation	Percentage of ordinary shares held	Principal activity
Subsidiary undertakings			
Great Britain			
Breedon Southern Limited	England	100%	Production of construction materials
Breedon Northern Limited	Scotland	100%	Production of construction materials
Alba Traffic Management Limited	Scotland	75%*	Traffic management
Breedon Brick Limited	Republic of Ireland	100%	Manufacture of building products
Ireland			
Whitemountain Quarries Limited	Northern Ireland	100%	Production of construction materials
Alpha Resource Management Limited	Northern Ireland	100%	Waste disposal
Lagan Asphalt Limited	Republic of Ireland	100%	Contracting services
Lagan Materials Limited	Republic of Ireland	100%	Production of construction materials
Cement			
Breedon Cement Limited	England	100%	Cement production
Breedon Cement Ireland Limited	Republic of Ireland	100%	Cement production
Central administration			
Breedon Holdings Limited	England	100%	Service company
Breedon Group Services Limited	England	100%	Service company
Breedon Employee Services Ireland Limited	Republic of Ireland	100%	Service company
Breedon Holdings (Jersey) Limited	Jersey	100%**	Holding company
Breedon Facilities Management Limited	Scotland	100%	Holding company
Associated undertaking			
BEAR Scotland Limited	Scotland	37.5%	Contracting services
Joint ventures			
Kingscourt Country Manor Brick Company Limited	Republic of Ireland	50%	Distribution of building products
Breedon Bow Highways Limited	England	50%	Contracting services
Capital Concrete Limited	England	43%	Production of construction materials
Breedon Bowen Limited	England	50%	Production of construction materials

* The Consolidated Statement of Financial Position includes total assets of £1.1m (2019: £1.4m) and total liabilities of £0.7m (2019: £0.6m) in respect of Alba Traffic Management Limited, the Group's 75 per cent owned subsidiary undertaking.

** Denotes shares are held directly by Breedon Group plc.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 INVESTMENT IN ASSOCIATE AND JOINT VENTURES

The Group equity accounts for its investments in its associate and in its joint ventures.

	Associate £m	Joint ventures £m	Total £m
Carrying value			
At 1 January 2019	1.9	4.5	6.4
Additions	–	3.6	3.6
Share of profit of associate and joint ventures	1.0	0.6	1.6
Dividends received	(0.4)	(0.4)	(0.8)
At 31 December 2019	2.5	8.3	10.8
Share of profit of associate and joint ventures	1.6	0.1	1.7
Dividends received	(0.6)	(0.7)	(1.3)
At 31 December 2020	**3.5**	**7.7**	**11.2**

Summary financial information on associate and joint ventures – 100 per cent

	2020		2019	
	Associate £m	**Joint ventures £m**	Associate £m	Joint ventures £m
Non-current assets	**6.0**	**13.0**	6.4	13.5
Current assets	**34.8**	**19.3**	23.0	13.9
Current liabilities	**(30.1)**	**(18.5)**	(21.3)	(12.2)
Non-current liabilities	**(1.0)**	**(6.5)**	(1.1)	(7.2)
Net assets	**9.7**	**7.3**	7.0	8.0
Revenue	**129.2**	**66.8**	108.2	27.9
Profit for the year	**4.1**	**0.5**	2.7	1.0

12 DEFERRED TAX

	1 January 2020 £m	Acquisitions (note 26) £m	Divestments (note 27) £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2020 £m
Property, plant and equipment	**(57.8)**	**(9.8)**	**0.3**	**(3.5)**	**–**	**(0.4)**	**(71.2)**
Intangible assets	**(8.5)**	**–**	**–**	**(0.4)**	**–**	**(0.2)**	**(9.1)**
Derivative liabilities	**0.2**	**–**	**–**	**–**	**(0.2)**	**–**	**–**
Working capital and provisions	**5.5**	**2.6**	**–**	**1.7**	**–**	**–**	**9.8**
	(60.6)	**(7.2)**	**0.3**	**(2.2)**	**(0.2)**	**(0.6)**	**(70.5)**

	1 January 2019 (restated*) £m	Acquisitions (note 26) £m	Divestments (note 27) £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2019 (restated*) £m
Property, plant and equipment	(60.1)	(0.6)	–	2.4	–	0.5	(57.8)
Intangible assets	(8.2)	(0.9)	–	0.4	–	0.2	(8.5)
Derivative liabilities	–	–	–	–	0.2	–	0.2
Working capital and provisions	7.3	–	–	(1.8)	–	–	5.5
	(61.0)	(1.5)	–	1.0	0.2	0.7	(60.6)

* Comparative values have been restated for 2019 to reflect the impact of the Group adopting updated guidance from the IASB for the measurement of deferred taxation on business combinations. This results in £13.4m of additional goodwill assets and £13.4m of additional deferred tax liabilities in 2019. See note 1 for further details.

12 DEFERRED TAX CONTINUED

A deferred tax asset of £1.1m (2019: £1.3m) in relation to historic losses has not been recognised on the basis that there is insufficient certainty around the Group's ability to utilise these losses to obtain tax relief going forwards. There are no unrecognised deferred tax liabilities in the current or prior year.

13 INVENTORIES

	2020 £m	2019 £m
Raw materials and consumables	**30.5**	28.7
Work in progress	**4.9**	6.4
Finished goods and goods for resale	**24.0**	23.4
	59.4	58.5

Inventories (being directly attributable costs of production) of £569.5m (2019: £575.7m) have been expensed in the year.

14 TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Trade receivables	**154.6**	127.9
Amounts due from associate and joint ventures (note 23)	**9.7**	8.7
Derivative assets	**0.2**	–
Contract assets	**13.8**	14.2
Other receivables and prepayments	**14.6**	13.9
	192.9	164.7
Non-current	**3.2**	3.8
Current	**189.7**	160.9
	192.9	164.7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 INTEREST-BEARING LOANS AND BORROWINGS

Net debt

	2020 £m	2019 £m
Cash and cash equivalents	**31.7**	23.8
Current borrowings	**(64.7)**	(43.9)
Non-current borrowings	**(285.3)**	(270.2)
Statutory net debt	**(318.3)**	(290.3)
IFRS 16 lease liabilities*	**53.1**	43.6
Net debt excluding the impact of IFRS 16	**(265.2)**	(246.7)

* IFRS 16 lease liabilities represent the incremental impact of IFRS 16 - *Leases* following the adoption by the Group of the standard in 2019.

