News release

6 March 2019

Breedon Group plc

('Breedon' or 'the Group')

Annual Results 2018

Breedon, a leading construction materials group in Great Britain and Ireland, announces its audited annual results for the year ended 31 December 2018.

	2018	2017	Change
Revenue	**£862.7 million**	£652.4 million	+32%
Underlying EBIT†	**£103.5 million**	£80.4 million	+29%
Profit before taxation	**£79.9 million**	£71.2 million	+12%
Underlying basic EPS†	**4.70 pence**	4.14 pence	+14%
Net debt	**£310.7 million**	£109.8 million	

† 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.

19.4 million tonnes of aggregates sold (2017: 16.0 million tonnes)

2.8 million tonnes of asphalt sold (2017: 1.9 million tonnes)

3.2 million cubic metres of ready-mixed concrete sold (2017: 3.3 million cubic metres)

2.0 million tonnes of cement sold*

Highlights

- Strong performance delivered in the face of difficult trading conditions
- Improved revenue and earnings, underpinned by contributions from recent acquisitions
- Strong cash flow resulting in closing Leverage of 2.0
- Transformative acquisition of Lagan, taking us into new markets with significant growth potential
- Asset swap with Tarmac streamlined our concrete network, strengthened our asset base and improved the quality of our earnings
- A further £50 million invested in operational improvements, increased capacity and extensions to reserves
- New operating segments reflect change in the Group's structure following the acquisition of Lagan
- Confident of making further progress in the current year

Peter Tom CBE, Executive Chairman, commented:

"We can be justifiably proud of our results. We outperformed the GB market in sales volumes of all our key products, grew our revenues and Underlying EBIT, and once again generated strong cash flow, enabling us to pay down a material proportion of our post-Lagan debt by the year-end.

"Our company is in excellent shape and well placed to benefit from the medium-term growth predicted for our markets. We have a strong asset base, a highly cash-generative business and a talented management team, all of which give us a significant competitive advantage whatever the market conditions.

"We are confident of making further progress in the current year."

- ends -

A summary of the Group's annual results is attached including a glossary of terms.

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/5c73b3524bfa360ce16bc5a9

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

Enquiries:

Breedon Group plc Peter Tom, Executive Chairman Pat Ward, Group Chief Executive Rob Wood, Group Finance Director	Tel: 01332 694010
Stephen Jacobs, Head of Communications	Tel: 07831 764592
Cenkos Securities plc (Nomad & joint broker) Max Hartley	Tel: 020 7397 8900
Numis Securities (Joint broker) Heraclis Economides Ben Stoop	Tel: 020 7260 1000

Note to Editors

Breedon Group plc is a leading construction materials group in GB and Ireland. It currently operates two cement plants, around 80 quarries, 40 asphalt plants, around 170 ready-mixed concrete and mortar plants, nine concrete and clay products plants, four contract surfacing businesses, six import/export terminals and two slate production facilities. The Group employs nearly 3,000 people and has nearly 900 million tonnes of mineral reserves and resources. The Group's strategy is to continue growing organically and through the acquisition of businesses in the heavyside construction materials market.

* in accordance with the CMDO, prior year cement volumes are not disclosed as they relate exclusively to the UK market.

Breedon Group plc
Annual results for the year ended 31 December 2018

Chairman's statement

Financial results

2018 was not the easiest of years. It began with severe winter weather conditions and, despite some recovery in the second half of the year, ended with confirmation that over the full 12 months there was little growth in construction output in GB.

Against this challenging backdrop, we can be justifiably proud of our results. We outperformed the GB market in sales volumes of all our key products, grew our revenues and Underlying EBIT, and once again generated strong cash flow, enabling us to pay down a material proportion of our post-Lagan debt by the year-end.

Expanding our horizons

The acquisition of Lagan in April was transformative. It took us into an attractive new market with significant growth potential, also helping to offset a muted GB performance in the year under review. In addition, the Tarmac asset swap was important as it enabled us to streamline our concrete network by relinquishing 23 peripheral plants in exchange for 25 million tonnes of reserves in four quarries, together with an asphalt plant, thereby further strengthening our asset base and improving the quality of our earnings.

Making Breedon safer

As our Group Chief Executive reports in his review, we were disappointed by our safety performance in 2018. Too many of our colleagues were hurt, almost always avoidably. It is the measure of a successful heavyside construction materials company that we are not only profitable, but safe, and we have an obligation to ensure that our colleagues are not put at risk and that they take care of themselves and one another. We will be focusing our efforts this year on ensuring that Breedon is a safer place to work and that we make better progress towards our ultimate target of Zero Harm.

Board changes

As we signalled at the half-year, Peter Cornell joined us as a non-executive director on 1 October. Peter brings a wealth of corporate experience to Breedon and we are delighted to have him on our Board. We are making good progress towards the appointment of a further new non-executive director.

At the end of the year, David Warr retired from the Board. David had been a non-executive director of Breedon since the company's shares were admitted to AIM in 2008 and served the Group with great dedication and professionalism. Once again, I would like to thank him for his considerable contribution and wish him well for the future.

Engaging with our stakeholders

We welcome the amendment to the AIM Rules, which requires all member companies to adopt a recognised corporate governance code. We have always sought to comply as far as appropriate with the QCA's guidance on governance and to align with best practice, and we acknowledge that one of the QCA's key requirements in light of the changes is for us to improve communication with our stakeholders, especially in terms of broadening understanding of our purpose and culture.

Looking ahead

Our company is in excellent shape and well placed to benefit from the medium-term growth predicted for our markets. We have a strong asset base, a highly cash-generative business and a talented management team, all of which give us a significant competitive advantage whatever the market conditions.

Clearly we face continued uncertainty pending the final outcome of the Brexit negotiations. However, the majority of our businesses are essentially local, with local customer bases and supply chains, and they therefore rarely cross national borders.

Whatever the outcome, we will adapt our business to ensure that any impact on our service to our customers is kept to a minimum.

As we have consistently stated, we keep our dividend policy under review and continue to believe that, by reinvesting our resources in the organic development of our business and in earnings-enhancing acquisitions, and by maintaining our focus on debt reduction, we can continue to reward our shareholders by delivering capital growth. Similarly, we feel no pressing need to transfer to the main market whilst AIM provides us with an appropriate platform from which to pursue our growth ambitions.

We owe our colleagues a special debt of gratitude for their commitment and hard work in a very demanding year. Our strong performance in difficult trading conditions was entirely down to them and I thank them all on behalf of the Board and our shareholders.

We are confident of making further progress in the current year.

Peter Tom CBE
Executive Chairman
6 March 2019

Breedon Group plc
Annual results for the year ended 31 December 2018

Group Chief Executive's review

Trading performance

We have good reason to be pleased with our results for 2018. We delivered a better-than-expected performance in the face of strong headwinds, with volumes and revenues well ahead of the prior year, underpinned by just over eight months' contribution from Lagan. This resulted in Underlying EBIT exceeding £100 million for the first time in the Group's history.

Trading conditions were difficult. Following a slow start due to severe winter weather in the first quarter, our markets remained challenging throughout the year against the backdrop of continuing Brexit-related economic uncertainty and rising input costs.

Despite these challenges, the Group performed strongly. Revenues rose by 32 per cent to £862.7 million, generating a 29 per cent increase in Underlying EBIT of £103.5 million and an Underlying EBIT margin of 12 per cent. Although we were unable to enhance the Group margin in 2018, we remain committed to our medium-term Underlying EBIT margin target of 15 per cent.

