

MAKING A MATERIAL DIFFERENCE

BREEDON GROUP
ANNUAL REPORT 2019
www.breedongroup.com



From our quarries and plants come the essential construction materials that build our homes, workplaces and leisure spaces.

From roads to airport runways, from houses to warehouses, shops to offices, walkways, cycle paths, tennis courts and golf courses, you'll find our products transforming the lives of people at work and at play in cities, towns and villages across Great Britain and Ireland.

From the ground up, we are

MAKING A MATERIAL DIFFERENCE

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Please read this report in conjunction with the glossary on pages 139 and 140.

Front cover: Restoration work underway at our former Black Cat quarry in Bedfordshire, where we largely completed mineral extraction in 2019

FOR MORE INFORMATION



www.breedongroup.com

ABOUT US



WHO WE ARE

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

OUR STRATEGY

We are an ambitious company in our tenth year of consistent growth. As we look ahead, we have set out in this report a clear guide to our medium-term objectives and strategy. We aim to be a leading international construction materials group creating superior value for all our stakeholders. We have detailed the six pillars of our strategy on pages 4 and 5.

2019 HIGHLIGHTS

REVENUE

£929.6m

2018: £862.7m +8%

UNDERLYING EBIT*

£116.6m

2018: £103.5m +13%

UNDERLYING EBIT MARGIN*

12.5%

2018: 12.0% +0.5ppt

PROFIT BEFORE TAX

£94.6m

2018: £79.9m +18%

UNDERLYING BASIC EARNINGS PER SHARE*

5.08p

2018: 4.70p +8%

BASIC EARNINGS PER SHARE

4.64p

2018: 4.01p +16%

NET DEBT

£290.3m

2018: £310.7m

* 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 Annual Report are defined on this basis, and a reconciliation to the most directly related statutory measure is provided on pages 132 to 134.



Read about our progress against the six pillars of our strategy on pages 4 and 5.

- ▶ We delivered a strong result, reflecting an excellent performance in challenging conditions
- ▶ All three of our Divisions produced improved results
- ▶ Strong cash flow resulted in closing post IFRS 16 Leverage of 1.6
- ▶ We largely completed the integration of Lagan
- ▶ The acquisition of Roadway strengthened our position in North Wales
- ▶ Our Capital Concrete joint venture gave us critical mass in the London readymix market
- ▶ We negotiated the acquisition of a substantial portfolio of assets from CEMEX in the UK
- ▶ We committed to the GCCA's Sustainability Charter
- ▶ We intend to declare a maiden dividend with our 2021 interims



Above: James Quinn, skipper of Whitemountain's sand dredger on Lough Neagh in Northern Ireland



Above: Rita Simpson, who keeps the pre-heater tower at our Hope cement works flowing



Above: Paddy O'Shea, Control Room Operator, Cloud Hill quarry

OUR STRATEGY

There are six pillars to our strategy, which together constitute the essential elements of Breedon's investment case.

From this year we will report on our progress against these pillars.



1. A CLEAR PURPOSE AND THE RIGHT CULTURE

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

We acknowledge that no company can achieve its purpose without the right culture, rooted in strong ethical values and behaviours, and a safe working environment. Over the past year we have engaged in a wide-ranging consultation with our colleagues in an effort to define and give clear expression to that culture. It can be summarised in the four values which will guide us in everything we do over the coming years:

- **Keep it simple**
- **Make it happen**
- **Strive to improve**
- **Show we care**

Our priority is to ensure that these values become deeply embedded in our business, that they are reflected in the working environment we provide for our colleagues and that they drive the right leadership behaviours in our management team.

2. ROBUST GOVERNANCE

We are already compliant with the Quoted Companies Alliance (QCA) Corporate Governance Code, having a strategy and business model which promotes long-term shareholder value and meets our shareholders' needs and expectations, supported by effective risk management and broad stakeholder engagement activity.

We have been steadily developing our Board to ensure that it is well balanced, with the right mix of skills and experience, evaluated against clear and relevant objectives, with governance structures that are fit for purpose and support sound decision-making.

We have always sought to adhere to the highest standards of corporate best practice, which in due course will naturally support a likely transition from the Alternative Investment Market (AIM) to a full listing on the London Stock Exchange, at which point we will be governed by the Financial Reporting Council's (FRC) UK Corporate Governance Code, with which we are already substantially compliant.



3. COMMITMENT TO SUSTAINABILITY AND SOCIAL RESPONSIBILITY

As an extractive industry we have an obligation to ensure that our impact on the environment and society are minimised. Being a good corporate citizen is essential to protecting our licence to operate and is central to our purpose: to make a material difference to the communities we serve.

From 2019 we have fully embraced our wider stakeholder and social responsibilities by targeting full compliance with the five pillars of the Global Cement and Concrete Association's (GCCA) Sustainability Charter:

- **Health and safety**
- **Climate change and energy**
- **Social responsibility**
- **Environment and nature**
- **Circular economy**



4. LONG-TERM GROWTH MARKETS

We will continue to focus on construction materials markets that deliver profitable growth across the cycle.

We see numerous opportunities to expand both our geographical footprint and our product portfolio through organic investment and acquisitions.

As we look over time to international markets beyond Great Britain (GB) and Ireland, we will focus only on those countries which are characterised by robust legal systems, reliable planning regimes and benign local cultures with minimal political risk.



5. CONSERVATIVE FINANCIAL MANAGEMENT

Breedon has always sought to balance growth and profitability. We prioritise the maintenance of a strong balance sheet with a responsible approach to Leverage and deploy our capital responsibly, allowing us to commit significant organic investment to our business whilst continuing to pursue acquisitions to accelerate our strategic development.

