News release

7 March 2018

Breedon Group plc

('Breedon Group' or 'the Group')

Annual Results 2017

Breedon Group, the UK's leading independent construction materials group, announces its audited annual results for the year ended 31 December 2017.

	2017	**2016**	**Change**
Revenue	**£652.4 million**	£454.7 million	+43%
Underlying EBIT†	**£80.4 million**	£59.6 million	+35%
Profit before taxation	**£71.2 million**	£46.8 million	+52%
Underlying basic EPS†	**4.14 pence**	3.49 pence	+19%
Net debt	**£109.8 million**	£159.3 million	-31%

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

16.0 million tonnes of aggregates sold (2016: 11.4 million tonnes)

1.9 million tonnes of asphalt sold (2016: 1.9 million tonnes)

3.3 million cubic metres of ready-mixed concrete sold (2016: 1.9 million cubic metres)

Highlights

- A year of solid progress, with improved performances from all three divisions
- Strong organic earnings growth, supplemented by contributions from acquisitions
- Significant investment in mineral assets, capacity and operational improvements
- Two bolt-on acquisitions completed
- Planned acquisition of Tarmac quarry and asphalt assets announced
- Following full integration of 2016 Hope acquisition, growth platform strengthened, with significant scale, national reach and vertical integration
- Further 25 per cent reduction in Employee Lost Time Injury Frequency Rate (LTIFR) to 1.41

Peter Tom CBE, Executive Chairman, commented:

"2017 was one of the most productive years in our history. We completed the integration of our largest-ever acquisition, concluded two bolt-on purchases and announced an important transaction with Tarmac that, subject to approval by the competition authorities, will see us streamline our ready-mixed concrete network in exchange for a substantial new reserve of minerals and a strategically valuable asphalt plant. This did not, however, distract us from our operational focus and we once again delivered a solid financial performance.

"Our business is in great shape and we are well positioned to benefit from the medium-term growth in residential and infrastructure development, to which the majority of our material is supplied.

"We look to 2018 and beyond with confidence and optimism."

- ends -

A summary of the Group's annual results is attached.

Breedon will host a meeting for invited analysts at 9.00am today and there will be a simultaneous webcast of the meeting. Please use this link to join the webcast: http://webcasting.brrmedia.co.uk/broadcast/5a8c585dd601f43ad0181c90

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 the UK's largest independent construction materials group. It operates the country's largest cement plant, two cementitious import terminals, around 60 quarries, 26 asphalt plants, nearly 200 ready-mixed concrete plants and three concrete products plants nationwide. The Group employs around 2,200 people and has around 750 million tonnes of mineral reserves and resources. Its strategy is to continue growing organically and through acquisition of businesses in the UK heavyside construction materials market.

Breedon Group plc
Annual results for the year ended 31 December 2017

Chairman's statement

Financial results

2017 was one of the most productive years in our history. We completed the integration of our largest-ever acquisition, concluded two bolt-on purchases and announced an important transaction with Tarmac Holdings Limited (Tarmac) that, subject to approval by the competition authorities, will see us streamline our ready-mixed concrete network in exchange for a substantial new reserve of minerals and a strategically valuable asphalt plant. This did not, however, distract us from our operational focus and we once again delivered a solid financial performance.

Group revenues for the year grew by 43 per cent to £652.4 million and underlying earnings before interest and tax (EBIT) increased by 35 per cent to £80.4 million, including a full-year contribution from Hope Construction Materials Limited (Hope). This equates to an underlying EBIT margin of 12.3 per cent and we are making good progress towards our 2020 target of 15 per cent.

Profit before tax rose by 52 per cent to £71.2 million and underlying basic earnings per share increased by 19 per cent to 4.14 pence. The Group continued to generate a healthy cash flow and, even after the substantial investments made during the year, we ended 2017 with a significantly stronger balance sheet than we entered it.

A year of further growth

We believe that what distinguishes us from our competitors is our willingness to go beyond reasonable expectations to deliver an exceptional service to our customers. This applies whether we are delivering a few metres of concrete for a garage floor, or servicing a major road scheme. In fact, as Breedon has matured, we have become increasingly involved in critical industrial, commercial and infrastructure projects which have demanded strategic partnerships with some of the country's leading national companies.

The foundations of the Group are our aggregates reserves and at the end of 2017 we had around 750 million tonnes of mineral reserves and resources, with further reserves due to be added to our portfolio following completion of our planned acquisition of a number of quarries from Tarmac.

Maximising the return from every tonne of those reserves is one of the keys to our success and in 2017 we invested a further £46 million in our quarries, cement plant and downstream operations. This has enabled us to open new quarries, extend existing operations and improve the efficiency of many of our sites. Once again, organic growth was balanced with selected bolt-on purchases. We invested around £10 million in acquisitions during 2017, which extended our market reach and added further to our reserves and resources. The Group now has an even stronger platform for growth, with a national presence, enhanced product portfolio, robust central management functions and an exceptionally strong asset base.

Progress on safety

Around 2,200 colleagues now work in the Breedon Group and in 2017 we intensified our efforts to ensure that they all go home safely at the end of every working day. This took on an even greater importance in light of the tragically high number of fatalities in our industry last year. We maintain our ambition to be the safest, as well as the most profitable, construction materials company in the UK and we firmly believe that with the right culture of safe behaviour, Zero Harm is a realistic goal. I am pleased to say that the number of serious injuries declined last year, as our new Safety Commitments became firmly embedded in the business and colleagues took greater care of themselves and each other.

Senior management changes

Ashley Bryan stepped down as Managing Director of Breedon Cement and left the Group in early 2017, to be succeeded by Interim Managing Director Tim Billingham.

Following the departure of Tim Hall from the Group in September, we were recently joined by Mike Pearce as Chief Executive of Breedon Southern. Mike was formerly Managing Director of the aggregates division of Aggregate Industries, where he had also been responsible at various times for the company's building products, asphalt, ready-mixed concrete, contracting and commercial activities.

I would like to take this opportunity to welcome Mike to the Group and to thank Colin Parke for his interim leadership of Breedon Southern over the past six months.

The Board

We are today announcing Simon Vivian's retirement from the board and he will be stepping down with immediate effect. Simon and I worked closely together on the creation of Breedon and he did distinguished service as the Group's chief executive from 2010 to 2015. He retires with our thanks for the significant contribution he made to the Group's early development and we wish him well in all his future endeavours. Following Simon's departure, and recognising the need to maintain the right mix of skills and experience, we have commenced a formal search process to seek two new independent non-executive directors.