Analysis of borrowings between current and non-current

	2020 £m	2019 £m
Secured bank loans	**55.0**	35.0
Lease liabilities (note 21)	**9.7**	8.9
Current borrowings	**64.7**	43.9
Secured bank loans	**240.6**	230.6
Lease liabilities (note 21)	**44.7**	39.6
Non-current borrowings	**285.3**	270.2

The Group's banking facilities comprise a term loan of £205m (31 December 2019: £125m) and a multi-currency revolving credit facility of £350m (31 December 2019: £350m). The term loan was increased by £80m in the first half of 2020, when the Group exercised an accordion option on its existing banking facilities to finance the CEMEX Acquisition (see note 26). Interest was paid on the facilities during the period at a margin of between 1.30 per cent and 1.95 per cent above LIBOR or EURIBOR according to the currency of borrowings. The facilities are secured by a floating charge over the assets of the Company and its subsidiary undertakings. The term loan is repayable in two further annual instalments up to April 2022. The revolving credit facility is repayable in April 2022.

Reconciliation of cash flow movement to movement in net debt

	2020 £m	2019 £m
For the year ended 31 December		
Net increase/(decrease) in cash and cash equivalents	**7.5**	(12.7)
Net cash flow from movements in debt financing	**(15.3)**	82.1
Recognised on adoption of IFRS 16	**–**	(47.0)
Lease additions and disposals	**1.5**	(2.3)
Amortisation of prepaid bank arrangement fee	**(1.4)**	(1.2)
Debt acquired via acquisitions (note 26)	**(17.9)**	(0.4)
Foreign exchange differences	**(2.4)**	1.9
Movement in net debt in the year	**(28.0)**	20.4
Net debt as at 1 January	**(290.3)**	(310.7)
Net debt as at 31 December	**(318.3)**	(290.3)

16 TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Trade payables	**111.3**	91.7
Amounts owed to associate and joint ventures (note 23)	**0.1**	–
Contract liabilities	**9.9**	3.8
Derivative liabilities	**–**	1.5
Deferred consideration	**6.6**	4.2
Other payables and accrued expenses	**73.2**	56.2
Other taxation and social security	**44.0**	20.5
	245.1	177.9

Brought forward contract liabilities of £3.8m have been recognised in revenue during the year.

Other taxation and social security costs include £12.6m of VAT which was automatically deferred by HMRC as a result of COVID-19. This is due for payment in the first half of 2021.

17 PROVISIONS

	Restoration £m	Other £m	Total £m
At 1 January 2019	35.1	3.4	38.5
Translation adjustment	(0.2)	–	(0.2)
Reclassified to lease liabilities on adoption of IFRS 16	–	(0.9)	(0.9)
Utilised during the year	(0.7)	(0.5)	(1.2)
Charged to income statement	0.4	–	0.4
Unused amounts reversed (restated*)	(0.9)	(0.1)	(1.0)
Change to capitalised provisions (note 8)	(2.7)	–	(2.7)
Unwinding of discount	1.7	0.1	1.8
At 31 December 2019	32.7	2.0	34.7
Translation adjustment	0.2	–	0.2
Amounts arising from business combinations (note 26)	14.3	–	14.3
Utilised during the year	(0.3)	(0.1)	(0.4)
Divestments (note 27)	(0.7)	–	(0.7)
Charged to income statement	7.5	0.5	8.0
Unused amounts reversed	(0.3)	–	(0.3)
Change to capitalised provisions (note 8)	7.7	–	7.7
Unwinding of discount	1.6	0.2	1.8
At 31 December 2020	**62.7**	**2.6**	**65.3**

* This note has been restated to present 'change to capitalised provisions' separately for 2019. This was previously presented as part of 'unused amounts reversed'.

	2020 £m	2019 £m
Analysed as		
Current	**5.0**	2.5
Non-current	**60.3**	32.2
	65.3	34.7

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. The obligation is calculated on a site-by-site basis and is regularly reviewed to ensure it is adequate. The obligation has been discounted to reflect the period over which it will be settled, which on average is 16 years. Other provisions primarily comprise provisions for dilapidations.

18 CAPITAL AND RESERVES

Stated capital

	Number of ordinary shares (m)	
	2020	2019
Issued ordinary shares at beginning of year	**1,682.9**	1,679.2
Issued in connection with:		
Exercise of savings-related share options	**2.9**	2.1
Vesting of Performance Share Plan awards	**1.8**	1.6
	1,687.6	1,682.9

The Company has no limit to the number of shares which may be issued. The ordinary shares have no par value. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Movements during 2020:

The Company issued 2,858,625 ordinary shares of no par value raising £1.6m in connection with the exercise of certain savings-related share options and issued 1,757,078 ordinary shares of no par value for nil consideration in connection with the vesting of awards under the Performance Share Plans (note 19).

Movements during 2019:

The Company issued 2,104,951 ordinary shares of no par value raising £1.0m in connection with the exercise of certain savings-related share options and issued 1,602,024 ordinary shares of no par value for nil consideration in connection with the vesting of awards under the Performance Share Plans (note 19).

Reserves

Hedging reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations as well as from the translation of the liabilities that hedge the Group's net investment in foreign operations.

19 SHARE-BASED PAYMENTS

An element of senior executive remuneration is provided in the form of Performance Share Plan ('PSP') awards. More details of these options and awards can be found in the Directors' Remuneration Report (pages 84 to 86). Employees are also invited to participate in the Breedon Sharesave scheme. The interests of the Directors in both the Performance Share Plan and Breedon Sharesave scheme are disclosed in the Directors' Report (pages 89 and 90).

Performance Share Plan

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

Movements in the number of outstanding conditional awards of ordinary shares during the year were as follows:

Date of Grant	Fair value in pence	Consideration payable on vesting	Vesting period	**Outstanding at 1 Jan 2020**	**Granted**	**Vested**	**Lapsed**	**Outstanding at 31 Dec 2020**
April 2017	75.3	–	2017 to 2020	**2,107,790**	**–**	**(1,303,674)**	**(804,116)**	**–**
April 2017	75.3	–	2017 to 2020	**222,292**	**–**	**(222,292)**	**–**	**–**
April 2018	84.1	–	2018 to 2021	**3,396,346**	**–**	**–**	**(3,396,346)**	**–**
April 2019	69.2	–	2019 to 2022	**4,442,494**	**–**	**–**	**(73,967)**	**4,368,527**
August 2020	80.0	–	2020 to 2023	**–**	**3,843,486**	**–**	**(52,392)**	**3,791,094**
				10,168,922	**3,843,486**	**(1,525,966)**	**(4,326,821)**	**8,159,621**

No consideration is payable upon vesting in respect of the conditional awards outstanding at 31 December 2020 (2019: nil).