This conservative approach to financial management will enable us to continue pursuing capital growth for our shareholders, whilst supporting our future dividend policy.



6. A GROWING, WELL-UTILISED ASSET BASE

The resources we use to produce our products are scarce and valuable, so it is vital that we maintain a high level of mineral reserves and maximise the value of every tonne of material we quarry or manufacture. We achieve this through a disciplined approach to quarry acquisition and development, coupled with a deep-rooted culture of self-help that ensures our operations remain efficient and competitive irrespective of market conditions.

At the end of 2019 we had nearly 900 million tonnes of mineral reserves and resources, enough to last 38 years at current rates of extraction, coupled with two cement plants with high replacement values.

Looking to the future, we aim to increase our asset base in all the markets in which we operate and ensure that we continue extracting value as efficiently as possible and with due regard to our responsibilities as stewards of the land on which we operate.

OUR BUSINESS AT A GLANCE

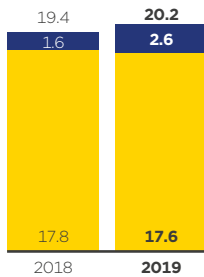
We are a leading vertically-integrated construction materials group in GB and Ireland.

GREAT BRITAIN

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

PRODUCT VOLUMES 2019

AGGREGATES
million tonnes



+4%

ASPHALT
million tonnes



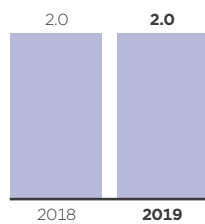
+6%

CONCRETE
million m³



-7%

CEMENT
million tonnes



+3%

Great Britain Ireland Cement

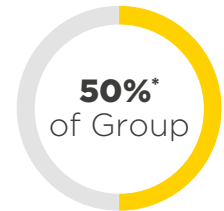
Volume data in the above charts have been rounded to the nearest 0.1 million. Reported percentage movements are calculated based on non-rounded data.

REVENUE

£615.1m

UNDERLYING EBIT

£62.8m



Key Assets

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

Strategic Advantages

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

* Excludes central administration and share of profit of associate and joint ventures. Further segmental information is provided in note 2 to the Financial Statements on page 103.

IRELAND

Breedon trades under the Whitemountain brand in Northern Ireland (NI) and as Lagan in the Republic of Ireland (RoI). We operate a nationwide network of quarries and downstream operations alongside a significant contracting services business which undertakes contract surfacing as well as major infrastructure and highway maintenance contracts throughout Ireland.

REVENUE

£202.0m

UNDERLYING EBIT

£26.8m

21%*
of Group

Key Assets

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

Strategic Advantages

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

CEMENT

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

REVENUE

£186.4m

UNDERLYING EBIT

£36.3m

29%*
of Group

Key Assets

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

Strategic Advantages

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

STATEMENT FROM THE CHAIR



“

The challenging environment only served to intensify our efforts to improve our business.”

Amit Bhatia
Non-executive Chairman

This is my inaugural report to shareholders as Chairman of Breedon and I would like to start by acknowledging the strong legacy left by my predecessor, Peter Tom, and thanking him for his distinguished service over the past 10 years. That said, Pat Ward and his excellent team have made my transition both smooth and enjoyable.

2019 was one of the most challenging years we have faced so far. As a result of the uncertainties surrounding the United Kingdom's (UK) withdrawal from the European Union (EU), we spent much of the year swimming against the tide. UK business investment is estimated to have fallen by 1.4 per cent, construction markets were broadly flat and competition was tough. This difficult backdrop, however, only served to intensify our team's efforts to improve our business. To deliver a 13 per cent increase in Underlying earnings before interest and tax ("EBIT") on eight per cent higher revenues under these conditions is testament to the skill and resourcefulness of management and the dedication and commitment of our 3,000 colleagues.

Able managers of high character running businesses about which they are passionate are good ingredients for success. We are fortunate to have these qualities in abundance throughout Breedon.

Acquisitions

In October we were pleased to complete the acquisition of Roadway Civil Engineering & Surfacing Ltd ("Roadway") and in December we formed a strategically important joint venture in London with Robert Brett & Sons Limited ("Brett"), trading as Capital Concrete Limited ("Capital Concrete"). We followed this up immediately after the year-end with an agreement to acquire a portfolio of high-quality assets from CEMEX UK Operations Limited ("CEMEX") in the UK, which will substantially strengthen our GB network and our platform for further growth. Our pipeline remains robust and we remain keen to transact with companies that add to Breedon's strategic goals and share our values.

You can read more about our performance and the background to these acquisitions in your Group Chief Executive's review on pages 12 to 15.

Shareholder value

Good performance, of course, is of limited value unless investors enjoy the benefits and there is no doubt that the performance of our share price during the year was largely disappointing, driven partly by a weak macroeconomic environment and partly by a significant churn in our shareholder register unrelated to the performance of the business. Throughout this period, we have remained focused on preserving and enhancing Breedon's intrinsic value, so that as conditions improve, so does our company's value.

It was pleasing to note the rise in the share price towards the end of the year, signifying that the hard work of the past few years was being recognised.

This gave a much-needed boost to our colleagues and provided a deserved reward for our investors. Unforeseen global events outside our control may have an adverse effect on the economy, but we will remain steadfast in our efforts to operate our businesses as efficiently and profitably as possible. From the first day that your company was admitted to trading on AIM in 2008, we have been fortunate to have had supportive shareholders who joined us because they wished to make a long-term investment in a business that would do well and do good. We have benefited enormously from your support.

Sustainability

We understand that as one of the leading businesses in the UK and Ireland, operating in an environmentally sensitive industry, Breedon's obligations go well beyond delivering a strong financial performance. Our responsibility is to all our stakeholders and this is reflected in our newly-defined purpose: to make a material difference to the lives of our customers, our colleagues and our communities. Making this purpose a reality is vital to maintaining our licence to operate, to the successful execution of our strategy and to ensuring that we are the best corporate citizen we can be.