The Group continued to generate healthy cash flow, enabling us to reduce our post-Lagan net debt to £310.7 million at 31 December 2018, equivalent to 2.0 times Underlying EBITDA.

With the integration of Lagan into the Group now well underway, we have simplified our reporting structure into three segments – Great Britain, Ireland and Cement – each representing a sound platform for future growth. All three businesses made solid progress in 2018, despite the softness in some areas of their markets and the rising input costs with which they had to contend throughout the year.

The market

Construction output in GB was broadly flat over the year as a whole and modestly ahead in NI, whilst in RoI output is estimated to have grown by over six per cent. As always, conditions varied widely from region to region, which serves to underline the benefit of our broadening geographical base. Growth was led by the residential and industrial sectors, with modest growth in infrastructure as some larger projects were once again deferred.

Organic development

We continued to commit substantial investment to the business, with capital expenditure of nearly £50 million directed to operational improvements, increased capacity, broadening geographical coverage and extending our mineral reserves and resources.

In line with our strategy for strengthening our position in the asphalt market, towards the end of the year we completed the installation of a new plant at Dowlow in Derbyshire which, together with the addition of our new plant at Minffordd – acquired as part of our asset swap with Tarmac – and a further 14 plants acquired with Lagan, give us a 40-strong network of asphalt plants in GB and Ireland.

Significant mineral reserves were released for extraction following successful planning applications for extensions at four of our quarries in England, and our new quarry at North Drumboy near Glasgow also came into full production.

One of the benefits of our acquisition of Lagan was the access we gained to the network of ports in GB which are licensed to receive high PSV stone deliveries from Whitemountain's quarries in NI. This has greatly enhanced our ability to service our markets in England, Scotland and Wales with this high-value aggregate material.

Acquisitions

We completed a major strategic acquisition, an important asset-swap and two bolt-on acquisitions during the year.

In April we completed the acquisition of Lagan for £455 million, our largest purchase to date. Lagan gave us immediate scale in a growing market outside GB, with a new modern cement plant and complementary downstream businesses with strong development potential. We moved quickly to integrate the business into the Group, delivering savings of £2 million in 2018, which puts us well on track to deliver our commitment of £5 million of synergies within three years.

On 1 July we completed the acquisition of four quarries and an asphalt plant from Tarmac, in exchange for 23 of our ready-mixed concrete plants and £6.1 million in cash. The asset swap enabled us to further strengthen our asset base, whilst streamlining our concrete network – an excellent, margin-enhancing transaction.

Staffs Concrete, acquired in April, extended our mini-mix concrete network in the West Midlands north of Birmingham. Finally, Blinkbonny quarry near Kelso, a high-quality quarry and concrete plant, gave us our first foothold in aggregates in the south-east of Scotland in June.

Senior management changes

Another significant benefit of the Lagan acquisition was the exceptional senior management team that came with it.

Aidan Mullan heads our business in NI; Terry Lagan heads our business in RoI; and Jude Lagan has assumed control of our enlarged cement business. They strengthened an already highly experienced senior management team which has consistently delivered value for our shareholders.

Safety

After making further progress in reducing the frequency of lost-time injuries in the first half of the year, I am disappointed to report a poorer performance in the second half, with the result that we ended the year some distance from our target reduction for 2018.

It was particularly disappointing that the accidents involved – all of which resulted in a colleague being absent from work for at least a day – were easily avoidable: typically slips, trips or falls. However, we have made great strides in embedding our Safety Commitments, engagement with our colleagues is steadily improving and with the commitment of everyone in the business we are confident of delivering marked improvements in our safety performance.

Outlook

Breedon was 10 years old in 2018. During that eventful decade, from our first acquisition in 2010 to our recent £455 million purchase of Lagan, we have demonstrated our ability to deliver strong earnings growth, through a combination of organic development and value-enhancing acquisitions.

We have built a Group which is underpinned by nearly 900 million tonnes of valuable, scarce mineral reserves and resources and two highly-invested cement plants, which together provide us with solid asset backing in an industry with high barriers to entry.

Breedon is and always has been highly cash-generative. This has enabled us over the years to use our balance sheet efficiently to fund our growth and pay down debt rapidly.

We have assembled a management team which I believe we can justifiably claim to be among the most talented and experienced in our industry – highly motivated, entrepreneurial colleagues who think on their feet and stay close to their markets, delivering exceptional results in often very challenging trading environments. We now employ close to 3,000 people to whom we continue to provide rewarding careers and opportunities.

These qualities give us great confidence in the future of our business. We are equipped to outperform, irrespective of market conditions, through an efficient, flexible business model which enables us to seize opportunities and deliver continuous organic growth whilst minimising risk. With the acquisition of Lagan, which diversifies our geographical and product exposure, we have further de-risked our business whilst creating significant potential for expansion in a new, growing market with healthy opportunities for consolidation.

We fully expect 2019 to continue to be challenging in GB. However, our broad spread of operations, excellent management team and our exposure to sectors like infrastructure and housing with above-average growth projections, give us confidence that we will continue to make solid progress in 2019.

Pat Ward
Group Chief Executive
6 March 2019

Breedon Group plc
Annual results for the year ended 31 December 2018

Managing our risks and opportunities

Our strategy informs the setting of the Group's priorities. Opportunities, and the risk accepted, in pursuit of these are guided by the risk appetite set by the Board and governed by the Group's risk management framework.

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

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

The Group's principal risks, in alphabetical order, are:

1) Acquisitions
2) Competition and margins
3) Financing, liquidity and currency
4) Health, safety & environment
5) IT and cyber security
6) Legal and regulatory
7) Market conditions
8) People

During the year three of our risks increased and five of our risks remained the same.

Increased risks

The three risks that increased related to acquisitions; competition and margins; and financing, liquidity and currency.

Acquisitions risk has increased from a medium to a high risk to reflect the challenges that lie ahead to successfully integrate the Lagan businesses into the Group and deliver the expected returns, particularly given the entry into a new market.

Competition and margins risk, although increased to a high risk during the prior year, has increased again to reflect the potentially higher impact that the challenging GB market conditions could have on the Group in the short term. Lastly, financing, liquidity and currency risk has increased from a low to a medium risk to reflect the increased leverage and increased foreign currency exposure following our acquisition of Lagan.

Brexit

The Group is managing the potential impacts Brexit could have on it. Brexit has not been presented as an additional principal risk but adds an additional level of uncertainty that increases the overall risk profile of the Group.

With the exception of cement and the importation of bitumen, our businesses are all essentially local ones and our products do not generally cross national borders. In addition, the supply chain is generally local.

In the case of cement and bitumen, however, we do import into the UK from the EU. The major risk to this importation would be if the UK left the EU without a deal on 29 March 2019. In such a scenario WTO rules would prevail and the Group could be exposed to:

- supply chain delays,
- the requirement for additional working capital, and
- tariffs.

In addition, the Group could also be indirectly impacted by reduced confidence, delays in our suppliers' supply chains and labour shortages.

We are in the process of finalising our contingency plans to mitigate the cement and bitumen risks. Contingency planning in respect of the indirect risks is more challenging and to a large extent we are unable to mitigate against it.

The Group will continue to monitor its Brexit risk position and respond as clarity emerges.

Risk appetite

The Group's risk appetite is reviewed annually and approved by the Board in order to guide management. It defines the level of risk the Group is willing to accept in pursuit of its strategy.

Breedon Group plc
Annual results for the year ended 31 December 2018

Group Finance Director's review

During the year we delivered strong earnings growth, which was underpinned by the contributions from our recent acquisitions (those completed during 2017 and 2018), the most significant being the April 2018 acquisition of Lagan.