Looking ahead

Our business is in great shape and we are well positioned to benefit from the medium-term growth in residential and infrastructure development, to which the majority of our material is supplied.

As I have said in the past, our dividend policy remains constantly under review. We still believe that continuing to deliver capital growth, by reinvesting our resources in the organic development of our business and in earnings-enhancing acquisitions, is the best way of rewarding our shareholders for the foreseeable future.

We also keep our Alternative Investment Market (AIM) quotation under review. We feel no particular pressure to transfer to the main market whilst AIM continues to provide us with a platform from which to pursue our growth ambitions, but do not rule out a full listing in the longer term.

I would like to thank everyone in Breedon, together with all our contract hauliers and the many companies who do business with us, for their continued enthusiastic support for the Group. I am particularly pleased that so many of our colleagues are themselves shareholders in Breedon, thanks in part to widespread participation in our Sharesave scheme.

We look to 2018 and beyond with confidence and optimism.

Peter Tom CBE
Executive Chairman
7 March 2018

Breedon Group plc
Annual results for the year ended 31 December 2017

Group Chief Executive's review

Trading performance

We made good progress in 2017, with volumes and revenues comfortably ahead of the prior year. These included a full-year contribution from Hope, which was fully integrated into the Group less than 12 months after completion of the acquisition, and from Sherburn Minerals Limited (Sherburn).

We delivered healthy growth in volumes of aggregates and ready-mixed concrete, with asphalt volumes broadly maintained, against the background of more difficult markets, exacerbated by some major project delays and challenging weather towards the end of the year. It is also important to note that our revenue growth reflects - and will continue to reflect - the increasing internalisation of aggregates and cement following the acquisition of Hope.

Group revenues rose by 43 per cent to £652.4 million, generating underlying EBIT of £80.4 million and an underlying EBIT margin of 12.3 per cent. We remain committed to achieving a medium-term underlying EBIT margin target of 15 per cent by 2020. The Group continued to be strongly cash-generative, with net debt reduced by a further 31 per cent to just under £110 million.

All three divisions delivered improved performances, reflecting a resolute emphasis on outstanding customer service, coupled with rigorous cost-control and a sharpened focus on operating efficiency.

The market

Construction output continued to grow in 2017, rising by three per cent despite a softening of the market during the second and third quarters. As always, there were marked geographical disparities, with generally stronger demand in England than in Scotland and many regional variances within both countries. Growth was led by healthy increases in residential and infrastructure development, which together account for the majority of our end-use markets.

Organic development

Once again we invested well ahead of depreciation in mineral assets, capacity and operational improvements throughout the Group, including three new quarries, which will facilitate further internalisation of material to our concrete and asphalt plants.

We have a long-term ambition to strengthen our position in the UK asphalt market and to this end in 2017 we commenced installation of a new plant at our rail-linked quarry at Dowlow in Derbyshire and a replacement plant at our Furnace quarry in Scotland. The planned acquisition of Minffordd quarry from Tarmac will give us another new plant, expanding our asphalt network to 28 plants nationwide.

Investments last year in equipment upgrades at Tom's Forest and Dowlow quarries are already producing improved performances. We have also been operating formal OEE (Overall Equipment Effectiveness) and REE (Running Equipment Effectiveness) programmes for some time at selected sites in Breedon Southern and these are now being rolled out across Breedon Northern. They are enabling us to make clearly measurable improvements to the efficiency and running costs of our fixed plant and drive selective capital investment, thereby ensuring that all our operations are fit for purpose in the years ahead.

We completed a major planned programme of capital investment in Breedon Cement, encompassing significant upgrades to our Hope cement works, quarry equipment and road and rail fleets.

Acquisitions

In May we secured another valuable route to market for our aggregates and cement with the purchase of Pro Mini Mix Concrete, Mortars and Screeds Limited (Pro Mini Mix), a mini mix operator in the West Midlands. This was followed in August by the acquisition of Humberside Aggregates Limited (Humberside Aggregates), bringing with it around three million tonnes of mineral reserves, opening up new markets for us in East Yorkshire and Humberside and enabling us to internalise supplies to our concrete plants in the region.

In December, we announced the planned acquisition of four quarries and an asphalt plant from Tarmac, in exchange for 27 of our ready-mixed concrete plants and a cash payment of £4.9 million. This acquisition is in line with our strategy of expanding our aggregates portfolio and streamlining our concrete network, whilst enabling us to replace third-party aggregates providers with our own sources of supply. Subject to approval from the Competition and Markets Authority (CMA), the transaction is expected to be completed in the next couple of months.

Safety

We set out in 2017 to embed a culture of safer behaviour in the business, encouraging all our colleagues to recognise the importance of moving towards Zero Harm. This led to a further 25 per cent reduction in the frequency of employee lost-time injuries across the Group which, although not as great a reduction as we had targeted, is nonetheless an encouraging improvement. I am particularly pleased to note a significant fall in the severity of injuries reported, which signals that our colleagues are embracing the challenge to make Breedon a safer place to work.

Outlook

Breedon is an appreciably stronger and more strategically well positioned business today than it was two years ago. The acquisition of Hope, followed by Sherburn, Pro Mini Mix and Humberside Aggregates, have consolidated our position as the UK's leading independent construction materials producer. Our planned acquisition of quarrying and asphalt assets from Tarmac will give us an even more powerful platform for growth.

We have a business of significant scale and national reach with fully vertically integrated operations, from cement production at the UK's largest plant to an extensive network of downstream product units. The addition of two cementitious import terminals has also opened up new strategic relationships with European producers which will potentially bring valuable benefits in the future.

We have a tried and tested operational management team who have the experience and bandwidth to exploit new market and acquisition opportunities to the full in the years ahead, backed by robust processes which ensure that we can move quickly when potential investments become available. Furthermore, the consolidation of our back-office systems following the acquisition of Hope has given us capacity to further expand the Group without adding materially to our overhead.

There is no doubt that 2018 will continue to be challenging in some areas of the construction market. However, our bias towards housebuilding and infrastructure development will ensure that we are well positioned to take advantage of healthy forecast growth in these sectors and we also have further acquisitions in the pipeline. We therefore remain confident of our ability to continue delivering value for our shareholders in the current and future years.