The awards were valued using the Black-Scholes valuation model with key inputs as follows:

Date of grant	April 2017	April 2018	April 2019	**August 2020**
Share price at date of grant	75.3p	84.1p	69.2p	**80.0p**
Total awards at date of grant	3,649,414	3,396,346	4,509,100	**3,843,486**
Expected volatility	24%	22%	24%	**33%**
Risk-free rate	0.10%	0.85%	0.80%	**0.00%**
Expected term	1-3 years	3 years	3 years	**3 years**
Expected dividend yield	0%	0%	0%	**0%**

Non-Employee Performance Share Plan

On 3 March 2014, the Group adopted the Breedon Aggregates Non-Employee Performance Share Plan (the NEPSP) as a means of attracting, rewarding, motivating and retaining certain key persons who provide services to the Company, either as an individual or through a personal service company, and who are not otherwise an employee of any Group company. Under the NEPSP, awards may be granted as conditional shares or as nil paid (or nominal) cost options. Awards are subject to satisfaction of the relevant performance condition.

Movements in the number of outstanding share options are as follows:

Date of Grant	Fair value in pence	Exercise price in pence	Vesting period	**Outstanding at 1 Jan 2020**	**Granted**	**Exercised**	**Lapsed**	**Outstanding at 31 Dec 2020**
April 2017	74.3	1.0	2017 to 2020	**373,665**	**–**	**(231,112)**	**(142,553)**	**–**
April 2018	83.1	1.0	2018 to 2021	**292,193**	**–**	**–**	**(292,193)**	**–**
April 2019	68.2	1.0	2019 to 2022	**42,579**	**–**	**–**	**–**	**42,579**
				708,437	**–**	**(231,112)**	**(434,746)**	**42,579**

The weighted average exercise price of share options outstanding at 31 December 2020, and movements in share options during the period was 1.0p (2019: 1.0p).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 SHARE-BASED PAYMENTS CONTINUED

Non-Employee Performance Share Plan continued

The options were valued using the Black-Scholes valuation model with key inputs as follows:

Date of grant	April 2017	April 2018	April 2019
Share price at date of grant	75.3p	84.1p	69.2p
Total options at date of grant	529,801	802,615	1,014,479
Expected volatility	24%	22%	24%
Risk-free rate	0.10%	0.85%	0.80%
Expected term	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%

Sharesave Schemes

During the year, the Group operated savings-related share option schemes open to all employees both in the UK and RoI (the Breedon Sharesave Schemes). No invitations were made to the RoI Scheme in 2020. The number and weighted average exercise prices of options granted under the Breedon Sharesave Schemes are as follows:

UK Sharesave Scheme

Date of Grant	Fair value in pence	Exercise price in pence	**Outstanding at 1 Jan 2020**	**Granted**	**Exercised**	**Lapsed**	**Outstanding at 31 Dec 2020**
5 year option granted 2014	16.7	37.8	**15,873**	**–**	**(15,873)**	**–**	**–**
5 year option granted 2015	14.8	39.0	**1,339,494**	**–**	**(1,333,661)**	**(4,295)**	**1,538**
3 year option granted 2016	18.8	59.9	**15,015**	**–**	**(12,012)**	**(3,003)**	**–**
5 year option granted 2016	25.9	54.8	**1,091,002**	**–**	**(68,448)**	**(13,666)**	**1,008,888**
3 year option granted 2017	16.4	69.8	**1,678,920**	**–**	**(1,313,929)**	**(346,941)**	**18,050**
5 year option granted 2017	23.5	63.8	**3,260,571**	**–**	**(72,413)**	**(92,159)**	**3,095,999**
3 year option granted 2018	20.5	72.6	**1,128,764**	**–**	**–**	**(142,551)**	**986,213**
5 year option granted 2018	29.1	66.4	**2,500,676**	**–**	**(16,566)**	**(230,565)**	**2,253,545**
3 year option granted 2019	16.0	60.1	**1,807,288**	**–**	**(10,815)**	**(209,017)**	**1,587,456**
5 year option granted 2019	22.0	55.0	**2,549,154**	**–**	**(14,908)**	**(232,177)**	**2,302,069**
3 year option granted 2020	22.1	70.0	**–**	**2,900,010**	**–**	**(30,854)**	**2,869,156**
5 year option granted 2020	27.4	64.0	**–**	**4,181,533**	**–**	**(79,687)**	**4,101,846**
			15,386,757	**7,081,543**	**(2,858,625)**	**(1,384,915)**	**18,224,760**

The weighted average exercise price of share options outstanding at 31 December 2020 was 63.7p (2019: 60.8p). The weighted average exercise prices of share options granted, exercised and lapsed in the year to 31 December 2020 were 66.5p, 54.6p and 64.6p, respectively (2019: 57.1p, 47.8p and 63.9p, respectively).

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

	3 year options Granted 2019	5 year options Granted 2019	**3 year options Granted 2020**	**5 year options Granted 2020**
Share price at date of grant	67.7p	67.7p	**79.0p**	**79.0p**
Total options at date of grant	2,038,260	2,954,089	**2,900,010**	**4,181,533**
Expected volatility	23.9%	23.9%	**31.9%**	**29.3%**
Risk-free rate	0.66%	0.76%	**0.00%**	**0.00%**
Option life	3 years	5 years	**3 years**	**5 years**
Expected dividend yield	0%	0%	**0%**	**0%**

19 SHARE-BASED PAYMENTS CONTINUED

Sharesave Schemes continued

RoI Sharesave Scheme

Date of Grant	Fair value in pence	Exercise price in pence	Outstanding at 1 Jan 2020	Granted	Exercised	Lapsed	Outstanding at 31 Dec 2020
3 year option granted 2018	16.2	64.9	221,378	–	–	(7,297)	214,081
5 year option granted 2018	23.5	59.4	777,054	–	–	(62,023)	715,031
			998,432	–	–	(69,320)	929,112

The weighted average exercise price of share options outstanding at 31 December 2020 was 60.7p (2019: 60.6p). The weighted average exercise prices of share options granted and lapsed in the year to 31 December 2020 were nil and 60.0p respectively (2019: nil and 59.5p respectively).

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

	3 year options Granted 2018	5 year options Granted 2018
Share price at date of grant	74.2p	74.2p
Total options at date of grant	226,729	1,107,103
Expected volatility	22.1%	24.0%
Risk-free rate	0.92%	1.18%
Option life	3 years	5 years
Expected dividend yield	0%	0%

FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS

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

- Credit risk
- Foreign exchange risk
- Liquidity risk
- Interest rate 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. Where appropriate, the Group uses financial instruments to manage these risks. No speculative use of derivatives, currency or other instruments is permitted.

Credit risk

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

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

Exposure to credit risk

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

	Carrying amount	
	2020 £m	2019 £m
Trade and other receivables	**192.9**	164.7
Cash and cash equivalents	**31.7**	23.8
	224.6	188.5

Credit risk associated with cash balances is managed and limited by transacting with financial institutions with high-quality credit ratings.