Climate change and sustainability are defining factors in determining a company's long-term prospects. We understand the role we play and recognise that we must place these issues at the heart of our business and strengthen our commitment to transparency, so that our shareholders have a clear picture of how we manage these important issues. A company cannot achieve long-term success without having a strong sense of purpose and a determined consideration of a broad range of stakeholders. Ultimately, purpose is the engine of long-term profitability. It is the duty of your Board to implement frameworks for managing sustainability issues and to produce effective disclosures associated with them.

You can gauge the measure of our commitment on pages 45 to 53, where you will see that we have adopted the GCCA Sustainability Charter, obligating us to set and achieve demanding targets on health and safety; climate change and energy; social responsibility; environment and nature; and the circular economy. The Board will be uncompromising in its requirement for continuous improvement in all these areas in the years ahead.

Purpose and values

It is of course the case that genuinely improving the lives of our stakeholders can only happen if we have a culture rooted in strong ethical values and behaviours. In 2019 we embarked on a wide-ranging internal consultation, including a Group-wide engagement survey, in an effort to define and articulate our culture more clearly. The values we identified will be embedded in the business and provide the benchmark against which we will measure our success in engaging with and changing the lives of our stakeholders, both inside and outside the company, in the coming years.

STATEMENT FROM THE CHAIR CONTINUED

Governance

You should rightly expect strong governance to be at the heart of our culture. In this regard, you will have seen that during 2019 the Board was further strengthened with the appointments of experienced non-executive directors Clive Watson and Moni Mannings, who this year assume respectively the chairs of our Audit Committee and Remuneration Committee.

I am also delighted to announce that in spring 2020 we will welcome Carol Hui to the Board as an independent non-executive director. Carol is Chief of Staff and General Counsel at Heathrow Airport Holdings Limited and has previously served in senior positions in oil and gas, logistics and infrastructure companies. She was also a corporate finance lawyer at Slaughter and May. She is currently Chairwoman of Robert Walters Plc and a non-executive director of the British Tourist Authority.

On behalf of the Board, I would like to record my appreciation to David Williams, who retired from the Board at the end of last year, and to Susie Farnon and Peter Cornell, who will retire prior to the 2020 Annual General Meeting ("AGM"). David and Susie have served on the Board for a decade or more and I thank them for their dedicated and loyal service.

Dividend

One of the most common questions I have been asked since becoming Chairman is when Breedon will begin paying a dividend. I am delighted to be able to confirm that we intend to adopt a progressive distribution policy from next year, commencing with a maiden dividend to be declared with our 2021 interim results.

Strategy

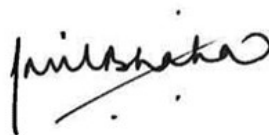
As we look back on our successes over the last 10 years, it is appropriate that we should have taken stock of our strategy to ensure that we are match-fit for the coming years.

Over the long term we aspire to be a leading vertically-integrated international construction materials group delivering superior value for all our stakeholders.

Please take a moment to read pages 4 and 5, where we explain how we will achieve this by maintaining a clear purpose and culture, with robust governance, a commitment to sustainability and social responsibility, operating in long-term growth markets, with conservative financial management and a growing and well-utilised asset base.

The future

Looking ahead, I remain enthusiastic about the future. Breedon has an exceptional team of people who have consistently delivered exceptional results. I am confident that we are well equipped to tackle any challenge with which we are presented and ready to take full advantage of the many opportunities which lie ahead.



Amit Bhatia
Non-executive Chairman
11 March 2020



GROUP CHIEF EXECUTIVE'S REVIEW



“

We closed
2019 with a
strong result.”

Pat Ward
Group Chief Executive

We closed 2019 with a strong result, in line with the market's expectations, reflecting an excellent performance from our businesses in some challenging market conditions. On behalf of the Board and Executive Committee, I would like to begin my review with a sincere thank you to all our colleagues for their tireless efforts.

MARKET BACKGROUND

The UK construction industry endured one of its toughest periods for many years, with output in GB remaining stubbornly flat amid declines in activity in the public non-housing, industrial, commercial and repair, maintenance and improvement sectors. Growth was once again largely accounted for by infrastructure and housing, which worked to our advantage given that these represent the majority of our end-use markets, although as always there were significant regional variations.

In RoI, the picture was very different. Total output is estimated to have risen by around eight per cent, supported by exceptional growth in new residential construction activity.

A more detailed assessment of our markets can be found on pages 18 and 19.

TRADING PERFORMANCE

Revenues rose by eight per cent to £929.6 million, generating a 13 per cent increase in Underlying EBIT to £116.6 million, equivalent to an Underlying EBIT margin of 12.5 per cent. Profit before tax rose 18 per cent to £94.6 million. Strong cash generation remains one of Breedon's distinctive characteristics and once again we delivered an excellent result. Starting this year, we will be disclosing our Free Cash Flow ("FCF") annually as a Key Performance Indicator ("KPI"), together with our Return on Invested Capital ("ROIC"), which we believe investors regard as important additional measures of our performance.

All three of our Divisions (Great Britain, Ireland and Cement) produced improved results, albeit with inevitable regional variations depending on their respective market conditions, achieved against the backdrop of improved selling prices and assisted by a generally more benign input cost environment. A detailed review of our Divisional performances is contained in the Business reviews on pages 33 to 43.

Thanks to our strong cash flow, post IFRS 16 net debt at the end of the year stood at £290.3 million, equivalent to 1.6 times Underlying EBITDA (earnings before interest, tax, depreciation and amortisation and before our share of profit from our associate and joint ventures).

