BREEDON

News release

10 March 2021

Breedon Group plc

('Breedon' or 'the Group')

Annual Results 2020

Breedon, a leading construction materials group in Great Britain and Ireland, announces its audited annual results for the year ended 31 December 2020.

	2020	2019	Change
Revenue	**£928.7 million**	£929.6 million	(0%)
Underlying EBIT†	**£76.5 million**	£116.6 million	(34%)
Profit before tax	**£48.1 million**	£94.6 million	(49%)
Underlying basic EPS†	**2.80 pence**	5.08 pence	(45%)
Net debt	**£318.3 million**	£290.3 million	

† 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 announcement are defined on this basis.

21.7 million tonnes of aggregates sold (2019: 20.2 million tonnes)

3.3 million tonnes of asphalt sold (2019: 3.0 million tonnes)

2.6 million cubic metres of ready-mixed concrete sold (2019: 3.0 million cubic metres)

2.0 million tonnes of cement sold (2019: 2.0 million tonnes)

Highlights

- 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
- 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

Pat Ward, Group Chief Executive, commented:

"The pandemic brought unprecedented pressures to bear on the Group in 2020, which demanded an exceptional response from everyone in our business and I would like to say thank you to all our stakeholders for their support during a difficult year. Most especially I 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.

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. With 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."

- ends –

Breedon will host a virtual meeting for invited analysts at 9 am (UK) today and there will be a simultaneous webcast of the meeting. Please use this link to join the webcast: https://brrmedia.news/rkals #

The webcast will also be available to view on our website later today at www.breedongroup.com/investors.

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Note to Editors
Breedon Group plc is a leading construction materials group in Great Britain and Ireland. It operates two cement plants and an extensive network of quarries, asphalt plants and ready-mixed concrete plants, together with slate production, concrete and clay products manufacturing, contract surfacing and highway maintenance operations. The Group employs approximately 3,500 people and has over 1 billion tonnes of mineral reserves and resources. The Group's strategy is to continue growing through organic improvement and the acquisition of businesses in the heavyside construction materials market.

Breedon Group plc
Annual results for the year ended 31 December 2020

Statement from the Chair

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.

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. 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 Chairman10 March 2021

Breedon Group plc
Annual results for the year ended 31 December 2020

Group Chief Executive's review

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.

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.

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.

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.

Pat Ward
Group Chief Executive
10 March 2021

Group Finance Director's review

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.

On a reported basis, including the benefit of the CEMEX Acquisition, Group aggregates volumes for the year were up seven per cent at 21.7 million tonnes, asphalt volumes were up nine per cent at 3.3 million tonnes, ready-mixed concrete volumes were down 15 per cent at 2.6 million cubic metres and cement volumes were down three per cent at 2.0 million tonnes. 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 six per cent.

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 nine 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.

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).

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.

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 6 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.

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

GREAT BRITAIN

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.

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.

IRELAND

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.

CEMENT

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.

Breedon Group plc
Annual results for the year ended 31 December 2020

Consolidated Income Statement
for the year ended 31 December 2020

	2020 Underlying £m	**2020 Non-underlying* (note 3) £m**	**2020 Total £m**	2019 Underlying £m	2019 Non-underlying* (note 3) £m	2019 Total £m
Revenue	**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	**1.7**	**–**	**1.7**	1.6	–	1.6
Profit from operations	**76.5**	**(14.9)**	**61.6**	116.6	(8.0)	108.6
Financial expense	**(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	**(9.8)**	**1.3**	**(8.5)**	(17.3)	0.7	(16.6)
Taxation – change in deferred tax rate	**(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	**2.80p**		**1.99p**	5.08p		4.64p
Diluted earnings per ordinary share	**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.

Breedon Group plc
Annual results for the year ended 31 December 2020

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	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	**(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

Breedon Group plc
Annual results for the year ended 31 December 2020

Consolidated Statement of Financial Position
at 31 December 2020

	2020 £m	2019 (restated*) £m
Non-current assets		
Property, plant and equipment	**816.3**	698.6
Intangible assets	**506.9**	477.6
Investment in associate and joint ventures	**11.2**	10.8
Total non-current assets	**1,334.4**	1,187.0
Current assets		
Inventories	**59.4**	58.5
Trade and other receivables	**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	**(64.7)**	(43.9)
Trade and other payables	**(245.1)**	(177.9)
Current tax payable	**–**	(7.6)
Provisions	**(5.0)**	(2.5)
Total current liabilities	**(314.8)**	(231.9)
Non-current liabilities		
Interest-bearing loans and borrowings	**(285.3)**	(270.2)
Provisions	**(60.3)**	(32.2)
Deferred tax liabilities	**(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	**551.6**	550.0
Hedging reserve	**0.2**	(1.3)
Translation reserve	**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.