Group aggregates volumes for the year were up 22 per cent at 19.4 million tonnes and asphalt volumes were up 50 per cent at 2.8 million tonnes; however, ready-mixed concrete volumes were down three per cent at 3.2 million cubic metres.

On a like-for-like basis, excluding acquisitions and the impact of the disposal of 23 ready-mixed concrete plants to Tarmac in July 2018, aggregates and asphalt volumes were up four per cent and two per cent respectively, with ready-mixed concrete volumes flat.

These like-for-like volumes were delivered in difficult trading conditions, stemming from a severe winter in the first quarter and ongoing uncertainty surrounding Brexit.

In accordance with the CMDO, we have historically been unable to report our UK cement volumes. However, following the acquisition of Lagan and the adoption of our new operating segments, we are now able to report Group cement volumes for 2018, which totalled 2.0 million tonnes.

Revenue for the year at £862.7 million was 32 per cent ahead of 2017 (£652.4 million). On a like-for-like basis, revenue was up two per cent on the prior year.

Underlying EBIT was £103.5 million, 29 per cent ahead of 2017 (£80.4 million). Underlying EBIT also includes our share of profit from our associate and joint ventures.

On a like-for-like basis, Underlying EBIT declined by six per cent, reflecting the difficult trading conditions referred to above, together with increased input costs. The strong contribution from recent acquisitions was reinforced by the performance of Lagan, which reflects the quality of the business and its exposure to the more favourable Irish market.

Despite the difficult trading conditions in 2018, the Group's Underlying EBIT margin was broadly maintained at 12 per cent.

We continue to target 15 per cent in the medium term.

Non-underlying items

Non-underlying items in the year amounted to a net pre-tax cost of £11.8 million (2017: £2.8 million), the major items being acquisition costs, redundancy and reorganisation costs and amortisation of acquired intangible assets.

Interest

Net finance costs in the year totalled £11.8 million (2017: £6.4 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 2018 reflected the higher level of borrowings following the Lagan acquisition.

Profit before tax

Profit before taxation was £79.9 million, 12 per cent ahead of 2017 (£71.2 million). Underlying profit before tax was £91.7 million, 24 per cent ahead of 2017 (£74.0 million).

Tax

The tax charge was £15.3 million (2017: £14.2 million). An Underlying tax charge of £15.9 million (2017: £14.7 million) was recorded in the year, resulting in an Underlying effective tax rate for the full year of 17.3 per cent (2017: 19.9 per cent), reflecting the fact that the acquired businesses in RoI are taxed at a lower rate than in the UK.

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

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

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

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 HMRC in the UK and the Revenue in RoI 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 and the Revenue.

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

The Group's tax liabilities arise in the UK and RoI subsidiary companies. In terms of the corporation tax position, all years up to 2016 are agreed in respect of companies acquired prior to 2018.

The Group makes a significant contribution to the economies in which it operates through taxation, either borne by the Group or collected on behalf of, and paid to, HMRC or the Revenue. In 2018 the total taxes borne and collected by the Group amounted to over £150 million (2017: over £110 million).

Earnings per share

Basic EPS for the year were 4.01 pence (2017: 3.98 pence), reported after the non-Underlying items mentioned above. Underlying basic EPS for the year totalled 4.70 pence (2017: 4.14 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 2018 were £773.3 million (2017: £528.1 million).

The net assets continue to be underpinned by the mineral reserves and resources of the Group, which at the end of December 2018 totalled nearly 900 million tonnes (2017: around 750 million tonnes).

Cash flow

Cash generated from operating activities was £160.6 million (2017: £117.2 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 further in plant and equipment and adding acquisitions where these make strategic and financial sense.

During 2018 the Group spent £406.3 million in cash on four acquisitions: Staffs Concrete, Blinkbonny quarry, Lagan and four quarries and an asphalt plant from Tarmac (2017: £9.2 million on Pro Mini Mix and Humberside). The Group also incurred capital expenditure of £48.6 million (2017: £46.2 million).

Proceeds from the sale of property, plant and equipment totalled £4.9 million in 2018 (2017: £3.2 million).

Proceeds from the issue of shares of £171.2 million (2017: £0.8 million) included the net proceeds of the equity placing and open offer in respect of the Lagan acquisition.

The proceeds from new loans raised of £409.7 million (2017: £nil) and the repayment of loans of £246.1 million (2017: £26.6 million) reflect the refinancing undertaken at the time of the acquisition.

Repayment of finance lease obligations totalled £7.4 million (2017: £5.7 million).

Net debt

Net debt at 31 December 2018 was £310.7 million (2017: £109.8 million).

Key movements include: Underlying EBITDA of £154.4 million (2017: £117.0 million); non-Underlying items of £11.8 million (2017: £2.8 million); interest paid of £9.2 million (2017: £4.1 million); tax paid of £16.5 million (2017: £12.1 million); purchase of property, plant and equipment of £48.6 million (2017: £46.2 million); expenditure on acquisitions of £461.3 million (2017: £9.7 million); and equity raised of £171.2 million (2017: £0.8 million).

Leverage at 31 December 2018 was 2.0, a substantial reduction on the proforma Leverage* of 2.6 at the time of the Lagan acquisition in April 2018. This reduction demonstrates the highly cash-generative nature of the Group.

Return on invested capital

Year-end ROIC was 7.9 per cent (2017: 10.1 per cent). The reduction year-on-year was primarily due to the Lagan acquisition.

Using average invested capital, year-end ROIC was 9.9 per cent (2017: 10.2 per cent).

Notwithstanding this modest anticipated decline, our ROIC reflects the high level of capital invested in the Group and more than covers our cost of capital.

Bank facilities

At the time of completing the Lagan acquisition in April 2018 we entered into a new four-year £500 million facility agreement, comprising a term loan of £150 million and a multi-currency revolving credit facility of £350 million. This new facility replaced our existing £300 million revolving credit facility.

* Pro forma Leverage is a forecast Leverage ratio calculated as the ratio of the forecast Underlying EBITDA of the enlarged Group relative to anticipated net debt as communicated to shareholders at the point of the transaction in April 2018.

The facility is subject to a floating interest rate based on LIBOR or, in relation to any loan in Euros, EURIBOR, plus margin. At 31 December 2018, the total undrawn facility available to the Group amounted to £157.2 million. The facility is subject to Group leverage and Group interest cover covenants which are tested half-yearly. At 31 December 2018, 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.

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

Adoption of IFRS 16 - leases

The adoption of this accounting standard in 2019 under the 'modified retrospective' approach will not have a material impact on the Income Statement at the Underlying profit before tax level: an increase in Underlying EBITDA will be offset by increased depreciation and interest costs.

We expect that approximately £45 million of additional debt will be recognised on adoption. On a proforma basis this would take Leverage at 31 December 2018 to 2.2.

This increase in debt will not impact our ability to comply with the covenants associated with our banking facility, as these are tested by reference to accounting policies that were in place at the time the facility was entered into.

New operating segments

The operating segments disclosed reflect the change in the structure of the Group following the acquisition of Lagan.

The Group was previously split into three reportable units: Breedon Northern, Breedon Southern and Breedon Cement.

Following the acquisition of Lagan, the operating segments have been updated to conform with our revised management reporting, as follows:

Great Britain: comprising the trade previously reported in Breedon Northern and Breedon Southern, together with the building products businesses acquired with Lagan.

Ireland: comprising the construction materials and contracting services businesses on the Island of Ireland which were acquired with Lagan.