The maximum exposure to credit risk for trade and other receivables by reportable segment, was:

	Carrying amount	
	2020 £m	2019 £m
Great Britain	**130.8**	105.2
Ireland	**37.3**	36.3
Cement	**24.3**	22.6
Central administration	**0.5**	0.6
	192.9	164.7

20 FINANCIAL INSTRUMENTS CONTINUED

Exposure to credit risk continued

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

	2020			2019		
	Gross £m	**Impairment £m**	**Net £m**	Gross £m	Impairment £m	Net £m
Not past due	**158.2**	**(1.7)**	**156.5**	143.8	(0.9)	142.9
Past due 0-30 days	**23.7**	**(0.6)**	**23.1**	16.3	(0.6)	15.7
Past due 31-60 days	**7.8**	**(0.4)**	**7.4**	5.5	(0.5)	5.0
Past due more than 60 days	**10.7**	**(4.8)**	**5.9**	5.1	(4.0)	1.1
	200.4	**(7.5)**	**192.9**	170.7	(6.0)	164.7

Provisions for impairment of trade and other receivables are calculated on a lifetime expected loss model in line with IFRS 9. The key inputs in determining the level of provision are the historical level of bad debts experienced by the Group and ageing of outstanding amounts. Movements during the year were as follows:

	2020 £m	2019 £m
At 1 January	**6.0**	4.9
Amounts arising from business combinations (note 26)	**–**	0.1
Charged to the Consolidated Income Statement during the year	**3.2**	2.0
Utilised during the year	**(1.0)**	(0.8)
Unused amounts released	**(0.7)**	(0.2)
At 31 December	**7.5**	6.0

Foreign exchange risk

Transactional

The Group has limited transactional currency exposures arising on sales and purchases made in currencies other than the functional currency of the entity making the sale or purchase. Significant exposures which are deemed at least highly probable are matched where possible, but the remaining transactional risk is not generally mitigated.

Translation

The Group has significant net assets located in RoI which are denominated in Euro. The translation of these balances into Sterling for reporting purposes exposes the Group to foreign exchange movements in the Consolidated Statement of Financial Position and Consolidated Income Statement, along with a corresponding impact on certain key performance indicators. The Group's strategy is to mitigate this risk through utilising its Euro borrowings, which form part of its multi-currency revolving facility, as a hedge against movements in the Sterling value of its Euro investments. The level of this hedge is currently managed with the objective of mitigating the impact of foreign exchange movements on Leverage.

The carrying amount of the Group's interest-bearing borrowings denominated in foreign currency is as follows.

	2020 £m	2019 £m
Sterling	**323.9**	275.1
Euro	**26.1**	39.0
	350.0	314.1

20 FINANCIAL INSTRUMENTS CONTINUED

Significant exchange rates

The following significant exchange rates applied during the year:

	2020		2019	
	Average rate	**Year-end rate**	Average rate	Year-end rate
Sterling/Euro	**1.12**	**1.11**	1.14	1.18

Exchange rate sensitivity

A 10 per cent strengthening of Sterling against the Euro would have decreased equity and profit before tax by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant:

	2020		2019	
	Profit £m	**Equity £m**	Profit £m	Equity £m
Euro	**1.0**	**29.1**	2.0	29.2

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 monitoring forecasts and cash flows and negotiating appropriate bank facilities. The Group uses term and revolving bank facilities and sufficient headroom is maintained above peak requirements to meet unforeseen events.

The following are the contractual maturities of financial liabilities, including estimated interest payments based on current utilisation:

31 December 2020	**Carrying amount £m**	**Contractual cash flows £m**	**Within one year £m**	**Between one and five years £m**	**More than five years £m**
Non-derivative financial liabilities					
Multi-currency revolving credit facility					
– Sterling	**67.0**	**70.8**	**2.9**	**67.9**	**–**
– Euro	**25.4**	**26.1**	**0.5**	**25.6**	**–**
Term loan					
– Sterling	**205.0**	**209.4**	**58.4**	**151.0**	**–**
Prepaid bank arrangement fees	**(1.8)**	**–**	**–**	**–**	**–**
Lease liabilities	**54.4**	**74.9**	**11.1**	**28.1**	**35.7**
Other financial liabilities	**245.1**	**245.2**	**244.0**	**1.2**	**–**
	595.1	**626.4**	**316.9**	**273.8**	**35.7**

31 December 2019	Carrying amount £m	Contractual cash flows £m	Within one year £m	Between one and five years £m	More than five years £m
Non-derivative financial liabilities					
Multi-currency revolving credit facility					
– Sterling	105.0	110.8	2.5	108.3	–
– Euro	38.3	39.7	0.6	39.1	–
Term loan					
– Sterling	125.0	129.2	37.4	91.8	–
Prepaid bank arrangement fees	(2.7)	–	–	–	–
Lease liabilities	48.5	69.4	10.7	21.2	37.5
Other financial liabilities	185.5	185.6	183.5	2.1	–
	499.6	534.7	234.7	262.5	37.5

20 FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

The Group borrows at floating and fixed interest rates. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2020 £m	2019 £m
Fixed rate instruments		
Financial liabilities	**(54.4)**	(48.5)
Variable rate instruments		
Financial liabilities*	**(295.6)**	(265.6)
Financial assets	**31.7**	23.8
	(318.3)	(290.3)

* Variable rate financial liabilities in 2019 included £150m of debt subject to an interest rate cap. The cap expired in 2020 and was not renewed. The fair value of the cap at 31 December 2019 was £Nil.

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. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates in respect of variable rate instruments at reporting date values would decrease equity and income and expenditure for a full year by £3.0m (2019: £2.4m). A decrease of 100 basis points would have increased equity and income and expenditure on the same basis by £3.0m (2019: £2.4m). These analyses assume that all other variables remain constant.

Fair values versus carrying amounts

The Directors consider that the carrying amounts recorded in the financial information in respect of financial assets and liabilities, which are carried at amortised cost, approximates to their fair values.

Derivative financial assets and liabilities are carried at fair value. 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

The fair value of the derivative financial assets and liabilities are based on bank valuations.

Capital management

The Board's policy is to maintain a strong balance sheet, providing flexibility to pursue growth opportunities. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The financial covenants associated with the Group's borrowings are a maximum Leverage ratio and a minimum interest cover. The Group complied with its covenants at 31 December 2020 and 31 December 2019.

Historically, the main focus of the Group has been on delivering capital growth for shareholders, but recognising the Group's scale, level of maturity and cash generation, the Directors propose to adopt a progressive dividend policy from 2021. The Directors intend to target a level of distribution, as a percentage of Underlying basic EPS, that will move the pay-out ratio into line with Breedon's peers over a three-year period.