ORGANIC DEVELOPMENT

We have consistently deployed capital expenditure at least to the level of depreciation, believing that well-invested plant and equipment is vital to the efficient long-term performance of our quarries, plants and contracting services operations. 2019 was no exception, with around £60 million directed to operational enhancements, increased capacity, geographical expansion and further development of our mineral reserves and resources.

Among the landmark projects undertaken during the year was a major replant at our North Cave quarry in Yorkshire, together with new wash plants in our sand and gravel quarry at Low Plains in Cumbria and in our temporary pit at Loak Farm in Perthshire. The latter will equip us to service upcoming demand from the second phase of the A9 Dualling scheme, for which we won a major supply and lay surfacing contract during the year. We also completed the replacement of the raw mill drive and kiln shell at our Hope cement works. Once again we worked hard to create and release new sources of minerals, including the development of a new sand and gravel quarry at Willington near Bedford and substantial additional aggregates reserves released at Norton Bottoms quarry in Lincolnshire. In RoI we opened a sixth quarry, at Castlepollard in County Westmeath. We will continue selectively to reopen our remaining mothballed quarries in RoI as market demand dictates.

ACQUISITIONS

The acquisition of Roadway for £13.5 million in October represented an important step in establishing Breedon as a fully integrated business in North Wales. It enables us for the first time to offer a comprehensive asphalt supply and lay service throughout North Wales, Shropshire, Cheshire and Merseyside and provides an additional route to market for aggregates from our quarries in the region.

In December we realised our longstanding strategic ambition to secure critical mass in the London ready-mixed concrete market through the creation of a joint venture with Brett. The company, which trades across Greater London as Capital Concrete, is jointly owned by Breedon and Brett, together with the company's senior management, and provides both partners with a strong platform from which to develop our offerings to the largest construction materials market in the UK.

Shortly after the year-end, in January 2020, we agreed to acquire a substantial portfolio of high-quality assets from CEMEX in the UK. This £178 million acquisition is due to complete in the second quarter of this year and will significantly extend the Group's national network via a single transaction, strengthening our footprint in six key regions of GB, bringing us around 650 new high-quality, well trained colleagues, and adding nearly 170 million tonnes of mineral reserves and resources.

The purchase is fully consistent with our strategy of acquiring earnings-enhancing aggregates-led businesses with strong potential for performance improvements and synergy benefits. It is also one of a number of significant transactions we have concluded with our major peers over the last few years, confirming our ability to benefit from non-core divestments by our larger competitors.

The TUPE consultation process is well underway, IT migration planning is on track and we are engaged in constructive discussions with the Competition and Markets Authority in relation to its review of the transaction.

SAFETY

I am pleased to report that we made very encouraging progress in reducing the frequency of lost-time injuries last year. As a result, we saw our key historical safety metric, our Employee Lost-Time Injury Frequency Rate (LTIFR) fall to 1.05, only marginally above our target for the year.

This year we are also reporting our Total Injury Frequency Rate (TIFR), which takes account of all injuries, however minor. This fell to 17.17 from 20.54 in 2018.

Although these are encouraging outcomes and compare favourably with our industry peers, we are not complacent – there are still too many minor injuries occurring in our business and we will not be satisfied until we are sending all our colleagues home in the same condition they arrived at work.

In 2019 we appointed our first Group Head of Health, Safety & Environment, who brings with him a wealth of experience from within our industry and has assumed overall responsibility for the health and safety of our 3,000 colleagues, as well as overseeing our environmental activities. We look forward to him taking our safety engagement to new levels.

COLLEAGUE ENGAGEMENT

As the Chairman reports in his statement, last year we undertook our first Group-wide engagement survey, as part of an extensive consultation on the Group's purpose and values. We have always believed that the quality and dedication of our people are among the primary reasons for Breedon's competitive advantage, but we believed it was important for us to delve more deeply into our colleagues' perceptions of the company they work for, acknowledging what we do well and not so well, in order to articulate our values more clearly and embed them in the business.

At the end of January 2020 we launched our new purpose and values to our top 100 managers, who enthusiastically embraced them and began to roll them out to their respective teams in the weeks that followed. We go into more detail on this exercise on page 51.

OUTLOOK

Breedon is in excellent shape. We have a well-established business extending throughout GB and Ireland, having delivered great results irrespective of market conditions. We have an outstanding team of colleagues and, following the acquisition of the CEMEX asset portfolio, we will have the backing of more than a billion tonnes of valuable mineral reserves and resources, together with two well-invested cement plants.

After 10 years of successful and profitable growth, we have a clear strategy for the coming years, built on a clear market philosophy, strong governance, a healthy culture and a firm commitment to playing our part in alleviating the impact of climate change and delivering a sustainable future.

With the UK Government committed to significantly increased investment in infrastructure, we are well placed to benefit from the increased demand for our products that this will create.

The Group is monitoring the potential impact of the COVID-19 virus and has contingency plans in place which will be refined as the Government releases more information.

I am confident that we will make further progress in 2020 and beyond.



Pat Ward
Group Chief Executive

11 March 2020

GROUP CHIEF EXECUTIVE Q&A 2019

Group Chief Executive answers some key questions on Breedon's performance in 2019 and on the future of the Group.



Q WHAT DO YOU THINK WERE BREEDON'S GREATEST ACHIEVEMENTS IN 2019?

A I would highlight two things. Firstly, I was particularly pleased that we succeeded in bringing down our LTIFR to close in line with our target for 2019. This is evidence that the safety culture we have been working so hard to embed in our business is really taking root and that keeping each other safe is becoming second-nature to us all. Secondly, I would point to the excellent operational performance delivered by our team, who overcame very challenging market conditions to deliver an outstanding result, whilst largely completing the integration of our largest acquisition to date.