Pat Ward
Group Chief Executive
7 March 2018

Breedon Group plc
Annual results for the year ended 31 December 2017

Business review: Breedon Northern

Trading summary

Breedon Northern delivered a solid performance in 2017, underpinned by major projects and in the face of highly competitive market conditions, especially in the second half of the year, which were exacerbated by relatively low local authority expenditure and a subdued market around Aberdeen. Total revenues were ahead 13 per cent to £196.0 million, generating a three per cent increase in underlying EBIT to £20.4 million.

Key achievements

The integration of the northern operations of Hope was completed on 1 January, followed by Sherburn on 1 March. This was followed by the opening of a new North-East Regional Office at our Raisby quarry in County Durham, generating significant savings from the release of two office rentals and enabling us to bring the former Hope and Sherburn teams together in a single location.

We continued to supply material to both the first phase of the A9 dualling project, completed in the second half of the year, and the Aberdeen Western Peripheral Route (AWPR); major additional aggregates and concrete volumes were supplied directly and asphalt was supplied and laid to the latter through our Breedon Whitemountain Ltd (Breedon Whitemountain) joint venture. Subsequent to the year-end, Carillion – one of the three shareholders of the Aberdeen Roads Limited consortium responsible for the AWPR contract – entered liquidation. Due to the joint and several liability structure of the contract held by the consortium, we expect the project to be completed by the remaining parties with no adverse financial impact on Breedon Whitemountain or Breedon Northern.

Despite a temporary pause in investment in new energy projects in Scotland, Mobile Concrete Solutions, our unincorporated joint venture with TSL Contractors, ended the year well by securing a substantial concrete order from Morrison Construction for a new wind farm at Dorenell in Moray.

Major investments

New mineral reserves were secured during the year. We opened a new sand & gravel quarry at Low Harperley near Durham – the only active sand & gravel source in County Durham – which will enable us to internalise the supply of more material to our concrete plants. Further investments were made in commencing replacement of our asphalt plant at Furnace quarry near Inverary and installing a new wash plant at our Tom's Forest quarry near Aberdeen, which will enable us to fully exploit a valuable sand resource in the overburden. In addition, we invested in new crushing and screening equipment to improve the performance of our mobile crushing trains and in a new mobile concrete plant which will support the supply of ready-mixed concrete to a potash mine in Yorkshire.

Strengthened management

Following the integration of the former Hope and Sherburn businesses, we restructured our Regional and Area Management teams to better serve the needs of the enlarged division. This included the appointment of a new Regional Director for the northern half of the division, together with a number of senior contracting operations managers.

We also embarked on a programme of coaching and mentoring for our Area General Managers with a view to improving our succession planning.

Outlook

As we look to the remainder of 2018, we enter the final stages of the AWPR project and we expect Transport Scotland to begin preparations for the next phase of the A9 dualling project between Luncarty and Birnam, from which we hope to benefit in due course. We will also be preparing for BEAR Scotland's new 5G highway maintenance contract, for which the tendering process will begin towards the end of the year.

The market is likely to continue to be challenging this year and, in the absence of significant market growth, we will focus on further cost control and operational efficiency improvements. Earlier this year we opened a new greenfield hard rock quarry at North Drumboy, about 10 miles from Glasgow and we have a new concrete plant proposed at Port Dundas, to serve the growing Glasgow market. We will continue to evaluate bolt-on acquisitions where we can secure value for shareholders.

Our planned acquisition of quarries from Tarmac will bring valuable benefits, plugging gaps in our mineral resources and providing us with strategically valuable new sources of aggregates.

Finally, I would like to thank all our colleagues for their efforts in 2017 and I look forward to making our business an even safer place to work in 2018.

Alan Mackenzie
Chief Executive
Breedon Northern
7 March 2018

Breedon Group plc
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Business review: Breedon Southern

Trading summary

Breedon Southern delivered a good performance against the background of challenging market conditions, albeit with marked regional variations. Aggregates volumes remained strong, particularly in central England, the west and Wales, and asphalt volumes were also slightly ahead on the back of healthy residential and industrial demand. Ready-mixed concrete volumes held up throughout the year, reflecting the strength of the housing market. Total revenues rose by 49 per cent to £381.5 million, and underlying EBIT grew by 16 per cent to £44.1 million.

Key achievements

2017 was a year of major change for Breedon Southern, dominated by the full IT and operational integration of the former Hope operations, which was completed in less than a year and transformed the scale and reach of the division. Notwithstanding the challenges of the integration, Breedon Southern's management remained focused on the commercial opportunities available to the business and recorded some marked successes during the year.

Major contract wins included the supply of materials to the six million square feet East Midlands Gateway scheme, the largest multi-modal project of its kind in the UK. We also won significant work at Manchester International Airport and from a wide range of groundwork specialists servicing the buoyant housebuilding industry. Supplies continued to the £53 million Newtown bypass through our Breedon Bowen Limited (Breedon Bowen) joint venture at Welshpool and to Jaguar Land Rover through our contracting business.

Major investments

Our investments in 2017 were geared primarily to growing our mineral reserves and resources and improving the performance of our key strategic quarries. In August we completed the £9 million acquisition of Humberside Aggregates, giving us around three million tonnes of additional reserves in the important markets of East Yorkshire and Humberside, with the potential to secure additional reserves in the future.

Works were also completed at Earls Barton quarry in Northamptonshire, which enabled us to open this new site in early 2018, providing access to a further source of scarce sand & gravel reserves.

We made substantial investments in our existing major quarries, notably at Dowlow, our flagship rail-linked quarry in Derbyshire, where we are seeing significant benefits flowing from improved operational efficiencies. Installation of a new asphalt plant at Dowlow is also well underway and we expect it to be operational in the first half of this year.

In May we invested in the expansion of our successful mini mix business, 1stMix, with the complementary acquisition of Pro Mini Mix, which extended our reach into the West Midlands.

Outlook

We expect the market to continue to be challenging this year. However, we already have a strong order book, including further work on the East Midlands Gateway and Newtown bypass, and will as always seek to exploit all the commercial opportunities available to us.

We see potential for incremental development of our ready-mixed concrete portfolio in certain key markets, particularly in light of the planned streamlining of our network with the divestment to Tarmac of 25 of Breedon Southern's peripheral plants.