21 LEASES

Leased IFRS 16 right-of-use assets

Cost	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Recognised on adoption of IFRS 16 at 1 January 2019	32.1	37.2	69.3
Acquisitions through business combinations (note 26)	–	0.2	0.2
Additions	2.6	0.2	2.8
Disposals	(0.4)	(0.4)	(0.8)
Balance at 31 December 2019	**34.3**	**37.2**	**71.5**
Translation adjustment	–	0.1	0.1
Acquisitions through business combinations (note 26)	5.1	12.8	17.9
Additions	1.7	0.5	2.2
Disposals	(3.5)	(1.9)	(5.4)
Transferred to owned assets (note 8)	–	(10.4)	(10.4)
Balance at 31 December 2020	**37.6**	**38.3**	**75.9**
Depreciation			
Recognised on adoption of IFRS 16 at 1 January 2019	–	7.2	7.2
Charge for the year	2.9	7.4	10.3
Disposals	(0.1)	(0.2)	(0.3)
Balance at 31 December 2019	**2.8**	**14.4**	**17.2**
Charge for the year	3.3	6.0	9.3
Disposals	(0.4)	(1.3)	(1.7)
Transferred to owned assets (note 8)	–	(5.8)	(5.8)
Balance at 31 December 2020	**5.7**	**13.3**	**19.0**
Net book value			
At 31 December 2019	31.5	22.8	54.3
At 31 December 2020	**31.9**	**25.0**	**56.9**

Lease liabilities are secured on the assets to which they relate and are payable as follows:

	2020			2019		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**11.1**	**1.4**	**9.7**	10.7	1.8	8.9
Between one and five years	**28.1**	**4.7**	**23.4**	21.2	5.9	15.3
More than five years	**35.7**	**14.4**	**21.3**	37.5	13.2	24.3
	74.9	**20.5**	**54.4**	69.4	20.9	48.5

The value of lease payments made during the year was £13.4m (2019: £15.5).

Movements between owned and leased assets

Amounts recognised on adoption of IFRS 16 at 1 January 2019 comprise £15.7m of finance leased assets previously included in owned tangible fixed assets, and £46.4m of leases previously accounted for as operating leases under IAS 17.

Items transferred to owned assets represent leases previously classified as finance leases under IAS 17, where the liability has been fully repaid in the normal course of business and ownership has transferred to the Group. Where the underlying physical asset relating to a right-of-use asset is purchased by the Group and the lease ended, this is presented as an addition to owned assets within note 8 and as a disposal of a right-of-use asset within this note.

22 CAPITAL COMMITMENTS

At 31 December 2020 the Group had commitments to purchase property, plant and equipment for £6.0m (2019: £10.0m). These commitments are expected to be settled in the following financial year.

23 RELATED PARTIES

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

	Sales £m	Purchases £m	Receivables £m	Payables £m
2020				
BEAR Scotland Limited	**39.2**	**–**	**3.3**	**–**
Other	**11.4**	**1.8**	**6.4**	**0.1**
	50.6	**1.8**	**9.7**	**0.1**
2019				
BEAR Scotland Limited	33.7	–	3.7	–
Other	3.2	1.1	5.0	–
	36.9	1.1	8.7	–

During the year, the Group supplied services to, and purchased services from its 75 per cent owned subsidiary undertaking, Alba Traffic Management Limited, on an arm's length basis. Transactions with Alba Traffic Management were immaterial during the current and prior years and have been eliminated on consolidation.

Parent and ultimate controlling party

The Company's shares are traded on AIM. The Company monitors its shareholder base on a regular basis. There is no controlling party.

Transactions with Directors and Directors' shareholdings

Details of transactions with Directors, Directors' shareholdings and outstanding share options and awards are given in the Directors' Remuneration Report and the Directors' Report on pages 84 to 86 and 89 to 90 respectively.

24 EARNINGS PER SHARE

	2020			2019		
	Earnings £m	Weighted average number of shares (millions)	Per share amount (pence)	Earnings £m	Weighted average number of shares (millions)	Per share amount (pence)
Statutory						
Basic earnings per ordinary share						
Total earnings attributable to ordinary shareholders	**33.6**	**1,685.428**	**1.99**	77.9	1,681.584	4.64
Effect of dilutive items						
Share-based payments	**–**	**3.534**	**–**	–	3.241	(0.01)
Diluted earnings per ordinary share	**33.6**	**1,688.962**	**1.99**	77.9	1,684.825	4.63
*Underlying**						
Basic earnings per ordinary share						
Underlying earnings attributable to ordinary shareholders	**47.2**	**1,685.428**	**2.80**	85.2	1,681.584	5.08
Effect of dilutive items						
Share-based payments	**–**	**3.534**	**–**	–	3.241	(0.01)
Diluted earnings per ordinary share	**47.2**	**1,688.962**	**2.80**	85.2	1,684.825	5.07

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

Details of the Group's share schemes, which may become dilutive in the future, are set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 CONTINGENT LIABILITIES

The Group has guaranteed its share of the banking facilities of BEAR Scotland, the Company's associated undertaking. The maximum liability at 31 December 2020 amounted to £2.9m (2019: £1.8m).

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

26 ACQUISITIONS

Current year acquisition

On 31 July 2020, the Group completed the CEMEX Acquisition. The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition was as follows:

	Book value £m	Fair value adjustments £m	Fair value on acquisition £m
Pre-existing goodwill	16.7	(16.7)	–
Intangible assets	–	0.1	0.1
Property, plant and equipment – owned	124.7	12.2	136.9
Property, plant and equipment – leased	23.0	(5.1)	17.9
Inventories	12.7	(0.8)	11.9
Trade and other receivables	–	0.3	0.3
Interest-bearing loans and borrowings	(23.0)	5.1	(17.9)
Trade and other payables	–	(0.4)	(0.4)
Provisions	–	(14.3)	(14.3)
Deferred tax liabilities	–	(7.2)	(7.2)
Total	**154.1**	**(26.8)**	**127.3**
Consideration – cash			151.1
Consideration – deferred consideration			3.0
Goodwill arising			**26.8**

The fair value adjustments primarily comprised adjustments to:

- de-recognise pre-existing goodwill;
- revalue certain items of property, plant and equipment;
- recognise restoration provisions to reflect the costs to satisfy environmental, planning and other legislation;
- remeasure of right-of-use assets and lease liabilities in line with the Group's IFRS 16 discount rates; and
- recognise deferred tax balances.

The goodwill arising represents expected synergies, the strategic geographic location of the assets acquired and the skills of the existing workforce.

Impact of current year acquisition

Income statement

During the year, this acquisition contributed revenues of £68.1m and Underlying EBIT of £4.0m to the Group.

If this acquisition had occurred on 1 January 2020, the results of the Group for the year ended 31 December 2020 would have shown revenue of £1,025.7m and Underlying EBIT of £73.1m.