Q WHY WAS IT SO IMPORTANT TO DEFINE BREEDON'S PURPOSE AND VALUES?

A Breedon has grown large and grown quickly, in part via the acquisition of 16 businesses over the past 10 years. Each of those businesses had its own distinctive culture and legacy and it has become increasingly important that we bind ourselves together through a shared purpose and common values that clearly distinguish us from our competitors. We want to ensure that we all understand what it means to be a 'Breedon person', making a material difference to our customers, communities and each other.

Q WHERE WILL YOU LOOK NEXT FOR ACQUISITION OPPORTUNITIES?

A There is plenty still to go for in GB and Ireland, where our markets remain fragmented and offer plentiful opportunities for bolt-on acquisitions. Even after we have completed the acquisition of CEMEX's assets this year, there will still be regions of GB where we remain under-represented and in Ireland we have a well-defined pipeline of opportunities. As we have indicated in the strategic overview on pages 4 and 5 of this report, we are ambitious and aim in the years ahead to be a leading international construction materials group, provided our expansion criteria are met.

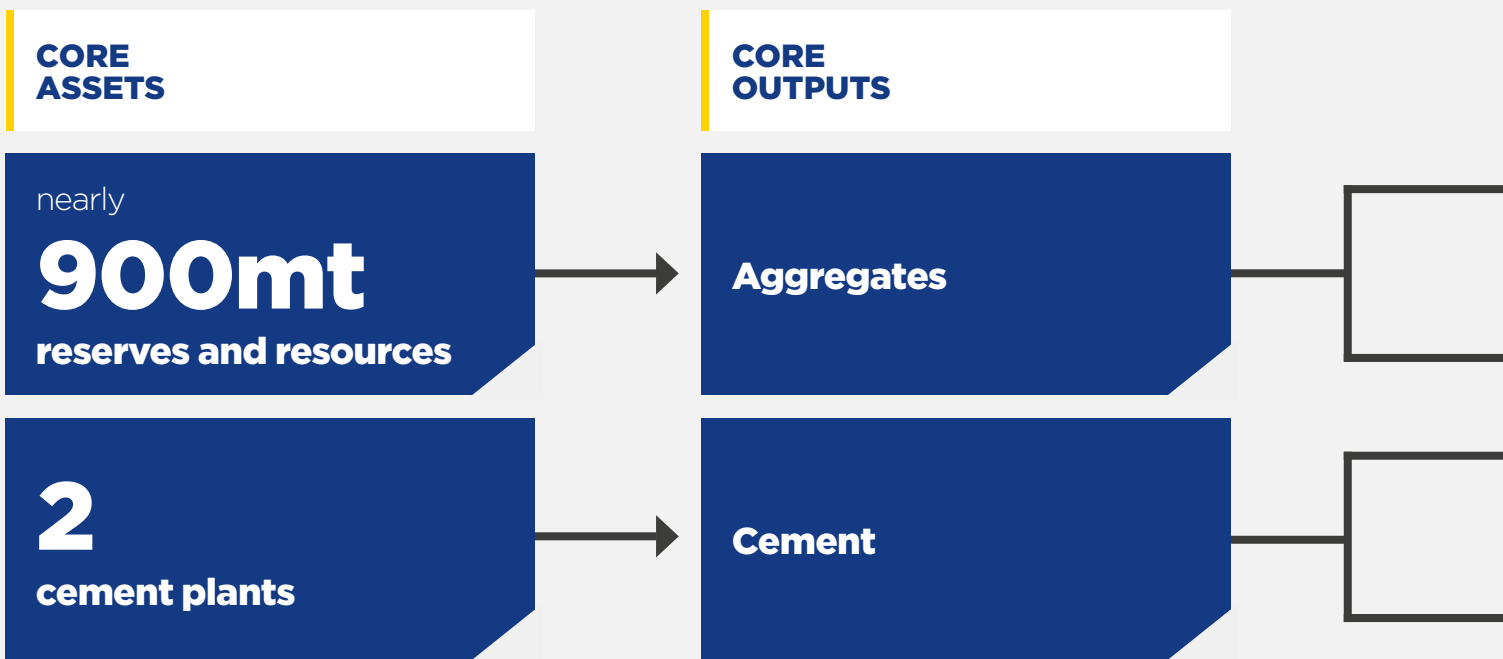
Q WHAT ARE BREEDON'S STRATEGIC PRIORITIES FOR THE YEAR AHEAD?

A Our first priority, of course, is to deliver on our expectations from the core business. At the same time, we will complete the acquisition of CEMEX's assets in the UK and progress planning for their integration into the Group. We will also continue to seek out bolt-on acquisition opportunities, whilst maintaining high levels of organic investment in our operations. With the political environment more stable and the prospect of major infrastructure spending to come, we are exceptionally well placed to benefit from improving markets in GB and the continuing growth in construction activity in RoI.

OUR BUSINESS MODEL

We have a vertically-integrated business model which gives us significant economies of scale, a high level of self-sufficiency and tight control over our costs.