2017 was a challenging year for all our colleagues and I would like to thank them personally for their hard work and dedication. As we look forward to the remainder of this year, our priority will be to ensure that they keep themselves and those they work with as safe as possible, as we aspire to achieve our target of Zero Harm.

Colin Parke
Interim Managing Director
Breedon Southern
7 March 2018

Breedon Group plc
Annual results for the year ended 31 December 2017

Business review: Breedon Cement

Trading summary

Breedon Cement traded strongly in 2017, with an accelerating performance in the second half following completion in the first six months of both annual maintenance and upgrade shutdowns. Total revenues rose to £141.6 million, generating underlying EBIT of £25.8 million.

These results were delivered against the background of generally softer UK volumes of ready-mixed concrete, one of our principal routes to market, coupled with high levels of cement imports, which combined to intensify competition in the bulk cement market.

Key achievements

As planned, we have internalised cement supplies to the great majority of Breedon Southern's concrete plants.

One of our primary goals in 2017 was to further enhance the reliability of our cement plant in the Hope valley. Following two major kiln shutdowns, two kiln pit-stops and a cement mill shutdown – all completed safely, on time and on budget – the reliability factor of the plant at the year-end reached 97 per cent, a world-class level of performance.

Our two import terminals at Blyth and Dundee, which were acquired as part of the Sherburn acquisition in November 2016, were successfully integrated into the division, enabling us to expand our cementitious business through the importation of cement and ground granulated blast-furnace slag (GGBS). They also provide a complementary source of supply and back-up support to our main cement plant.

Our new bagged cement range, launched towards the end of 2016, has performed in line with our expectations, building a solid core customer base among builder's merchants in the south-east of England. We are seeking to establish a strong competitive advantage in this business through a fast and responsive service to customers, coupled with an innovative loyalty scheme for both merchants and builders.

Capital investment

We completed a major programme of capital investment during the year, including a fleet of new tractor units and powder tankers; upgrades to the pre-heater riser, kiln feed and rail line at Hope Works; and a replacement excavator at the limestone quarry.

Improved logistics and service

Another priority for 2017 was to streamline our logistics and customer service operations. We have now completed a restructuring of these functions, which will enable us to improve our service delivery and drive greater efficiencies through both our in-house and contracted fleets.

Outlook

Looking ahead to the remainder of 2018, we will be focused on maximising value from every tonne of cement we produce, delivering further efficiency gains and cost-savings through selective capital investment and pushing for continual improvements in the performance and reliability of our plant.

We will also be accelerating our shale replacement project, sourcing increased quantities of pulverised fly ash (PFA) as a shale substitute, to ensure that we have in place a sustainable alternative source of waste-derived raw material for the cement-making mix by the middle of 2019.

We will be paying close attention to customer segmentation and will further extend the geographical spread of our bagged cement customers, whilst ensuring that our service levels are maintained.

In light of the planned divestment of a number of the Group's concrete plants to Tarmac, we are currently reviewing the configuration of our rail network to ensure that we optimise utilisation of our rail fleet.

We recognise that none of our achievements would be possible without a supportive and collaborative workforce and we will be working hard in 2018 to ensure that all our colleagues are well engaged and – above all – that they keep themselves and each other safe as we continue our drive towards Zero Harm.

Tim Billingham
Interim Managing Director
Breedon Cement
7 March 2018

Breedon Group plc
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Financial Review

Acquisitions

In May we acquired Pro Mini Mix, a mini mix concrete operator based at Oldbury in the Black Country and covering the West Midlands. In addition, in August we acquired Humberside Aggregates, a leading independent sand & gravel quarry and aggregates merchanting business based at North Cave near Hull in East Yorkshire.

The consideration in respect of these acquisitions was £9.7 million.

Revenue and underlying profit from operations

During the year we again delivered strong organic earnings growth, supplemented by healthy contributions from our recent acquisitions (those completed during 2016 and 2017), the most significant of these being the August 2016 acquisition of Hope.

Group aggregates volumes for the year were up 40 per cent at 16.0 million tonnes, asphalt volumes were comparable at 1.9 million tonnes and ready-mixed concrete volumes were up 74 per cent at 3.3 million cubic metres. Excluding acquisitions, aggregates volumes were up five per cent and asphalt and concrete volumes were flat. In accordance with the Cement Market Data Order 2016, cement volumes are not disclosed.

Revenue for the year at £652.4 million was 43 per cent ahead of 2016 (£454.7 million). Excluding acquisitions it was broadly in line with the prior year.

Our volumes were delivered against the background of generally softer markets in 2017, coupled with major project delays and adverse weather conditions towards the end of the year. Our revenue was also impacted by the increasing internalisation of aggregates and cement only made possible as a result of the Hope acquisition in 2016. Internal cement sales grew by four percentage points to 41 per cent and internal aggregates sales into ready-mixed concrete by three percentage points to 19 per cent.

Underlying EBIT was £80.4 million, 35 per cent ahead of 2016 (£59.6 million). Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

Underlying EBIT improved in all three divisions, although the overall underlying EBIT margin for the Group at 12.3 per cent was, as expected, diluted by the impact of the acquisition of Hope, where historic EBIT margins were single-digit. The impact of this dilution is now behind us and we are making good progress towards our 2020 underlying EBIT margin target of 15 per cent.

EBIT includes our share of profit from associate and joint ventures (net of tax). We have three such entities: BEAR Scotland Limited, Breedon Bowen and Breedon Whitemountain.

Non-underlying items

Non-underlying items in the year amounted to a net pre-tax cost of £2.8 million (2016: £8.4 million), the major item being redundancy and reorganisation costs of £2.5 million primarily in respect of the integration of Hope, which has now been completed.

Interest

Net finance costs in the year totalled £6.4 million (2016: £4.5 million) and included interest on the Group's bank facilities, amortisation of bank arrangement fees, interest on finance leases and the unwinding of discounting on provisions. The higher costs in 2017 reflect the higher level of borrowings following the 2016 acquisition of Hope.

Profit before tax

Profit before taxation was £71.2 million, 52 per cent ahead of 2016 (£46.8 million). Underlying profit before tax was £74.0 million, 34 per cent ahead of 2016 (£55.1 million).

Tax

The tax charge was £14.2 million (2016: £10.0 million). An underlying tax charge of £14.7 million (2016: £11.2 million) was recorded in the year, resulting in an underlying effective tax rate for the full year of 19.8 per cent, reflecting the effect of costs for which no tax relief can be obtained.