Cash flow

The cash flow impact of acquisitions in the year can be summarised as follows:

	£m
Consideration paid for the current year acquisition	151.1
Settlement of deferred consideration from prior year acquisitions	0.6
Net cash consideration shown in the Consolidated Statement of Cash Flows	**151.7**

26 ACQUISITIONS CONTINUED

Acquisition costs

The Group incurred acquisition related costs of £7.5m (2019: £3.3m) in the year relating principally to external professional fees and due diligence costs in relation to the CEMEX Acquisition. These have been included as non-underlying administrative costs (note 3).

Prior year acquisition

On 1 October 2019, the Group completed the acquisition of Roadway Civil Engineering & Surfacing Ltd.

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

	Book value £m	Fair value adjustments £m	Fair value on acquisition £m
Intangible assets	–	4.9	4.9
Property, plant and equipment – owned	1.5	1.7	3.2
Property, plant and equipment – leased	–	0.4	0.4
Inventories	0.1	–	0.1
Trade and other receivables	1.5	–	1.5
Cash	4.4	–	4.4
Trade and other payables	(1.7)	–	(1.7)
Interest-bearing loans and borrowings	–	(0.4)	(0.4)
Deferred tax liabilities	(0.3)	(1.2)	(1.5)
Total	5.5	5.4	10.9
Consideration – cash			13.3
Consideration – deferred consideration			4.2
Goodwill arising			6.6

The fair value adjustments primarily comprised adjustments to:

- recognise £4.9m of acquired customer-related intangible assets;
- revalue certain items of property, plant and equipment;
- recognition of right-of-use assets and lease liabilities in line with IFRS 16 – *Leases*; and
- deferred tax balances.

The goodwill arising represents expected synergies, the potential for future growth, the strategic geographic location of the assets acquired and the skills of the existing workforce.

27 DIVESTMENTS

In response to the CMA's review of the CEMEX Acquisition, the Group divested 14 sites to Tillicoultry Quarries Limited on 3 December 2020 for cash consideration of £9.0m. The value of assets divested were as follows:

	£m
Intangible assets	1.6
Property, plant and equipment – owned	7.2
Property, plant and equipment – leased	3.3
Inventories	1.2
Interest-bearing loans and borrowings	(3.3)
Provisions	(0.7)
Deferred tax liabilities	(0.3)
Total	9.0
Consideration received – cash	(9.0)
Gain on disposal	–

28 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Accounting estimates

Fair values of assets acquired through the CEMEX Acquisition

In determining the fair valuation of assets acquired under business combinations a number of estimates are made. The CEMEX Acquisition is individually material to the Financial Statements, and therefore the estimates made in the course of applying the requirements of IFRS 3 in respect of this acquisition have a material impact on the Financial Statements. The most significant of these is the estimate of the value of mineral assets.

Mineral assets are typically held in the books of acquired companies at depreciated cost, which can be below their fair value. The calculation of the fair value of mineral assets is based on a discounted cash flow model. The significant inputs to this model, which involve the use of estimates, are the rate at which cash flows are discounted and the assessment of the quantum of accessible reserves and resources.

The Directors manage the estimation risk surrounding these items through the use of external experts to calculate both the discount rate and estimate the amount of accessible reserves and resources. The total fair value uplift recognised in respect of mineral assets was £43.7m. A 1.0 per cent decrease in the discount rate used would result in the recognition of an additional £10.1m of mineral assets.

Reasonably possible changes to the estimate of accessible reserves and resources would be unlikely to have a material impact on the Financial Statements in respect of the acquisition accounting. This is because a change in this estimate would impact volumes available for extraction towards the end of quarry life and are therefore significantly discounted in the model. This is however an estimate which requires constant monitoring subsequent to initial recognition.

Discount rate used in calculating right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities arise where the Group enters into an arrangement which meets the definition of a lease set out in IFRS 16 – *Leases*. These are calculated by discounting any future lease payments at the 'incremental borrowing rate', being the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

As permitted by the Standard, the Group applies a single discount rate to portfolios of leases which have similar characteristics. Judgement is required in identifying which leases have similar characteristics, and therefore how many discount rates the Group is required to calculate. Additionally, although the Group seeks to reduce estimation risk through the use of available external market data to calculate appropriate incremental borrowing rates, the calculation is still subject to a level of estimation.

The Group adopted IFRS 16 - *Leases* from 1 January 2019, and the rates used at the point of adoption are considered to be a significant estimate. Lease additions in 2020 are immaterial, therefore we do not consider the rates applied to them to be a significant estimate. The rates used on adoption of IFRS 16 - *Leases* ranged from 4.4 per cent to 6.5 per cent dependent on the nature of the asset and length of the lease.

A 1.0 per cent increase or decrease in discount rates applied at 1 January 2019 would have resulted in a decrease of £2.8m or an increase of £3.2m respectively to the right-of-use assets and liabilities recognised on adoption of IFRS 16 – *Leases*, and a decrease of £0.1m or an increase of £0.1m respectively to profit before taxation for the year ended 31 December 2019.

Restoration provisions

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. This is an inherently subjective calculation. Estimated future cash flows have been determined on a site by site basis based on the present day cost of restoration. There is significant estimation required to determine the exact cost of the restoration work. An increase in these gross cash flow assumptions of 10 per cent would result in an increase of the restoration liability of £5.7m. These cash flows are subject to expert evaluation in order to mitigate the risk of material error.

These cash flows are then inflated to the point that the cash flow is expected to occur and discounted at a rate which reflects both the time value of money and the risk specific to the restoration liability in order to derive the net present value of the obligation as at the year-end.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Restoration provisions continued

The discount rate used in this calculation is 2.9 per cent. A 1.0 per cent increase or decrease in this rate would result in a decrease of £7.6m or an increase of £10.4m respectively to the total restoration provision. Restoration dates have been determined as the earlier of the date at which reserves are expected to be exhausted or planning permission on reserves is expected to expire, which fall over the next 25 years. Reasonably possible changes in assumptions around these estimates would not have a material impact on the Financial Statements, and management do not consider these to be significant estimates.

Accounting judgements

Control of the CEMEX Acquisition

The CEMEX Acquisition was reviewed by the CMA following legal completion on 31 July 2020. The CMA instructed that the assets acquired should be held separate from the rest of the Group until the investigation and any required actions were complete. The CMA subsequently announced on 3 December 2020 that, following completion of the required divestments (note 27), no further restrictions would be necessary. The Directors have therefore assessed whether or not the Group had control over the CEMEX Acquisition from the point of legal completion, or the point at which restrictions were lifted. In making their judgement, the Directors considered the Group's ability to direct the relevant activities of the CEMEX assets during the investigation period.

After consideration, the Directors concluded that the Group had control throughout the CMA's review period and, accordingly, the CEMEX Acquisition should be consolidated from the date of legal completion on 31 July 2020.