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



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

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

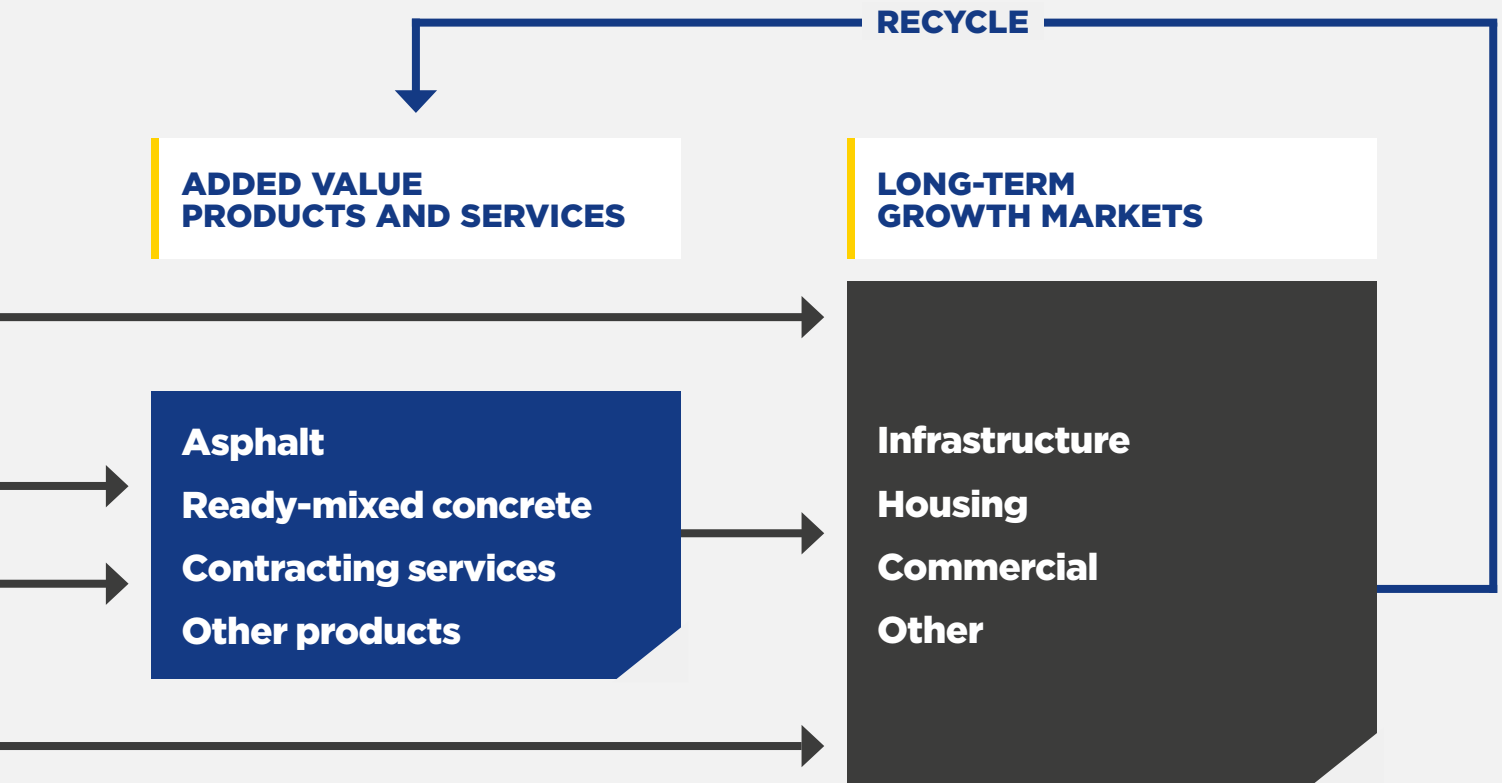
Whether we are extracting and processing aggregates, or producing cement, we focus on doing it as efficiently and cost-effectively as possible.

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

THE LONG-TERM SUCCESS OF OUR BUSINESS MODEL IS SUPPORTED BY OUR KEY RESOURCES AND RELATIONSHIPS:

Read about our Resources and Relationships on pages 44 to 53.

- HEALTH AND SAFETY
- CLIMATE CHANGE AND ENERGY



The essence of our business model is to maximise the return on every tonne of material we produce, whether it is rock, sand or gravel from our quarries, or cementitious products from our cement works and import terminals. Our vertical integration provides valuable, margin-enhancing routes to market for our core mineral and cement outputs.

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

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

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

- SOCIAL RESPONSIBILITY
- ENVIRONMENT AND NATURE

- CIRCULAR ECONOMY

KEY MARKETS

As a leading construction materials group in GB and Ireland, Breedon remains well positioned to benefit from growth in our key construction markets over the medium term.

MODEST GROWTH IN GB

The Construction Products Association (CPA) reports that activity in our industry was relatively buoyant during the first half of 2019, especially set against the unseasonably poor weather in the comparable period of 2018. However, from the summer of 2019, against the backdrop of persistent political uncertainty and continuing delays to major infrastructure projects, the market slowed and at the time of writing was forecast to have ended the year with output only 0.6 per cent ahead, reflecting a particularly sharp downturn in commercial and repair and maintenance.

Demand for mineral products was correspondingly impacted, with aggregates sales down 0.6 per cent, sand and gravel down 5.4 per cent and asphalt down 0.9 per cent. Once again, ready-mixed concrete was the weakest of the downstream product categories, declining by 4.1 per cent.



Above: The Crossways Bridge on the Colley Lane Southern Access Road erected by Whitemountain