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

The Group endeavours to structure its affairs in a tax-efficient manner where there is commercial benefit in doing so, with the aim of supporting investment in the business and its capital expenditure programmes. It seeks to ensure that all tax affairs are administered in a lawful and responsible manner, and its actions do not adversely impact its 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 informed of all material developments relating to the Group's tax position on a regular basis. 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 Senior Accounting Officer legislation.

The Group takes appropriate tax advice and support from reputable professional firms in relation to any tax planning considerations. It is open and transparent in its dealings with HM Revenue & Customs (HMRC) and deals with any queries in a timely and open manner and on a full-disclosure basis. In areas of complexity, it is proactive in engaging with HMRC.

The Group's tax liabilities arise in the UK subsidiary companies. In terms of the UK corporation tax position, all years up to 2015 are agreed in respect of companies acquired prior to 2016. The Group is responsible for paying and submitting computations and returns in respect of Corporation Tax, National Insurance, Aggregates Levy and other taxes including VAT and PAYE.

The Group makes a significant contribution to the economy through taxation, either borne by the Group or collected on behalf of, and paid to, HMRC. In 2017, the total taxes borne and collected by the Group amounted to over £110 million (2016: over £90 million).

Earnings per share

Basic earnings per share (EPS) for the year were 3.98 pence (2016: 2.92 pence), reported after the non-underlying items mentioned above. Underlying basic EPS for the year totalled 4.14 pence (2016: 3.49 pence).

Dividends

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

Statement of financial position

Net assets at 31 December 2017 were £528.1 million (2016: £467.5 million).

The net assets continue to be underpinned by the mineral reserves and resources of the Group, which at the end of December 2017 totalled around 750 million tonnes.

Cash flow

Cash generated from operating activities was £117.2 million (2016: £80.8 million).

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

During 2017 the Group spent £9.2 million cash on two acquisitions, Pro Mini Mix and Humberside Aggregates (2016: £57.1 million on Hope and Sherburn), and incurred a cash spend on capital expenditure projects of £46.2 million (2016: £23.7 million).

Proceeds from the sale of property, plant and equipment totalled £3.2 million in 2017 (2016: £10.1 million). The 2016 proceeds included an instalment of £2.8 million from the 2014 sale of the 60-acre former concrete products plant site at Doseley near Telford in Shropshire, together with the proceeds of the Hope divestments that were required to be made by the Competition and Markets Authority.

Repayments of loans during the year totalled £26.6 million (2016: £205.1 million). The 2016 repayment (and proceeds from new loans raised) reflected the refinancing that took place on the acquisition of Hope.

Repayment of finance lease obligations totalled £5.7 million (2016: £7.2 million), which reflects the fact that the majority of property, plant and equipment purchases during the year were for cash.

Net debt

Net debt at 31 December 2017 was £109.8 million (2016: £159.3 million).

Key movements include: underlying earnings before our share of associate and joint ventures, interest, tax, depreciation and amortisation (EBITDA) of £117.0 million (2016: £83.7 million); tax paid of £12.1 million (2016: £8.3 million); purchase of property, plant and equipment of £46.2 million (2016: £30.7 million), including £Nil (2016: £7.0 million) financed by way of new finance leases; and expenditure on acquisitions of £9.7 million.

Leverage (the ratio of net debt to EBITDA) at 31 December 2017 was less than one times which, after taking into account the acquisition of Hope in 2016, clearly demonstrates the cash-generative nature of the Group.

Bank facilities

At the time of completing the acquisition of Hope in 2016, we entered into a new £300 million committed revolving credit facility agreement with Barclays Bank PLC, HSBC Bank plc, The Royal Bank of Scotland plc and Santander UK plc. This facility expires in November 2019 and contains a £100 million accordion option.

The facility is subject to a floating interest rate based on LIBOR plus margin. At 31 December 2017, the total undrawn facility available to the Group amounted to £173.0 million (2016: £148.0 million). The facility is subject to Group leverage and Group interest cover covenants which are tested half-yearly. At 31 December 2017, the Group comfortably complied with these two covenants. Based on our current estimates, we expect to comply with all our covenants for the foreseeable future.

Lastly, the Group has in place an interest rate hedge which mitigates the risk of interest rate rises on the Group's bank loans.

Rob Wood
Group Finance Director
7 March 2018

Breedon Group plc
Annual results for the year ended 31 December 2017

Consolidated Income Statement
for the year ended 31 December 2017

	2017 Underlying £000	**2017 Non-underlying* (note 3) £000**	**2017 Total £000**	2016 Underlying £000	2016 Non-underlying* (note 3) £000	2016 Total £000
Revenue	**652,416**	**–**	**652,416**	454,688	–	454,688
Cost of sales	**(408,041)**	**–**	**(408,041)**	(278,746)	–	(278,746)
Gross profit	**244,375**	**–**	**244,375**	175,942	–	175,942
Distribution expenses	**(117,647)**	**–**	**(117,647)**	(78,517)	–	(78,517)
Administrative expenses	**(49,035)**	**(2,776)**	**(51,811)**	(39,188)	(8,372)	(47,560)
Group operating profit	**77,693**	**(2,776)**	**74,917**	58,237	(8,372)	49,865
Share of profit of associate and joint ventures	**2,688**	**–**	**2,688**	1,374	–	1,374
Profit from operations	**80,381**	**(2,776)**	**77,605**	59,611	(8,372)	51,239
Financial income	**7**	**–**	**7**	63	–	63
Financial expense	**(6,415)**	**–**	**(6,415)**	(4,540)	–	(4,540)
Profit before taxation	**73,973**	**(2,776)**	**71,197**	55,134	(8,372)	46,762
Taxation	**(14,683)**	**481**	**(14,202)**	(11,198)	1,206	(9,992)
Profit for the year	**59,290**	**(2,295)**	**56,995**	43,936	(7,166)	36,770
Attributable to:						
Equity holders of the parent	**59,222**	**(2,295)**	**56,927**	43,885	(7,166)	36,719
Non-controlling interests	**68**	**–**	**68**	51	–	51
Profit for the year	**59,290**	**(2,295)**	**56,995**	43,936	(7,166)	36,770
Basic earnings per ordinary share	**4.14p**		**3.98p**	3.49p		2.92p
Diluted earnings per ordinary share	**4.07p**		**3.91p**	3.38p		2.83p