Mineral reserves and resources

Mineral reserves and resources are the principal asset available to the Group. As at 31 December 2020, these had a carrying value of £278.7m. These mineral assets of the Group are spread over around 100 quarries, which equates to an average value of £2.8m per quarry (2019: £199.7m spread over around 80 quarries). Mineral reserves and resources are acquired either in the normal course of business or through business combinations. Those which are acquired in the normal course of business are held at historic cost on initial recognition. When mineral assets arise through business combinations, these are initially recognised at fair value as part of the acquisition accounting under IFRS 3. Subsequent to initial recognition, mineral assets are held at amortised cost and are expensed to reflect their use over time through an annual depletion charge. Mineral assets are subject to impairment testing if impairment triggers are identified, which include elements outside of the Group's control. This includes a range of factors outside of the Group's control such as changes in the planning and regulatory environment, geological and archaeological factors. The identification of impairment triggers therefore requires the Group to exercise judgement. The most significant area of judgement is in respect of the likelihood of obtaining planning permission for those quarries where the existing permission is due to expire before all of the reserves and resources which have been recognised on balance sheet have been extracted.

29 RECONCILIATION TO NON-GAAP MEASURES

A number of non-GAAP performance measures are used throughout this Annual Report and these Financial Statements. This note provides a reconciliation between these alternative performance measures to the most directly related statutory measures.

Reconciliation of earnings based alternative performance measures

2020	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	622.8	189.3	177.2	(60.6)		928.7
Profit from operations						61.6
Non-underlying items (note 3)						14.9
Underlying EBIT	34.8	20.5	30.4	(10.9)	1.7	76.5
Underlying EBIT margin*	5.6%	10.8%	17.2%			8.2%
Underlying EBIT	34.8	20.5	30.4	(10.9)	1.7	76.5
Share of profit of associate and joint ventures	–	–	–	–	(1.7)	(1.7)
Depreciation and mineral depletion	42.2	7.4	24.6	0.2	–	74.4
Underlying EBITDA	77.0	27.9	55.0	(10.7)	–	149.2

* Underlying EBIT margin is calculated as Underlying EBIT divided by revenue.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29 RECONCILIATION TO NON-GAAP MEASURES CONTINUED

Reconciliation of earnings based alternative performance measures continued

2019	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	615.1	202.0	186.4	(73.9)		929.6
Profit from operations						108.6
Non-underlying items (note 3)						8.0
Underlying EBIT	62.8	26.8	36.3	(10.9)	1.6	116.6
Underlying EBIT margin*	10.2%	13.3%	19.5%			12.5%
Underlying EBIT	62.8	26.8	36.3	(10.9)	1.6	116.6
Share of profit of associate and joint ventures	–	–	–	–	(1.6)	(1.6)
Depreciation and mineral depletion	35.6	7.0	22.5	0.1	–	65.2
Underlying EBITDA	98.4	33.8	58.8	(10.8)	–	180.2

* Underlying EBIT margin is calculated as Underlying EBIT divided by revenue.

Free cash flow

	2020 £m	2019 £m
Underlying EBIT	**76.5**	116.6
Depreciation and mineral depletion	**74.4**	65.2
Increase in trade and other receivables	**(26.4)**	(0.8)
Decrease/(increase) in inventories	**10.4**	(5.7)
Increase/(decrease) in trade and other payables	**64.6**	(1.8)
Increase/(decrease) in provisions	**7.4**	(2.0)
Share of profit of associate and joint ventures	**(1.7)**	(1.6)
Share-based payments	**1.0**	1.6
Dividends from associate and joint ventures	**1.3**	0.8
Dividend paid to non-controlling interests	**(0.1)**	(0.2)
Income taxes paid	**(20.7)**	(18.1)
Interest paid	**(7.7)**	(8.4)
Interest element of lease payments	**(2.6)**	(2.6)
Purchase of property, plant and equipment	**(38.1)**	(56.3)
Proceeds from the sale of property, plant and equipment	**1.7**	3.3
Free cash flow	**140.0**	90.0

29 RECONCILIATION TO NON-GAAP MEASURES CONTINUED

Return on invested capital

	2020 £m	2019 £m
Underlying EBIT	**76.5**	116.6
Underlying effective tax rate (note 7)	**15.6%**	16.9%
Taxation at the Group's underlying effective rate	**(11.9)**	(19.7)
Underlying earnings before interest	**64.6**	96.9
Net assets	**888.4**	839.1
Net debt (note 15)	**318.3**	290.3
Invested capital at 31 December	**1,206.7**	1,129.4
Average invested capital*	**1,168.1**	1,106.7
Return on invested capital**	**5.5%**	8.8%

* Average invested capital is calculated by taking the average of the opening invested capital at 1 January and the closing invested capital at 31 December. Opening invested capital at 1 January 2019 was £1,084.0m.

** Return on invested capital is calculated as Underlying earnings before interest, divided by average invested capital for the year.

Leverage

	2020 £m	2019 £m
Underlying EBITDA	**149.2**	180.2
Underlying EBITDA excluding the impact of IFRS 16 (note 2)	**139.9**	172.3
Net debt (note 15)	**318.3**	290.3
Net debt excluding the impact of IFRS 16 (note 15)	**265.2**	246.7
Leverage	**2.1x**	1.6x
Leverage excluding the impact of IFRS 16	**1.9x**	1.4x

Leverage is calculated as the ratio of Underlying EBITDA to net debt.

SHAREHOLDER INFORMATION

REGISTRAR

All administrative enquiries relating to shareholdings, such as lost certificates, changes of address, change of ownership or dividend payments and requests to receive corporate documents by email should, in the first instance, be directed to the Company's Registrar and clearly state the shareholder's registered address and, if available, the full shareholder reference number:

By post: Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

By telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am–5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email: shareholderenquiries@linkgroup.co.uk

Online: www.linkgroup.eu

Registering on the Registrar's share portal enables you to view your shareholding, including an indicative share price and valuation, check your holding balance and transactions, change your address or bank details and view dividend payments. To register for Signal Shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate.

GROUP WEBSITE AND ELECTRONIC COMMUNICATIONS

The 2020 Annual Report and other information about the Company are available on its website. The Company operates a service whereby you can register to receive notice by email of all announcements released by the Company.

The Company's share price (15 minutes delay) is displayed on the Company's website.

Shareholder documents are now, following changes in company law and shareholder approval, primarily made available via the Company's website, unless a shareholder has requested to continue to receive hard copies of such documents. If a shareholder has registered their up-to-date email address, an email will be sent to that address when such documents are available on the website. If shareholders have not provided an up-to-date email address and have not elected to receive documents in hard copy, a letter will be posted to their address that is recorded on the Register of Members notifying them that the documents are available on the website. Shareholders can continue to receive hard copies of shareholder documents by contacting the Registrar.