GB VOLUME TRENDS

AGGREGATES - GB MARKET SIZE

130.4mt

2018: 133.3mt
-2.2%

ASPHALT - GB MARKET SIZE

22.7mt

2018: 22.9mt
-0.9%

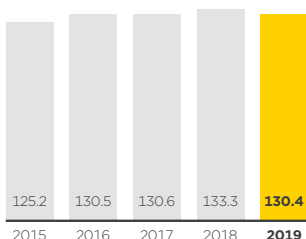
READY-MIXED CONCRETE - GB MARKET SIZE

16.4mm³

2018: 17.1mm³
-4.1%

GB AGGREGATES MARKET GROWTH

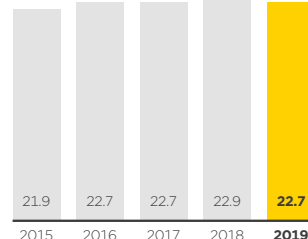
m tonnes



+4.2%
over 5 years

GB ASPHALT MARKET GROWTH

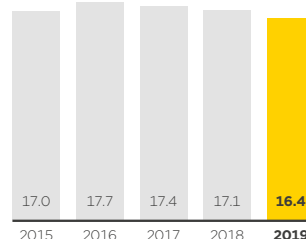
m tonnes



+3.7%
over 5 years

GB READY-MIXED CONCRETE MARKET GROWTH

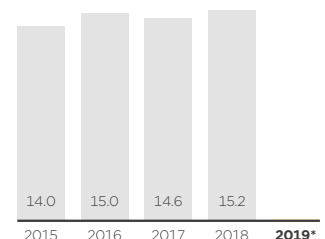
m cubic metres



-3.5%
over 5 years

GB CEMENTITIOUS MARKET GROWTH

m tonnes



* Cementitious market volumes for 2019 will be published in late 2020

Sources: Construction Industry Federation, CPA (forecast), CITB, Danske Bank, Euroconstruct, IMF, Mineral Products Association (MPA) members

CONTINUING STRONG PERFORMANCE IN IRELAND

The RoI market once again performed strongly, with construction output estimated to have grown by eight per cent. The residential and civil engineering sectors performed particularly well. In NI, despite some weakness in the second quarter, employment growth in the construction sector remained strong and output is forecast to have grown by 1.2 per cent over the year.

OUTLOOK REMAINS POSITIVE

The resolution of the Brexit impasse and the election of a new UK Government with a substantial majority removed much of the uncertainty which had beset our industry for the previous three years and sentiment greatly improved as we transitioned from 2019 to 2020.

The new Government's commitment to increased housebuilding, coupled with promised investment in a number of key infrastructure projects which have been on hold for some time, provide much needed encouragement for our industry in GB and hold out the prospect of a significant improvement in construction output in the medium term.

In Ireland, the outlook remains even more positive. Output in RoI is expected to grow by nearly nine per cent over the period 2020-21, significantly outperforming the EU average. Residential investment is expected to be particularly buoyant, increasing by approximately 17 per cent in 2020, with housing completions forecast to reach 45,000 units by 2024 - a significant increase on 2019. Output in NI is expected to continue growing steadily, with any benefits arising from the restored Legislative Assembly still to be felt.



Above: The Henry Street Jetty in Enniskillen, constructed by Whitemountain

LONG-TERM GROWTH MARKETS

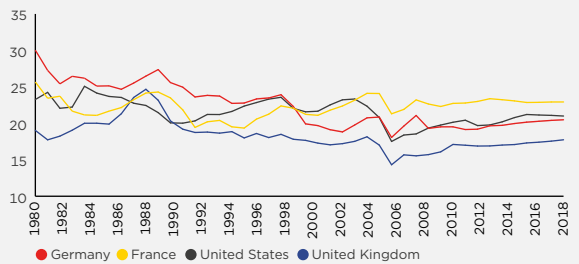
In GB, aggregates volumes are 20 per cent below 2007 levels and per capita production is 20 per cent below the EU average, pointing to significant upside potential. The UK Government has acknowledged that UK infrastructure is significantly underinvested and is committed to spending increases.

By the end of 2021, infrastructure output is projected to reach £24.7 billion, the highest on record, and the National Infrastructure and Construction Pipeline already includes £413 billion of planned private and public investment until 2022.*

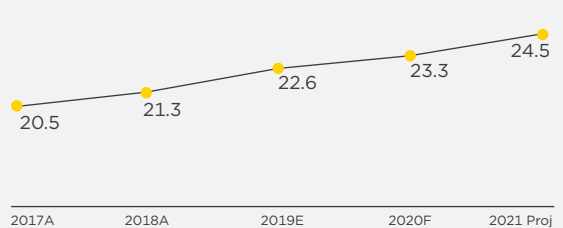
In Ireland, the RoI's Department of Finance and Public Expenditure and Reform predicts that investment in the building and construction sector will increase from €29 billion in 2019 to €41 billion by 2023, while construction output in NI is forecast to continue rising by 0.8 per cent per annum to 2023.

*Prior to any spending increases announced in the spring 2020 Budget

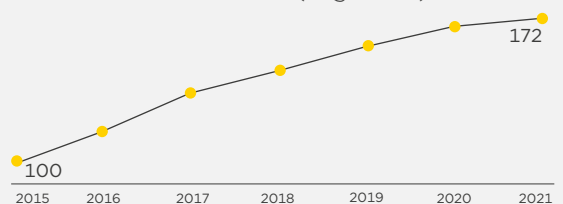
TOTAL INFRASTRUCTURE INVESTMENT (% of GDP)



GB INFRASTRUCTURE OUTPUT (£bn)



TOTAL CONSTRUCTION OUTPUT IN REPUBLIC OF IRELAND (% growth)



OUR STRATEGY: PROGRESS AND PRIORITIES

The six pillars of our strategy are outlined on pages 4 and 5. Here we report on our progress in 2019 and our priorities for the current year.