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	2017 **£000**	2016 £000
Profit for the year	**56,995**	36,770
Other comprehensive income		
Items which may be reclassified subsequently to profit and loss:		
Effective portion of changes in fair value of cash flow hedges	**(8)**	44
Taxation on items taken directly to other comprehensive income	**–**	–
Other comprehensive income for the year	**(8)**	44
Total comprehensive income for the year	**56,987**	36,814
Total comprehensive income for the year is attributable to:		
Equity holders of the parent	**56,919**	36,763
Non-controlling interests	**68**	51
	56,987	36,814

Consolidated Statement of Financial Position
at 31 December 2017

	2017 £000	2016 £000
Non-current assets		
Property, plant and equipment	**477,393**	467,514
Intangible assets	**194,543**	193,784
Investment in associate and joint ventures	**6,171**	5,502
Total non-current assets	**678,107**	666,800
Current assets		
Inventories	**30,923**	29,331
Trade and other receivables	**113,487**	110,772
Cash and cash equivalents	**23,912**	4,628
Total current assets	**168,322**	144,731
Total assets	**846,429**	811,531
Current liabilities		
Interest-bearing loans and borrowings	**(4,414)**	(6,893)
Trade and other payables	**(120,825)**	(116,783)
Current tax payable	**(6,776)**	(5,114)
Provisions	**(2,568)**	(6,478)
Total current liabilities	**(134,583)**	(135,268)
Non-current liabilities		
Interest-bearing loans and borrowings	**(129,340)**	(157,073)
Provisions	**(26,097)**	(24,429)
Deferred tax liabilities	**(28,350)**	(27,217)
Total non-current liabilities	**(183,787)**	(208,719)
Total liabilities	**(318,370)**	(343,987)
Net assets	**528,059**	467,544
Equity attributable to equity holders of the parent		
Stated capital	**377,755**	375,495
Cash flow hedging reserve	**–**	8
Capital reserve	**–**	1,516
Retained earnings	**150,118**	90,307
Total equity attributable to equity holders of the parent	**527,873**	467,326
Non-controlling interests	**186**	218
Total equity	**528,059**	467,544

Breedon Group plc
Annual results for the year ended 31 December 2017

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2016	178,637	(36)	1,516	52,958	233,075	167	233,242
Shares issued	196,858	–	–	(177)	196,681	–	196,681
Dividend to non-controlling interests	–	–	–	–	–	–	–
Total comprehensive income for the year	–	44	–	36,719	36,763	51	36,814
Share-based payments	–	–	–	807	807	–	807
Balance at 31 December 2016	375,495	8	1,516	90,307	467,326	218	467,544
Shares issued	2,260	–	(1,516)	–	744	–	744
Dividend to non-controlling interests	–	–	–	–	–	(100)	(100)
Total comprehensive income for the year	–	(8)	–	56,927	56,919	68	56,987
Share-based payments	–	–	–	2,884	2,884	–	2,884
Balance at 31 December 2017	**377,755**	–	**–**	**150,118**	**527,873**	**186**	**528,059**

Breedon Group plc
Annual results for the year ended 31 December 2017

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the year	**56,995**	36,770
Adjustments for:		
Depreciation and amortisation	**39,528**	25,530
Financial income	**(7)**	(63)
Financial expense	**6,415**	4,540
Share of profit of associate and joint ventures	**(2,688)**	(1,374)
Net gain on sale of property, plant and equipment	**(998)**	(1,007)
Equity settled share-based payment expense	**2,884**	807
Taxation	**14,202**	9,992
Operating cash flow before changes in working capital and provisions	**116,331**	75,195
Decrease in trade and other receivables	**706**	6,862
Increase in inventories	**(1,057)**	(1,887)
Increase/(Decrease) in trade and other payables	**2,331**	(801)
(Decrease)/Increase in provisions	**(1,142)**	1,429
Cash generated from operating activities	**117,169**	80,798
Interest paid	**(3,707)**	(4,315)
Interest element of finance lease payments	**(388)**	(466)
Dividend paid to non-controlling interests	**(100)**	–
Income taxes paid	**(12,082)**	(8,307)
Net cash from operating activities	**100,892**	67,710
Cash flows used in investing activities		
Acquisition of businesses	**(9,201)**	(57,062)
Purchase of property, plant and equipment	**(46,193)**	(23,729)
Proceeds from sale of property, plant and equipment	**3,246**	10,070
Repayment of loan to joint venture	**269**	200
Interest received	**7**	63
Dividends from associate and joint ventures	**1,750**	750
Net cash used in investing activities	**(50,122)**	(69,708)
Cash flows used in financing activities		
Proceeds from the issue of shares (net)	**744**	397
Proceeds from new loans raised	**–**	195,000
Repayment of loans	**(26,568)**	(205,090)
Repayment of finance lease obligations	**(5,662)**	(7,191)
Purchase of financial instrument – derivative	**–**	(12)
Net cash used in financing activities	**(31,486)**	(16,896)
Net Increase/(Decrease) in cash and cash equivalents	**19,284**	(18,894)
Cash and cash equivalents at 1 January	**4,628**	23,522
Cash and cash equivalents at 31 December	**23,912**	4,628

Notes to the Financial Statements

1 Basis of preparation

Breedon Group plc is a company domiciled in Jersey.

The financial information (see note 9) 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 International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). 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
The following standards have been adopted by the Group during the year:

- Amendments to IAS 12 - *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7 - *Disclosure Initiative*

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, the following Standards, Interpretations and Amendments had been issued but were not effective for the year ended 31 December 2017 (and in some cases had not yet been adopted by the EU) and have not yet been adopted by the Group:

Effective for periods beginning on or after 1 January 2018:

- IFRS 15 - *Revenue from Contracts with Customers*

The Group will adopt IFRS 15 - *Revenue from Contracts with Customers* for the financial year starting 1 January 2018. An impact assessment exercise was completed during the current year which considered all revenue streams, but in particular focussed on revenues which are currently accounted for on a percentage of completion basis. The conclusion reached is that, with the exception of the additional disclosure requirements, the new standard will not have a significant impact on the Group's Financial Statements.