Cement: comprising the trade previously reported in Breedon Cement, together with the cementitious operations acquired with Lagan.

Rob Wood
Group Finance Director
6 March 2019

Business reviews

Great Britain

Our operations in GB, which – following the acquisition of Lagan – now include our new Building Products business (bricks, tiles, clay products, decorative aggregates and Welsh Slate) generated revenues of £609.8 million (2017: £577.5 million) and Underlying EBIT of £61.4 million (2017: £64.5 million), reflecting the slow start to the year due to severe weather, challenging markets, rising input costs and the general uncertainty around Brexit.

Weather was the biggest factor in the first quarter, presenting us with the challenge in subsequent months of recovering work lost due to the 'Beast from the East'. With a lot of hard work and rigorous attention to service levels, we managed to regain much of the lost ground by the year-end and delivered a creditable performance.

In Scotland, reduced spending on infrastructure and private development made the year particularly challenging, exacerbated by increased competition in our markets from competitors who, having completed major contracts in the Central Belt, moved north to secure replacement volumes. This was to some extent offset by a strong performance on the Aberdeen Western Peripheral Route.

A major contract was won on the Aberdeen to Inverness rail upgrade, together with substantial supplies of on-site concrete to Edinburgh Airport and RAF Lossiemouth.

The acquisition of Blinkbonny quarry established us in a new market in the Scottish borders, while the acquisition of Daviot and Low Plains quarries via the Tarmac asset swap gave us direct access to valuable aggregates reserves which we have quickly internalised in our concrete and asphalt plants. We also opened a strategically important new quarry at North Drumboy to service the Glasgow market.

Significant investments in a replacement concrete plant at Port Dundas in Glasgow, a new crusher and load and haul equipment at our Raisby Quarry and a new screening system for single size aggregates at Daviot all added to our capacity, whilst new sub-metering at a number of our sites in Scotland and northern England have helped improve power management at a time of rising energy costs.

We stepped up our engagement with external stakeholders during the year with an extended programme of quarry visits for Members of the Scottish Parliament in Scotland. In all, we hosted over a dozen visits to our quarries across the country.

Looking ahead, we are focused this year on delivering the next phase of the A9 dualling project and are placing a particular emphasis on bringing our Daviot and Low Plains quarries up to full strength. As always, we will seek to maximise price growth and apply robust 'self-help' wherever weak markets demand it.

In England and Wales, aggregates volumes were generally ahead of our other products, especially in the Midlands, helped by the East Midlands Gateway project to which substantial quantities of material were supplied during the year. The south-east of England also showed signs of improvement in the second half and a robust housebuilding sector led to a general improvement in ready-mixed concrete sales as the year progressed. We were also delighted that our newly-formed joint venture, Breedon Bow Highways, was awarded Midlands Lots 7 and 9 and East Lots 6 and 8 on the Highways England Pavement Framework.

Our newly-acquired quarry at Borras and quarry and asphalt plant at Minffordd were successfully integrated following completion of the Tarmac asset swap and their performance has steadily improved.

We also completed the integration of Welsh Slate, acquired as part of Lagan, along with bricks and tiles which, together with our decorative aggregates and masonry products, now constitute a new Breedon Building Products business.

In our concrete business we strengthened our mini-mix offer with the acquisition of Staffs Concrete, which extended our reach to the north of Birmingham. This operation, together with Pro Mini Mix, acquired in 2017, has now been integrated into our 1stMix network, which has expanded significantly since its formation in 2012 to the point where we now have a substantial fleet of 1stMix trucks operating across the Midlands.

Dowlow, one of our flagship quarries, benefited from substantial investments in a new wash plant, which has significantly improved the yield on our crushed rock output, and in a new asphalt plant, which was installed towards the end of the year and gives us access to new road maintenance markets in and around Derbyshire. In addition, incremental mineral reserves and resources were secured at our quarries at Norton Bottoms, North Cave and Raisby.

We achieved a substantial increase in employee training days in 2018, including the introduction of the Breedon Management Development Programme (BMDP), as we sought to increase engagement of our colleagues in all aspects of our business.

Whilst we delivered a strong safety performance in Scotland and northern England in 2018, our experience in the Midlands and southern England was more disappointing. Looking ahead, we are committed to a material improvement in this area. This will depend in large measure on achieving higher levels of engagement with our colleagues, in turn part of a wider engagement programme aimed at embedding our purpose and values more firmly across the business.

Ireland

Our operations in Ireland trade as Whitemountain in NI and Lagan in RoI. Both are fully-integrated aggregates, downstream products and contracting services businesses. They produced a strong result in 2018, generating an Underlying EBIT of £20.9 million, on revenues of £156.3 million.

Despite being hampered by exceptionally poor weather in the first quarter and the absence of a Local Legislative Assembly, which hindered progress on major infrastructure and housing projects, Whitemountain delivered a strong performance. This was due in no small part to our strategy of selective route-to-market decisions and a focus on high-calibre contracts in both NI and GB.

In the second quarter we relocated our NI head office from Lisburn, where it had been based for 15 years, to newly-refurbished offices in Mallusk, to the north of Belfast, providing a first-class working environment for our colleagues with the potential for further expansion in the years ahead.

Whitemountain's aggregates business had another encouraging year. We continued to ship quantities of high PSV stone to GB from our quarries in NI and there is a great opportunity to expand these shipments in the future, enabling us to satisfy the growing demand for this high-margin product in England, Scotland and Wales.

Whitemountain's contracting services business also enjoyed a strong year, winning significant quantities of work in GB, including landmark schemes at Colley Lane in Somerset, Kettering and Wellingborough, the latter projects generating aggregate and asphalt activity for our business in the Midlands.

We worked hard to further embed a strong safety culture in Whitemountain during 2018 and received a number of awards, including a Silver RosPA Award and a WISHNI (Waste Industry Safety and Health Forum Northern Ireland) Ambassador Award for Alpha Resource Management, our waste management business. We placed a particular emphasis on engaging with subcontractors and drivers and commenced a new Road Worker Safety Campaign in conjunction with QPANI and Transport NI.

Recognising the importance of our colleagues' mental as well as physical wellbeing, we rolled out an extensive programme of mental health awareness training for operatives, supervisors and managers and a group of colleagues have been trained in Mental Health First Aid at Work. In addition, we mounted several wellbeing campaigns in 2018 and launched a new-look Health & Wellbeing Newsletter which has since been rolled out bi-monthly across Breedon.

Looking ahead to 2019, we will seek further commercial opportunities with our current customers and aim for steady and sustainable growth in both our materials and contracting businesses, whilst identifying new activities and markets that present opportunities for expansion. We will focus on further reducing our environmental footprint and continue to invest in training and resourcing, with an emphasis on the safety and wellbeing of our colleagues.

Market conditions in RoI improved substantially during the year. The volume of Government maintenance contracts tendered increased by 65 per cent and Lagan saw continued improvement in the private sector, especially in the Greater Dublin area. As the year progressed, this began to spread to other major conurbations, including Cork, Galway and Limerick. We were particularly pleased to have maintained market share and improved pricing throughout the year.

Following the restructuring of our Irish operations, Lagan now operates – like Whitemountain – as a fully-integrated aggregates, downstream products and contracting services business.

Major contracts undertaken included several substantial resurfacing projects, notably the second runway at Dublin Airport, key sections of the M1 motorway and the New Ross Bypass in County Wexford.

Visible Felt Leadership (VFL) training was rolled out to the Lagan senior management team and followed up with the implementation of Breedon's Safety Commitments across the business. Recognising that we have a particularly sizeable contracting business in RoI, we also developed a bespoke training programme called 360° Safety, focused on improving safe interaction between people and vehicles.