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**

Breedon Group plc
Annual results for the year ended 31 December 2020

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	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	**(151.7)**	(8.9)
Divestment of businesses	**9.0**	–
Purchase of share in joint venture	**–**	(3.0)
Issue of loan to joint venture	**–**	(4.0)
Dividends from associate and joint ventures	**1.3**	0.8
Purchase of property, plant and equipment	**(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)	**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 Basis of preparation

Breedon Group plc is a company domiciled in Jersey.

The financial information (note 11) consolidates the results of the Company and its subsidiary undertakings, and equity accounts for the Group's interest in its associate and its joint ventures (collectively 'the Group').

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.

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.

1 Basis of preparation *(continued)*

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 10.

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 8).

Ireland comprising our construction materials and contracting services businesses on the Island of Ireland.

Cement comprising our cementitious operations in Great Britain and Ireland.

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.

Notes to the Financial Statements *(continued)*

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.

Notes to the Financial Statements *(continued)*

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.

Notes to the Financial Statements *(continued)*

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 8)	**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 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

5 Taxation

	2020 £m	2019 £m
Recognised in the Consolidated Income Statement		
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

5 Taxation *(continued)*

	2020 £m	2019 £m
Recognised in Other Comprehensive Income		
Deferred tax expense/(income)		
Relating to cash flow hedges	**0.2**	(0.2)
	0.2	(0.2)

	2020 £m	2019 £m
Reconciliation of effective tax rate		
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.

6 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.

6 Interest-bearing loans and borrowings *(continued)*

Analysis of borrowings between current and non-current

	2020 £m	2019 £m
Secured bank loans	**55.0**	35.0
Lease liabilities	**9.7**	8.9
Current borrowings	**64.7**	43.9
Secured bank loans	**240.6**	230.6
Lease liabilities	**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 8). 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.

7 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.

8 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 acquisitions

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**

Notes to the financial statements *(continued)*

8 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.

9 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	**–**

Notes to the financial statements *(continued)*

10 Reconciliation to non-GAAP measures

A number of non-GAAP performance measures are used throughout 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**

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

Notes to the financial statements *(continued)*

10 Reconciliation to non-GAAP measures *(continued)*

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

Return on invested capital

	2020 £m	2019 £m
Underlying EBIT	**76.5**	116.6
Underlying effective tax rate (note 5)	**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 6)	**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.

Notes to the financial statements *(continued)*

10 Reconciliation to non-GAAP measures *(continued)*

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 6)	**318.3**	290.3
Net debt excluding the impact of IFRS 16 (note 6)	**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.

11 Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Jersey Companies Registry, and those for 2020 will be delivered in due course. The Auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Article 113B(3) or Article 113B(6) of the Companies (Jersey) Law 1991.

The Annual Report will be made available to shareholders on or before 22 March 2021 and will be displayed on the Company's website, www.breedongroup.com. Copies of the Annual Report and Accounts will be available from the Company's Registered Office, 28 Esplanade, St Helier, Jersey, JE2 3QA.

This Announcement of results for the year ended 31 December 2020 was approved by the Directors on 10 March 2021.

Cautionary Statement

This announcement contains forward-looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ from those currently anticipated.

GLOSSARY

The following definitions apply throughout this announcement, unless the context requires otherwise.

Adopted IFRS	International Financial Reporting Standards as adopted by the EU
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
CFO	Chief Financial Officer
CMA	Competition and Markets Authority
Division	One of the Group's three operating segments: GB, Ireland and Cement
EBIT	Earnings before interest and tax
EPS	Earnings per share
EURIBOR	Euro Inter-bank Offered Rate
ESG	Environment, Social & Governance
EU	European Union
FDPC	Flue Dust Portland Cement
GAAP	Generally Accepted Accounting Principles
GB	Great Britain
Group	Breedon and its subsidiary companies
HMRC	Her Majesty's Revenue & Customs in the UK
HS2	High Speed 2
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
Invested Capital	Net assets plus net debt
Ireland	The Island of Ireland
KPI	Key Performance Indicator
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
MPA	Mineral Products Association
RAP	Recycled asphalt planings
RoI	Republic of Ireland
ROIC	Post tax Return on Invested Capital
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
Whitemountain	Whitemountain Quarries Limited. The construction materials and contracting services brand under which Breedon now trades in NI