- IFRS 9 - *Financial Instruments*

The Group will adopt IFRS 9 - *Financial Instruments* for the financial year starting 1 January 2018. The Group does not hold complex financial instruments and therefore the majority of changes to the standard do not change the existing accounting for assets or liabilities held. The change in the standard to an 'expected loss' model of impairment may result in a slight increase in the overall level of bad debt provision, but this will not have a significant impact on the Group's Financial Statements.

Effective for periods beginning on or after 1 January 2019:

- IFRS 16 - *Leases*

IFRS 16 - *Leases* will be adopted by the Group for the financial year starting on 1 January 2019. The impact of the new standard will be to bring operating lease arrangements on balance sheet, with a right of use asset and corresponding financial liability recognised on transition. An impact assessment commenced during 2017 which will be completed in the first half of 2018. The Group has material operating leases and therefore the adoption of the standard is expected to have a material impact on the Financial Statements of the Group.

There are no other IFRSs or IFRIC interpretations that are effective subsequent to the 31 December 2017 year-end that are expected to materially impact the Group's Financial Statements.

Notes to the Financial Statements *(continued)*

2 Segmental analysis

The principal activity of the Group is the quarrying of aggregates and the production of cement and other added value products, including asphalt and ready-mixed concrete, together with related activities in Great Britain. For the purpose of management reporting to the chief operating decision maker, the Group previously split into three reportable units: Breedon Northern, Breedon Southern and Hope Cement. From 1 January 2017, the aggregates and concrete operations of Hope Cement were transferred into Breedon Northern and Breedon Southern according to geographic location, and the remaining cementitious operations rebranded as Breedon Cement. The prior year segmental analysis has been restated to reflect the new structure.

Income Statement

	2017		2016 (restated)	
	Revenue £000	**EBITDA* £000**	Revenue £000	EBITDA* £000
Breedon Northern	**196,025**	**32,062**	172,833	29,963
Breedon Southern	**381,456**	**57,486**	255,563	48,338
Breedon Cement	**141,561**	**39,851**	52,115	16,152
Central administration	**–**	**(12,400)**	–	(10,803)
Eliminations	**(66,626)**	**–**	(25,823)	–
Group	**652,416**	**116,999**	454,688	83,650

*EBITDA is earnings before interest, tax, depreciation, amortisation, non-underlying items (note 3) and before our share of profit from associate and joint ventures.

Reconciliation to statutory profit		
Group EBITDA as above	**116,999**	83,650
Depreciation and mineral depletion	**(39,306)**	(25,413)
Underlying operating profit		
Breedon Northern	**20,374**	19,909
Breedon Southern	**44,148**	38,113
Breedon Cement	**25,762**	11,060
Central administration	**(12,591)**	(10,845)
	77,693	58,237
Share of profit of associate and joint ventures	**2,688**	1,374
Underlying profit from operations (EBIT)	**80,381**	59,611
Non-underlying items (note 3)	**(2,776)**	(8,372)
Profit from operations	**77,605**	51,239
Net financial expense	**(6,408)**	(4,477)
Profit before taxation	**71,197**	46,762
Taxation	**(14,202)**	(9,992)
Profit for the year	**56,995**	36,770

2 Segmental analysis *(continued)*

Statement of financial position

	2017		2016 (restated)	
	Total assets £000	**Total liabilities £000**	Total assets £000	Total liabilities £000
Breedon Northern	**190,313**	**(40,317)**	192,360	(45,106)
Breedon Southern	**322,772**	**(71,965)**	300,975	(65,780)
Breedon Cement	**307,542**	**(29,128)**	311,966	(26,204)
Central administration	**1,890**	**(8,080)**	1,602	(10,600)
Total operations	**822,517**	**(149,490)**	806,903	(147,690)
Current tax	**–**	**(6,776)**	–	(5,114)
Deferred tax	**–**	**(28,350)**	–	(27,217)
Net debt	**23,912**	**(133,754)**	4,628	(163,966)
Total Group	**846,429**	**(318,370)**	811,531	(343,987)
Net assets		**528,059**		467,544

Breedon Southern total assets include £3,343,000 (2016: £3,399,000) in respect of an investment in a joint venture and Breedon Northern total assets include £2,828,000 (2016: £2,103,000) in respect of investments in a joint venture and an associate.

Analysis of depletion, depreciation, amortisation and capital expenditure

	Mineral depletion £000	**Depreciation £000**	**Amortisation of intangible assets £000**	**Additions to property, plant and equipment £000**
2017				
Breedon Northern	**1,437**	**10,251**	**35**	**14,028**
Breedon Southern	**4,007**	**9,331**	**182**	**19,238**
Breedon Cement	**–**	**14,089**	**5**	**12,895**
Central administration	**–**	**191**	**–**	**32**
Total	**5,444**	**33,862**	**222**	**46,193**
2016 (restated)				
Breedon Northern	1,570	8,484	35	14,641
Breedon Southern	2,909	7,316	77	12,758
Breedon Cement	–	5,092	5	3,268
Central administration	–	42	–	35
Total	4,479	20,934	117	30,702

Additions to property, plant and equipment exclude additions in respect of business combinations (note 8).

All revenues are derived in the UK. An analysis of revenue streams is as follows:

	2017 £000	2016 £000
Sale of goods	**581,717**	379,857
Contract surfacing	**70,699**	74,831
Total	**652,416**	454,688

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. 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.

	2017 £000	2016 £000
Included in administrative expenses:		
Redundancy and reorganisation costs	**(2,499)**	(5,326)
Acquisition costs	**(626)**	(3,119)
Gain on property disposals	**571**	185
Amortisation of acquired intangible assets	**(222)**	(112)
Total non-underlying items (pre-tax)	**(2,776)**	(8,372)
Non-underlying taxation	**481**	1,206
Total non-underlying items (after tax)	**(2,295)**	(7,166)

4 Financial income and expense

	2017 £000	2016 £000
Bank deposits	**7**	63
Financial income	**7**	63
Bank loans and overdrafts	**(3,707)**	(2,748)
Amortisation of prepaid bank arrangement fee	**(806)**	(497)
Finance leases	**(388)**	(466)
Unwinding of discount on provisions	**(1,514)**	(829)
Financial expense	**(6,415)**	(4,540)

5 Taxation

	2017 £000	2016 £000
Recognised in the Consolidated Income Statement		
Current tax expense		
Current year	**13,956**	9,996
Prior year	**(850)**	(104)
Total current tax	**13,106**	9,892
Deferred tax expense		
Current year	**1,327**	(193)
Prior year	**(231)**	293
Total deferred tax	**1,096**	100
Total tax charge in the Consolidated Income Statement	**14,202**	9,992