Over the longer term we aim to increase the scale of our aggregates business in RoI.

As we look ahead to the remainder of 2019, we are confident that our markets will remain strong and that we will continue to benefit from our share of the major contracts in the pipeline. We will also be reviewing potential bolt-on acquisition opportunities as we seek to build on and extend our platform in RoI.

Cement

Cement comprises all our cementitious operations in GB and Ireland. In common with other areas of our business, the first quarter was severely affected by weather. However, for the year as a whole Cement performed in line with our expectations, delivering revenues of £176.5 million (2017: £141.6 million) and Underlying EBIT of £31.4 million (2017: £25.8 million).

The integration of Lagan into the Group enabled us to flex our supply strategy during 2018, exporting cement from Kinnegad in RoI to GB. In the next few months we will further strengthen our supply chain by importing cement from Kinnegad through a new terminal at Runcorn, optimising our cement logistics.

Major investments during the year included the expansion of our transport fleet in GB, new mobile plant at Hope quarry and the next stage of our four-year project to replace our plant control systems at Hope Works.

Our bagged cement operations in Ireland and GB were combined during the year, which means we can now supply a full range of bagged cement products to our customers in the south of England from our plant at Dagenham, with a similar range shipped from our Kinnegad plant to customers in the Midlands and north of England, as well as to customers in Ireland.

We continued energetically to engage with our local communities, most notably the Peak District National Park with which Hope Works has had a longstanding positive relationship.

During the year we sought to quantify our contribution to the local Park community by publishing a socio-economic report which concluded that we provided £53 million of Gross Value-Added to the Peak District community in 2017.

In 2019 our primary aim is to recover the recent cost increases through higher prices. We will also be looking to secure further efficiencies and cost-reductions by expanding our owned haulage fleet.

Our largest single investment during the year will be the replacement of the raw mill drive at our Hope plant, which will bring benefits to the plant operation principally via operational risk reduction.

Breedon Group plc
Annual results for the year ended 31 December 2018

Consolidated Income Statement
for the year ended 31 December 2018

	2018 Underlying £m	**2018 Non-underlying* (note 3) £m**	**2018 Total £m**	2017 Underlying £m	2017 Non-underlying* (note 3) £m	2017 Total £m
Revenue	**862.7**	**–**	**862.7**	652.4	–	652.4
Cost of sales	**(556.9)**	**–**	**(556.9)**	(408.0)	–	(408.0)
Gross profit	**305.8**	**–**	**305.8**	244.4	–	244.4
Distribution expenses	**(145.5)**	**–**	**(145.5)**	(117.7)	–	(117.7)
Administrative expenses	**(58.5)**	**(11.8)**	**(70.3)**	(49.0)	(2.8)	(51.8)
Group operating profit	**101.8**	**(11.8)**	**90.0**	77.7	(2.8)	74.9
Share of profit of associate and joint ventures	**1.7**	**–**	**1.7**	2.7	–	2.7
Profit from operations	**103.5**	**(11.8)**	**91.7**	80.4	(2.8)	77.6
Financial income	**0.1**	**–**	**0.1**	–	–	–
Financial expense	**(11.9)**	**–**	**(11.9)**	(6.4)	–	(6.4)
Profit before taxation	**91.7**	**(11.8)**	**79.9**	74.0	(2.8)	71.2
Taxation	**(15.9)**	**0.6**	**(15.3)**	(14.7)	0.5	(14.2)
Profit for the year	**75.8**	**(11.2)**	**64.6**	59.3	(2.3)	57.0
Attributable to:						
Equity holders of the parent	**75.7**	**(11.2)**	**64.5**	59.2	(2.3)	56.9
Non-controlling interests	**0.1**	**–**	**0.1**	0.1	–	0.1
Profit for the year	**75.8**	**(11.2)**	**64.6**	59.3	(2.3)	57.0
Basic earnings per ordinary share	**4.70p**		**4.01p**	4.14p		3.98p
Diluted earnings per ordinary share	**4.68p**		**3.99p**	4.07p		3.91p

* 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 2018

	2018 £m	2017 £m
Profit for the year	**64.6**	57.0
Other comprehensive income		
Items which may be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations, net of hedging	**6.6**	–
Effective portion of changes in fair value of cash flow hedges	**–**	–
Taxation on items taken directly to other comprehensive income	**–**	–
Other comprehensive income for the year	**6.6**	–
Total comprehensive income for the year	**71.2**	57.0
Total comprehensive income for the year is attributable to:		
Equity holders of the parent	**71.1**	56.9
Non-controlling interests	**0.1**	0.1
	71.2	57.0

Breedon Group plc
Annual results for the year ended 31 December 2018

Consolidated Statement of Financial Position
at 31 December 2018

	2018 £m	2017 £m
Non-current assets		
Property, plant and equipment	**665.9**	477.4
Intangible assets	**467.0**	194.6
Investment in associate and joint ventures	**6.4**	6.2
Total non-current assets	**1,139.3**	678.2
Current assets		
Inventories	**54.8**	30.9
Trade and other receivables	**160.8**	113.5
Cash and cash equivalents	**37.6**	23.9
Total current assets	**253.2**	168.3
Total assets	**1,392.5**	846.5
Current liabilities		
Interest-bearing loans and borrowings	**(31.2)**	(4.4)
Trade and other payables	**(177.5)**	(120.8)
Current tax payable	**(7.3)**	(6.8)
Provisions	**(2.3)**	(2.6)
Total current liabilities	**(218.3)**	(134.6)
Non-current liabilities		
Interest-bearing loans and borrowings	**(317.1)**	(129.3)
Provisions	**(36.2)**	(26.1)
Deferred tax liabilities	**(47.6)**	(28.4)
Total non-current liabilities	**(400.9)**	(183.8)
Total liabilities	**(619.2)**	(318.4)
Net assets	**773.3**	528.1
Equity attributable to equity holders of the parent		
Stated capital	**549.0**	377.8
Translation reserve	**6.6**	–
Retained earnings	**217.5**	150.1
Total equity attributable to equity holders of the parent	**773.1**	527.9
Non-controlling interests	**0.2**	0.2
Total equity	**773.3**	528.1

Breedon Group plc
Annual results for the year ended 31 December 2018

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	Stated capital £m	Translation reserve £m	Capital reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017	375.5	–	1.5	90.3	467.3	0.2	467.5
Shares issued	2.3	–	(1.5)	–	0.8	–	0.8
Dividend to non-controlling interests	–	–	–	–	–	(0.1)	(0.1)
Total comprehensive income for the year	–	–	–	56.9	56.9	0.1	57.0
Share-based payments	–	–	–	2.9	2.9	–	2.9
Balance at 31 December 2017	377.8	–	–	150.1	527.9	0.2	528.1
Shares issued	**174.9**	**–**	**–**	**–**	**174.9**	**–**	**174.9**
Expenses of share issue	**(3.7)**	**–**	**–**	**–**	**(3.7)**	**–**	**(3.7)**
Dividend to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Total comprehensive income for the year	**–**	**6.6**	**–**	**64.5**	**71.1**	**0.1**	**71.2**
Share-based payments	**–**	**–**	**–**	**2.9**	**2.9**	**–**	**2.9**
Balance at 31 December 2018	**549.0**	**6.6**	**–**	**217.5**	**773.1**	**0.2**	**773.3**