If you have not already registered your current email address, you can do so at www.signalshares.com.

Investors who hold their shares via an intermediary should contact the intermediary regarding the receipt of shareholder documents from the Company.

The Group has a wide range of information that is available on our website including:

- finance information – annual reports and half year results, financial news and events;
- share price information;
- shareholder services information; and
- press releases – both current and historical.

MULTIPLE ACCOUNTS

Shareholders who receive more than one copy of communications from the Company may have more than one account in their name on the Company's Register of Members. Any shareholder wishing to amalgamate such holdings should write to the Registrar giving details of the accounts concerned and instructions on how they should be amalgamated.

UNSOLICITED MAIL, INVESTMENT ADVICE AND FRAUD

The Company is obliged by law to make its share register publicly available and, as a consequence, some shareholders may receive unsolicited mail. In addition, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence, typically from overseas 'brokers', concerning investment matters.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. It is not just the novice investor that has been deceived in this way; many victims have been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.

If you receive any unsolicited mail or investment advice:

- Make sure you get the correct name of the person and organisation.
- Check the Financial Services Register at www.fca.org.uk.
- Use the details on the Financial Services Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call them back.
- Search the list of unauthorised firms and individuals to avoid doing business with at www.fca.org.uk/scams.
- Report a share scam by telling the FCA using the share fraud reporting form in the Consumers section of the FCA website.
- If the unsolicited phone calls persist, hang up.
- If you wish to limit the number of unsolicited calls you receive, contact the Telephone Preference Service (TPS) at www.tpsonline.org.uk and follow the link, or from your mobile phone register your mobile number, free of charge, by texting 'TPS' together with your email address to 85095.
- If you wish to limit the amount of unsolicited mail you receive, contact the Mailing Preference Service on 020 7291 3310 or visit the website at www.mpsonline.org.uk.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

SHARE DEALING SERVICES

You can buy shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

A simple and competitively priced service to buy and sell shares is provided by Link Group. There is no need to pre-register and there are no complicated application forms to fill in and by visiting www.linksharedeal.com you can also access a wealth of stock market news and information free of charge.

For further information on this service, or to buy and sell shares visit www.linksharedeal.com or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am–4.30pm, Monday to Friday excluding public holidays in England and Wales.

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply. Link Group is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the United Kingdom, the Channel Islands or the Isle of Man.

Link Group is a trading name of Link Market Services Limited and Link Market Services Trustees Limited. Share registration and associated services are provided by Link Market Services Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Link Market Services Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

The registered office of each of these companies is Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

SHAREHOLDER INFORMATION CONTINUED

ELECTRONIC VOTING

Shareholders can submit proxies for the 2021 AGM electronically by logging on to www.signalshares.com. Electronic proxy appointments must be received by the Company's Registrar no later than 2.00pm on 18 April 2021 (or not less than 48 hours before the time fixed for any adjourned meeting).

Analysis of shareholdings at 31 December 2020

	Number of accounts	Percentage of total accounts	Number of shares	Percentage of total shares
Up to 500	932	37.46	290,730	0.02
Up to 5,000	570	22.91	1,071,353	0.06
Up to 10,000	247	9.93	1,814,947	0.11
Up to 50,000	376	15.11	8,033,984	0.48
Up to 100,000	65	2.61	4,637,310	0.27
Up to 500,000	101	4.06	25,418,326	1.51
Up to 1,000,000	45	1.81	32,204,027	1.91
Up to 10,000,000	114	4.58	367,139,913	21.76
Up to 50,000,000	31	1.25	555,654,395	32.92
Up to 99,999,999,999	7	0.28	691,262,631	40.96
	2,488	**100**	**1,687,527,616**	**100**

SHAREHOLDER COMMUNICATION

Email: shareholderenquiries@linkgroup.co.uk

Telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am–5.30pm, Monday to Friday excluding public holidays in England and Wales.

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GLOSSARY

The following definitions apply throughout this Annual Report, unless the context requires otherwise.

Adopted IFRS	International Financial Reporting Standards as adopted by the EU
AGM	Annual General Meeting
AIM	Alternative Investment Market of the London Stock Exchange
ARM	Alternative raw material
BEAR Scotland	BEAR Scotland Limited
Breedon	Breedon Group plc
CEMEX	CEMEX UK Operations Limited
CEMEX Acquisition	Acquisition of certain assets from CEMEX
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CMA	Competition and Markets Authority
CO_2e	Carbon dioxide equivalent
CPA	Construction Products Association
DNED	Designated Non-executive Director
Division	One of the Group's three operating segments: GB, Ireland and Cement
EBIT	Earnings before interest and tax
EPS	Earnings per share
ESG	Environment, Social & Governance
EU	European Union
EURIBOR	Euro Inter-bank Offered Rate
FCA	Financial Conduct Authority
FCF	Free cash flow
FDPC	Flue Dust Portland Cement
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GB	Great Britain
GCCA	Global Cement and Concrete Association
GHG	Greenhouse gas (emissions)
GRI	Global Reporting Initiative
Group	Breedon and its subsidiary companies
HMRC	Her Majesty's Revenue & Customs in the UK
HSEQ	Health, Safety, Environment and Quality
HS2	High Speed 2
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDC	International Data Corporation
IFRS	International Financial Reporting Standard
Invested Capital	Net assets plus net debt
Ireland	The Island of Ireland
ISO	International Organization for Standardisation
IT	Information Technology
KPI	Key Performance Indicator
Lagan	Lagan Group (Holdings) Limited the brand under which Breedon trades in RoI, as appropriate
Leverage	Net debt expressed as a multiple of Underlying EBITDA
LIBOR	London Inter-bank Offered Rate
Like-for-like	Like-for-like reflects reported values adjusted for the impact of acquisitions and disposals
LGV	Light goods vehicle
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
M&A	Mergers & acquisitions
MPA	Mineral Products Association
MWh	Megawatt hour
NEPSP	Non-employee Performance Share Plan
NI	Northern Ireland
PSP	Performance Share Plan

QCA	Quoted Companies Alliance
RAP	Recycled asphalt planings
RoI	Republic of Ireland
ROIC	Post-tax Return on Invested Capital
SASB	Sustainability Accounting Standards Board
SECR	Streamlined Energy and Carbon Reporting
SDG	Sustainability Development Goal
SHE	Safety, health and environment
STEM	Science, Technology, Engineering and Mathematics
Sterling	Pounds sterling
TIFR	Total Injury Frequency Rate
TSR	Total shareholder return
UK	United Kingdom (GB & NI)
Underlying	Stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation, non-underlying items and before our share of profit from associate and joint ventures
VFL	Visible Felt Leadership
Whitemountain	Whitemountain Quarries Limited. The construction materials and contracting services brand under which Breedon now trades in NI

NOTES

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