Notes to the Financial Statements *(continued)*

5 Taxation *(continued)*

	2017 £000	2016 £000
Reconciliation of effective tax rate		
Profit before taxation	**71,197**	46,762
Tax at the Company's domestic rate of 0%*	**–**	–
Effect of tax in UK at UK rate*	**14,038**	10,061
Expenses not deductible for tax purposes	**1,746**	1,835
Property sales	**246**	(25)
Relief in respect of share-based payments	**(114)**	(222)
Income from associate and joint ventures already taxed	**(517)**	(275)
Effect of change in rate	**(116)**	(1,571)
Adjustment in respect of prior years**	**(1,081)**	189
Total tax charge	**14,202**	9,992

* The Company is resident in Jersey and has a zero per cent tax rate. The Group has subsidiary operations in the UK which pay tax at a higher rate of 19.25 per cent (2016: 20.00 per cent).

A reduction in the UK corporation tax rate from 20 per cent to 19 per cent (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17 per cent (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

** The adjustment in respect of prior years arises as a result of the difference between tax relating to acquired companies calculated for provisioning purposes in the prior year Financial Statements and the submission of final tax returns for 2016.

Notes to the Financial Statements *(continued)*

6 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	2017 £000	2016 £000
Non-current liabilities		
Secured bank loans	**124,247**	147,779
Finance lease liabilities	**5,093**	9,294
	129,340	157,073
Current liabilities		
Unsecured bank loans	**–**	1,336
Current portion of finance lease liabilities	**4,414**	5,557
	4,414	6,893

The Group has a £300 million facility agreement at rates of interest of between 1.35 and 1.9 per cent above LIBOR. Rates of between 1.5 and 1.9 per cent above LIBOR were paid during the year. The loan is secured by a floating charge over the assets of the Company and its subsidiary undertakings and has a final repayment date of 17 November 2019.

Net debt

	2017 £000	2016 £000
Net debt comprises the following items:		
Cash and cash equivalents	**23,912**	4,628
Current borrowings	**(4,414)**	(6,893)
Non-current borrowings	**(129,340)**	(157,073)
	(109,842)	(159,338)

7 Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders of £56,927,000 (2016: £36,719,000) and on the weighted average number of ordinary shares in issue during the year of 1,428,956,906 (2016: 1,257,812,971).

The calculation of underlying earnings per share is based on the profit for the year attributable to ordinary shareholders, adjusted to add back non-underlying items, of £59,222,000 (2016: £43,885,000) and on the weighted average number of ordinary shares in issue during the year as above.

Diluted earnings per ordinary share is based on 1,454,185,019 shares (2016: 1,299,537,417). The adjustment for dilution of 25,228,113 (2016: 41,724,446) potential ordinary shares comprises 15,768,587 (2016: 29,279,278) in respect of warrants and 9,459,526 (2016: 12,445,168) in respect of share based payments.

Notes to the Financial Statements *(continued)*

8 Acquisitions

Current year acquisitions

During the year, the Group acquired the entire share capital of the following companies:

- Pro Mini Mix Concrete, Mortars and Screeds Limited (2 May 2017)
- Humberside Aggregates Limited (1 August 2017)

These transactions were accounted for as business combinations. The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of these were as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	7,159	(3,454)	3,705
Property, plant and equipment	1,710	(175)	1,535
Inventories	766	(231)	535
Trade and other receivables	2,707	–	2,707
Cash	531	–	531
Trade and other payables	(2,391)	–	(2,391)
Current tax payable	(638)	–	(638)
Interest-bearing loans and borrowings	(550)	–	(550)
Provisions	–	(449)	(449)
Deferred tax liabilities	(156)	119	(37)
Total	**9,138**	**(4,190)**	**4,948**
Consideration – cash			**9,732**
Goodwill arising			**4,784**

The fair value adjustments primarily comprised adjustments to:

- revalue certain mineral reserves and resources to reflect the fair value at date of acquisition;
- impairment adjustments in respect of certain items of plant and equipment;
- inventories to reflect fair value;
- restoration provisions to reflect costs to comply with environmental, planning and other legislation; and
- deferred tax balances.

The goodwill arising represents the potential to access further reserves of mineral subject to obtaining the necessary permissions, the strategic geographic location of the assets acquired and the skills of the existing workforce. Following careful consideration, in the view of the Directors, no intangible assets arose in respect of these acquisitions.

In total the Group incurred acquisition related costs of £626,000 (2016: £3,119,000) in the year relating principally to external professional fees and due diligence costs. These have been included as non-underlying administrative costs (see note 3).

During the year, these acquisitions contributed revenues of £4,409,000 and underlying EBIT of £735,000 to the Group.

Cash flow effect

The cash flow effect of the current year acquisitions can be summarised as follows:

	£000
Consideration paid	(9,732)
Cash acquired with the businesses	531
Net cash consideration shown in the Consolidated Statement of Cash Flows	**(9,201)**

If both the Pro Mini Mix Concrete, Mortars and Screeds Limited acquisition and the acquisition of Humberside Aggregates Limited had occurred on 1 January 2017, the results of the Group for the year ended 31 December 2017 would have shown revenue of £660,200,000 and underlying EBIT of £80,900,000.

Notes to the financial statements *(continued)*

8 Acquisitions *(continued)*

Prior year acquisitions

In 2016 the Group acquired Hope Construction Materials Limited and Sherburn Minerals Limited. No adjustments have been made in respect of either acquisition within the measurement period, and the provisional fair values reported in the prior year are now considered final.

Acquisitions announced but not completed at balance sheet date

On 13 December 2017, the Group announced its agreement to acquire from Tarmac Holdings Limited four quarries and an asphalt plant for £16.5 million, to be satisfied by the transfer to Tarmac of 27 ready-mixed concrete plants and payment of £4.9 million in cash. The deal is expected to complete in 2018 subject to CMA approval. As this approval was pending at the balance sheet date, no reclassification adjustment has been made to treat the assets to be disposed of as ‘held for sale’.

9 Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2017 or 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Jersey Companies Registry, and those for 2017 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 and Accounts will be posted to shareholders on or before 16 March 2018 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 2017 was approved by the Directors on 7 March 2018.

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.