Consolidated Statement of Cash Flows
for the year ended 31 December 2018

	2018 **£m**	2017 £m
Cash flows from operating activities		
Profit for the year	**64.6**	57.0
Adjustments for:		
Depreciation	**52.6**	39.3
Amortisation	**4.2**	0.2
Financial income	**(0.1)**	–
Financial expense	**11.9**	6.4
Share of profit of associate and joint ventures	**(1.7)**	(2.7)
Net gain on sale of property, plant and equipment	**(0.5)**	(1.0)
Equity settled share-based payment expense	**2.9**	2.9
Taxation	**15.3**	14.2
Operating cash flow before changes in working capital and provisions	**149.2**	116.3
Decrease in trade and other receivables	**13.5**	0.7
Increase in inventories	**(0.6)**	(1.0)
Increase/(decrease) in trade and other payables	**(0.2)**	2.3
Decrease in provisions	**(1.3)**	(1.1)
Cash generated from operating activities	**160.6**	117.2
Interest paid	**(8.9)**	(3.7)
Interest element of finance lease payments	**(0.4)**	(0.4)
Dividend paid to non-controlling interests	**(0.1)**	(0.1)
Income taxes paid	**(16.5)**	(12.1)
Net cash from operating activities	**134.7**	100.9
Cash flows used in investing activities		
Acquisition of businesses	**(406.3)**	(9.2)
Purchase of property, plant and equipment	**(48.6)**	(46.2)
Proceeds from sale of property, plant and equipment	**4.9**	3.2
Repayment of loan to joint venture	**0.4**	0.3
Interest received	**0.1**	–
Dividends from associate and joint ventures	**0.4**	1.8
Net cash used in investing activities	**(449.1)**	(50.1)
Cash flows from/(used in) financing activities		
Proceeds from the issue of shares (net of costs)	**171.2**	0.8
Proceeds from new interest-bearing loans (net of costs)	**409.7**	–
Repayment of interest-bearing loans	**(246.1)**	(26.6)
Repayment of finance lease obligations	**(7.4)**	(5.7)
Net cash from/(used in) financing activities	**327.4**	(31.5)
Net increase in cash and cash equivalents	**13.0**	19.3
Cash and cash equivalents at 1 January	**23.9**	4.6
Foreign exchange differences	**0.7**	–
Cash and cash equivalents at 31 December	**37.6**	23.9

Breedon Group plc
Annual results for the year ended 31 December 2018

Notes to the Financial Statements

1 Basis of preparation

Breedon Group plc is a company domiciled in Jersey.

The financial information (see note 10) 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
The following standards have been adopted by the Group during the year:

IFRS 9 - *Financial Instruments*

The Group does not hold complex financial instruments and therefore the majority of changes to the standard did not change the existing accounting for assets or liabilities held. The change to an 'expected loss' model of impairment resulted in an immaterial increase in the overall level of bad debt provision. In line with the transition options permitted by the standard, the Group has opted not to restate comparative balances.

IFRS 15 - *Revenue from Contracts with Customers*

Although the adoption of this standard has not impacted the timing or value of revenue recognition by the Group, the Financial Statements include additional disclosures compared to the previous year in order to comply with the requirements of the new standard. These include the disaggregation of revenue by operating segments between those customer contracts recognised at a point in time compared to those recognised over time. Comparative information has been provided for 2017, resulting in the restatement of the notes to the accounts where relevant.

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 2018 (and in some cases had not yet been adopted by the EU) and have not yet been adopted by the Group:

IFRS 16 – *Leases*

The Group will adopt IFRS 16 - Leases 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. The Group will adopt the modified retrospective approach in adopting the standard, meaning that this asset and liability will be recognised from 1 January 2019 without restatement of prior year balances.

The net asset position of the Group will not be impacted on transition. However the value of both property, plant and equipment assets and the net debt of the Group will increase by around £45 million. As depreciation on the right of use asset and interest on the lease liability replace the existing operating lease expense, this will increase Underlying EBITDA by around £7 million but decrease statutory profit before tax by around £1 million.

This accounting change does not impact the covenants on the Group's banking facility, as they are calculated with reference to the accounting standards adopted by the Group at the point at which the facility was taken out.

Other new standards

There are no other IFRS Standards or Interpretations that are effective subsequent to the 31 December 2018 year-end that are expected to materially impact the Group's Financial Statements.

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

Management uses these terms as it believes they allow a better understanding of underlying business performance, are consistent with its communication with investors and reflects the way in which the business is managed. A reconciliation between Underlying EBIT, EBITDA and reported profit is included within note 9.

Notes to the Financial Statements *(continued)*

2 Segmental analysis

The principal activity of the Group is 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 previously split into three reportable units: Breedon Northern, Breedon Southern and Breedon Cement. Following the acquisition of Lagan the operating segments which have been reported have been updated to reflect the new structure of management reporting to the Chief Operating Decision Maker which is the Breedon Board of Directors. The prior year segmental analysis has been restated accordingly to reflect the new structure.

Great Britain comprising the trade previously reported in Breedon Northern and Breedon Southern, along with the building products businesses acquired with Lagan.

Ireland comprising the construction materials and contracting services businesses on the Island of Ireland which were acquired with Lagan.

Cement comprising the trade previously reported in Breedon Cement along with the cementitious operations acquired with Lagan.

Income Statement

	2018		2017 (restated)	
	Revenue £m	**EBITDA* £m**	Revenue £m	EBITDA* £m
Great Britain	**609.8**	**92.2**	577.5	89.5
Ireland	**156.3**	**25.4**	–	–
Cement	**176.5**	**48.6**	141.6	39.9
Central administration	**–**	**(11.8)**	–	(12.4)
Eliminations	**(79.9)**	**–**	(66.7)	–
Group	**862.7**	**154.4**	652.4	117.0

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

Reconciliation to statutory profit		
Group EBITDA as above	**154.4**	117.0
Depreciation and mineral depletion	**(52.6)**	(39.3)
Underlying operating profit		
Great Britain	**61.4**	64.5
Ireland	**20.9**	–
Cement	**31.4**	25.8
Central administration	**(11.9)**	(12.6)
	101.8	77.7
Share of profit of associate and joint ventures	**1.7**	2.7
Underlying profit from operations (EBIT)	**103.5**	80.4
Non-underlying items (note 3)	**(11.8)**	(2.8)
Profit from operations	**91.7**	77.6
Net financial expense	**(11.8)**	(6.4)
Profit before taxation	**79.9**	71.2
Taxation	**(15.3)**	(14.2)
Profit for the year	**64.6**	57.0

2 Segmental analysis *(continued)*

Disaggregation of revenue from contracts with customers

Analysis of revenue by geographic location

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:

	2018 £m	2017 £m
United Kingdom	**765.8**	652.4
Republic of Ireland	**95.2**	–
Other	**1.7**	–
Total	**862.7**	652.4

Analysis of revenue by major products and service lines

	2018 £m	2017 £m
Sale of goods		
Great Britain	**532.7**	506.7
Ireland	**38.0**	–
Cement	**176.5**	141.6
Eliminations	**(79.9)**	(66.6)
	667.3	581.7
Contracting services		
Great Britain	**77.1**	70.7
Ireland	**118.3**	–
Cement	**–**	–
Eliminations	**–**	–
	195.4	70.7
Total	**862.7**	652.4

Timing of revenue recognition

All revenues from the sale of goods relate to products for which revenue is recognised at a point in time as the product is transferred to the customer. Contracting services revenues are accounted for as products and services for which revenue is recognised over time.

2 Segmental analysis *(continued)*

Statement of financial position

	2018		2017 (restated)	
	Total assets £m	**Total liabilities £m**	Total assets £m	Total liabilities £m
Great Britain	**629.2**	**(119.5)**	513.2	(112.3)
Ireland	**250.9**	**(35.3)**	–	–
Cement	**471.1**	**(47.7)**	307.6	(29.1)
Central administration	**3.7**	**(13.5)**	1.8	(8.1)
Total operations	**1,354.9**	**(216.0)**	822.6	(149.5)
Current tax	**–**	**(7.3)**	–	(6.8)
Deferred tax	**–**	**(47.6)**	–	(28.4)
Net debt	**37.6**	**(348.3)**	23.9	(133.7)
Total Group	**1,392.5**	**(619.2)**	846.5	(318.4)
Net assets		**773.3**		528.1

GB total assets include £6.4m (2017: £6.2m) in respect of investment in an associate and joint ventures.

Geographic location of property, plant and equipment assets

	2018 £m	2017 £m
United Kingdom	**546.5**	477.4
Republic of Ireland	**119.4**	–
Total	**665.9**	477.4

Analysis of depletion & depreciation, amortisation and capital expenditure

	Mineral depletion & depreciation £m	**Amortisation of intangible assets £m**	**Additions to property, plant and equipment £m**
2018			
Great Britain	**30.8**	**1.4**	**27.9**
Ireland	**4.5**	**2.8**	**6.4**
Cement	**17.2**	**–**	**14.2**
Central administration	**0.1**	**–**	**0.2**
Total	**52.6**	**4.2**	**48.7**
2017 (restated)			
Great Britain	25.0	0.2	33.3
Ireland	–	–	–
Cement	14.1	–	12.9
Central administration	0.2	–	–
Total	39.3	0.2	46.2

Additions to 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 represent non-cash items 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.

	2018 £m	2017 £m
Included in administrative expenses:		
Redundancy and reorganisation costs	**1.5**	2.5
Acquisition costs	**6.4**	0.6
Loss/(gain) on property disposals	**0.2**	(0.5)
Amortisation of acquired intangible assets	**4.2**	0.2
Gain on stepped acquisition of joint venture	**(0.5)**	–
Total non-underlying items (pre-tax)	**11.8**	2.8
Non-underlying taxation	**(0.6)**	(0.5)
Total non-underlying items (after tax)	**11.2**	2.3

4 Financial income and expense

	2018 £m	2017 £m
Bank deposits	**0.1**	–
Financial income	**0.1**	–
Bank loans and overdrafts	**(8.9)**	(3.7)
Amortisation of prepaid bank arrangement fee	**(1.0)**	(0.8)
Finance leases	**(0.4)**	(0.4)
Unwinding of discount on provisions	**(1.6)**	(1.5)
Financial expense	**(11.9)**	(6.4)

5 Taxation

	2018 £m	2017 £m
Recognised in the Consolidated Income Statement		
Current tax expense		
Current year	**17.1**	14.0
Prior year	**(0.5)**	(0.9)
Total current tax	**16.6**	13.1
Deferred tax expense		
Current year	**(1.2)**	1.3
Prior year	**(0.1)**	(0.2)
Total deferred tax	**(1.3)**	1.1
Total tax charge in the Consolidated Income Statement	**15.3**	14.2

5 Taxation *(continued)*

	2018 £m	2017 £m
Reconciliation of effective tax rate		
Profit before taxation	**79.9**	71.2
Tax at the Company's domestic rate of 0%*	**–**	–
Higher tax rates on earnings in the United Kingdom and the Republic of Ireland*	**15.2**	14.1
Expenses not deductible for tax purposes	**1.3**	1.7
Property sales	**(0.4)**	0.2
Share-based payments	**0.1**	(0.1)
Income from associate and joint ventures already taxed	**(0.1)**	(0.5)
Effect of change in rate	**(0.2)**	(0.1)
Adjustment in respect of prior years	**(0.6)**	(1.1)
Total tax charge	**15.3**	14.2

* 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 per cent (2017: 19.25 per cent) and RoI which pay tax at a higher rate of 12.5 per cent (2017: 12.5 per cent).

A reduction in the UK corporation tax rate from 19 per cent 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 2018 has been calculated based on these rates.

6 Interest-bearing loans and borrowings

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

	2018 £m	2017 £m
Non-current liabilities		
Secured bank loans	**311.9**	124.2
Finance lease liabilities	**5.2**	5.1
	317.1	129.3
Current liabilities		
Secured bank loans	**25.0**	–
Finance lease liabilities	**6.2**	4.4
	31.2	4.4

In April 2018, the Group entered into a new four year £500 million facility agreement, comprising a term loan of £150 million and a multi-currency revolving credit facility of £350 million. The facility became effective on completion of the Lagan acquisition and replaced the facility previously in place. Interest was paid on the facilities during the period at a margin of between 1.35 per cent and 2.05 per cent above LIBOR or EURIBOR according to the currency of borrowings. The facility is secured by a floating charge over the assets of the Company and its subsidiary undertakings. The term loan is repayable in four annual instalments over a four year period. The revolving credit facility is repayable in April 2022.

Net debt

	2018 £m	2017 £m
Net debt comprises the following items:		
Cash and cash equivalents	**37.6**	23.9
Current borrowings	**(31.2)**	(4.4)
Non-current borrowings	**(317.1)**	(129.3)
	(310.7)	(109.8)

Notes to the Financial Statements *(continued)*

7 Earnings per share

	2018			2017		
	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	**64.5**	**1,609.183**	**4.01**	56.9	1,428.957	3.98
Effect of dilutive items						
Share-based payment	**–**	**5.525**	**–**	–	9.459	–
Warrants	**–**	**–**	**–**	–	15.769	–
Diluted earnings per ordinary share	**64.5**	**1,614.709**	**3.99**	56.9	1,454.185	3.91
*Underlying**						
Basic earnings per ordinary share						
Underlying earnings attributable to ordinary shareholders	**75.7**	**1,609.183**	**4.70**	59.2	1,428.957	4.14
Effect of dilutive items						
Share-based payment	**–**	**5.525**	**–**	–	9.459	–
Warrants	**–**	**–**	**–**	–	15.769	–
Diluted earnings per ordinary share	**75.7**	**1,614.709**	**4.68**	59.2	1,454.185	4.07

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

8 Acquisitions

Current year acquisitions

During the year, the Group completed the following acquisitions and asset swaps which were accounted for as business combinations:

- Acquisition of Staffs Concrete (3 April 2018)
- Acquisition of Lagan (20 April 2018)
- Acquisition of Blinkbonny quarry (1 June 2018)
- Asset swap with Tarmac (1 July 2018)

Lagan
The directors consider the acquisition of Lagan to be individually material to these Financial Statements. The fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition were as follows:

	Book value £m	Fair value adjustments £m	Fair value on acquisition £m
Intangible assets	**13.5**	**42.6**	**56.1**
Share of joint ventures	**0.2**	**0.7**	**0.9**
Property, plant and equipment	**115.0**	**59.5**	**174.5**
Inventories	**20.7**	**0.8**	**21.5**
Trade and other receivables	**59.8**	**(0.3)**	**59.5**
Cash	**18.8**	**–**	**18.8**
Trade and other payables	**(55.6)**	**(0.5)**	**(56.1)**
Interest-bearing loans and borrowings	**(54.9)**	**–**	**(54.9)**
Provisions	**(2.3)**	**(5.9)**	**(8.2)**
Deferred tax liabilities	**(2.2)**	**(16.3)**	**(18.5)**
Total	**113.0**	**80.6**	**193.6**
Consideration – cash			**413.7**
Consideration – deemed proceeds from stepped acquisition of Breedon Whitemountain Ltd			**2.3**
Goodwill arising			**222.4**

The fair value adjustments primarily comprised adjustments to:

- eliminate the £13.5m of pre-existing goodwill which comprised the book values of intangible assets in the opening balance sheet;
- recognise intangible assets, including the value of acquired customer related intangibles, brand, permits and emissions assets;
- revalue certain items of property, plant and equipment, including the Lagan cement plant at Kinnegad and the acquired mineral reserves and resources to reflect the fair value at date of acquisition;
- working capital accounts 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 anticipated synergies, the potential for future growth, the strategic geographic location of the assets acquired and the skills of the existing workforce and management team.

8 Acquisitions *(continued)*

Current year acquisitions *(continued)*

Other current year acquisitions
The Directors consider the acquisitions made in the year - excluding Lagan - to be individually immaterial, but material in aggregate. The combined fair value of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of these acquisitions were as follows:

	Book value £m	Fair value adjustments £m	Fair value on acquisition £m
Property, plant and equipment	**19.6**	**1.8**	**21.4**
Inventories	**1.0**	**0.1**	**1.1**
Trade and other receivables	**1.1**	**–**	**1.1**
Cash	**1.1**	**–**	**1.1**
Trade and other payables	**(0.7)**	**–**	**(0.7)**
Interest-bearing loans and borrowings	**(0.1)**	**–**	**(0.1)**
Provisions	**(0.8)**	**(0.1)**	**(0.9)**
Deferred tax liabilities	**(1.6)**	**(0.3)**	**(1.9)**
Total	**19.6**	**1.5**	**21.1**
Consideration – cash			**12.5**
Consideration – fair value of assets and liabilities transferred to Tarmac			**10.4**
Goodwill arising			**1.8**

The fair value adjustments primarily comprised adjustments to:

- revalue certain items of property, plant and equipment - mineral reserves and resources - to reflect fair value at the point of acquisition;
- working capital accounts 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 anticipated synergies, the potential for future growth, the strategic geographic location of the assets acquired and the skills of the existing workforce.

The value of assets and liabilities transferred to Tarmac by way of consideration comprised the following items:

	Book value £m	Fair value adjustments £m	Fair value on disposal £m
Goodwill	**7.9**	**–**	**7.9**
Property, plant and equipment	**2.5**	**–**	**2.5**
Total	**10.4**	**–**	**10.4**

8 Acquisitions *(continued)*

Current year acquisitions *(continued)*

Impact of current year acquisitions

Income statement

During the year, these acquisitions contributed revenues of £197.0m and Underlying EBIT of £27.9m to the Group.

If all current year acquisitions had occurred on 1 January 2018, the results of the Group for the year ended 31 December 2018 would have shown revenue of £910.9m and Underlying EBIT of £102.2m.

In total the Group incurred acquisition related costs of £6.4m (2017: £0.6m) 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).

Cash flow

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

	£m
Consideration paid	**(426.2)**
Cash acquired with the businesses	**19.9**
Net cash consideration shown in the Consolidated Statement of Cash Flows	**(406.3)**

Prior year acquisitions
In 2017 the Group acquired both Pro Mini Mix and Humberside. 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.

Notes to the financial statements *(continued)*

9 Reconciliation to non-GAAP measures

A number of non-GAAP performance measures are used throughout these Financial Statements. This note provides a reconciliation between profit from operations (a statutory measure set out on the face of the Consolidated Income Statement) and the various non-GAAP measures used.

2018	Great Britain £m	Ireland £m	Cement £m	Central administration and elimination £m	Share of profit of associate and joint ventures £m	Total £m
Profit from operations						**91.7**
Non-underlying items (note 3)						**11.8**
Underlying EBIT	**61.4**	**20.9**	**31.4**	**(11.9)**	**1.7**	**103.5**
Underlying EBIT margin*	**10.1%**	**13.4%**	**17.8%**			**12.0%**
Underlying EBIT	**61.4**	**20.9**	**31.4**	**(11.9)**	**1.7**	**103.5**
Share of profit for associate and joint ventures	**–**	**–**	**–**	**–**	**(1.7)**	**(1.7)**
Depreciation and depletion	**30.8**	**4.5**	**17.2**	**0.1**	**–**	**52.6**
EBITDA	**92.2**	**25.4**	**48.6**	**(11.8)**	**–**	**154.4**

2017 (restated)	Great Britain £m	Ireland £m	Cement £m	Central administration and elimination £m	Share of profit of associate and joint ventures £m	Total £m
Profit from operations						77.6
Non-underlying items (note 3)						2.8
Underlying EBIT	64.5	–	25.8	(12.6)	2.7	80.4
Underlying EBIT margin*	11.2%	–	18.2%			12.3%
Underlying EBIT	64.5	–	25.8	(12.6)	2.7	80.4
Share of profit for associate and joint ventures	–	–	–	–	(2.7)	(2.7)
Depreciation and depletion	25.0	–	14.1	0.2	–	39.3
EBITDA	89.5	–	39.9	(12.4)	–	117.0

* Underlying EBIT margin is calculated as Underlying EBIT divided by revenue.

10 Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Jersey Companies Registry, and those for 2018 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 made available to shareholders on or before 15 March 2019 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 2018 was approved by the Directors on 6 March 2019.

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
AGM	Annual General Meeting
AIM	Alternative Investment Market of the London Stock Exchange
Alpha Resource Management	Alpha Resource Management Limited
BEAR Scotland	BEAR Scotland Limited
Blinkbonny quarry	Blinkbonny Quarry (Borders) Limited
Breedon	Breedon Group plc
Breedon Whitemountain	Breedon Whitemountain Ltd
CGU	Cash Generating Units
CI	Channel Islands
CIF	Construction Industry Federation
CITB	Construction Industry Training Board
CMDO	Cement Market Data Order 2016
CPA	Construction Products Association
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation and before our share of profit from associate and joint ventures
EPS	Earnings per share
EU ETS	European Union Emissions Trading System
EURIBOR	Euro Inter-bank Offered Rate
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GB	Great Britain
HMRC	Her Majesty's Revenue & Customs in the UK
Humberside	Humberside Aggregates Limited
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Invested Capital	Net assets plus net debt
Ireland	The Island of Ireland
ISO	International Organisation for Standardization
KPI	Key Performance Indicator

Lagan	Lagan Group (Holdings) Limited
	The construction materials and contracting services brand under which Breedon now trades in the Republic of Ireland
Leverage	Net debt expressed as a multiple of Underlying EBITDA
LIBOR	London Inter-bank Offered Rate
LTIFR	Lost Time Injury Frequency Rate
MPA	Mineral Products Association
MPQC	Mineral Products Qualifications Council
NI	Northern Ireland
NISRA	Northern Ireland Statistics Research Agency
OHSAS	Occupational Health and Safety Assessment Standard
Pro Mini Mix	Pro Mini Mix Concrete, Mortars and Screeds Limited
QCA	Quoted Companies Alliance
QPANI	Quarry Products Association Northern Ireland (from January 2019 Mineral Products Association of Northern Ireland)
the Revenue	Office of the Revenue Commissioners in Ireland
RoI	Republic of Ireland
ROIC	Post-tax Return on Invested Capital
Staffs Concrete	Staffs Concrete Limited
Sterling	Pounds sterling
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
Whitemountain	Whitemountain Quarries Limited
	The construction materials and contracting services brand under which Breedon now trades in NI
WTO	World Trade Organisation