A CLEAR PURPOSE AND THE RIGHT CULTURE



ROBUST GOVERNANCE



COMMITMENT TO SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Why this is important	<p>The most successful companies, financially and socially, are those with a clearly articulated purpose and direction. The right culture, rooted in strong ethical values and behaviours, are vital to Breedon achieving its purpose.</p>	<p>Breedon aspires to the highest standards of corporate governance, in order to ensure the full support of our shareholders and other stakeholders, to attract quality people and potential acquisitions, and to support our likely transition to a full LSE listing in due course.</p>	<p>As an extractive industry, being a good corporate citizen is crucial to maintaining our licence to operate. Reducing our environmental footprint and our impact on the communities we serve are increasingly important ethical considerations for our investors.</p>
Lead KPI	<ul style="list-style-type: none"> • Employee TIFR • Reserves and resources life • Emissions intensity 	<ul style="list-style-type: none"> • Underlying basic EPS • Reserves and resources life • Emissions intensity 	<ul style="list-style-type: none"> • Employee LTIFR • Employee TIFR • Emissions intensity
Progress in 2019	<p>A Group-wide engagement survey, accompanied by colleague forums and consultation with senior management, resulted in a newly articulated Group purpose and supporting values which are now being embedded across the company.</p>	<p>The Board adopted the QCA Corporate Governance Code from 1 January 2019. The Board was subsequently strengthened with the appointment of a new non-executive chairman and two highly experienced non-executive directors.</p>	<p>We signed up to the GCCA's Sustainability Charter, against which we report our progress in the Resources and Relationships section of this Annual Report. We also began the process of recruiting our first Group Head of Sustainability.</p>
Priorities for 2020	<p>Embed the Group's purpose and values in colleague induction and training programmes, Personal Development Reviews and all internal and external communications.</p>	<p>Appointment of two further non-executive directors. Pursue programme of meetings with Environment, Sustainability and Governance (ESG) specialists within our major shareholders.</p>	<p>Agree performance criteria for all key sustainability areas: health and safety, climate change and energy, social responsibility, environment and nature and the circular economy, and set targets for the future.</p>
Risk factors	<ul style="list-style-type: none"> • Acquisitions • Environment and climate change • Health and safety • Legal and regulatory • People 	<ul style="list-style-type: none"> • Acquisitions • Environment and climate change • Financing, liquidity and currency • Health and safety • IT and cyber security • Legal and regulatory • People 	<ul style="list-style-type: none"> • Acquisitions • Competition and margins • Environment and climate change • Health and safety • Legal and regulatory • People


**LONG-TERM
GROWTH MARKETS**

To secure continued increases in revenues and profits and deliver further capital growth, we must ensure that our markets can deliver sustained growth across the cycle, both in GB and Ireland and, in due course, further afield.

- Revenue
- Underlying EBIT margin
- ROIC

Solid contracting and asphalt production platform established in North Wales via acquisition of Roadway. Critical mass secured in London readymix market via Capital Concrete joint venture. Post-year-end agreement to secure assets from CEMEX in the UK.

Complete acquisition of the CEMEX assets and progress planning for integration. Pursue further bolt-on acquisitions and continue organic investment in core business.

- Acquisitions
- Competition and margins
- Environment and climate change
- Financing, liquidity and currency
- IT and cyber security
- Legal and regulatory
- Market conditions


**CONSERVATIVE
FINANCIAL
MANAGEMENT**

In a highly capital-intensive industry it is important that we maintain financial prudence, in order to meet the investment needs of our business, secure financing on attractive terms and ensure that we remain competitive irrespective of market conditions.

- Leverage
- ROIC
- FCF

Strong earnings growth and continuing strong cash flow reduced net debt below £300 million and Leverage to 1.6x. This was after sustained capital investment in the business at around the level of depreciation, expenditure on a bolt-on acquisition and investment in a new joint venture.

Maintain high level of cash flow and further reduce Leverage following planned completion of acquisition of the CEMEX assets in second quarter of the year. Preserve headroom for further bolt-on acquisitions financed from existing resources.

- Acquisitions
- Competition and margins
- Financing, liquidity and currency
- Legal and regulatory
- Market conditions


**A GROWING, WELL-
UTILISED ASSET BASE**

Our business is dependent on securing and replenishing scarce mineral resources and exploiting them efficiently by maximising the value of every tonne of aggregate we extract and every tonne of cement we manufacture.

- Underlying EBIT margin
- ROIC
- Reserves and resources life

Reserves extended at Boyne Bay and Low Harperley quarries and incremental reserves secured at Potton and Norton Bottoms. Development of new sand and gravel quarry at Willington and reopening of dormant quarry at Castlepollard in County Westmeath.

Continue programme of quarry extensions, plant openings and new mineral sourcing, including the planned opening of a new sand and gravel quarry at South Boreland in Dumfriesshire.

- Acquisitions
- Competition and margins
- Environment and climate change
- Legal and regulatory
- People

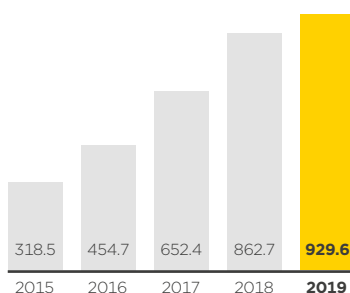
OUR KEY PERFORMANCE INDICATORS

We use our KPIs both to measure our progress against our strategy (pages 20 and 21) and as risk monitors (pages 26 and 27). From 2019 we have added two new financial KPIs (ROIC and FCF) and two new non-financial KPIs (Employee TIFR and Emissions Intensity).

FINANCIAL KPIs

REVENUE

£m



+192%

Five-year performance

Why we've chosen this measure:

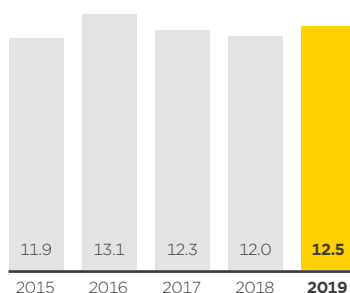
This metric tracks the Group's top-line growth. We also use it as a risk monitor.

How we've performed:

Continued good progress through a combination of organic growth and acquisitions.

UNDERLYING EBIT MARGIN

%



+0.6ppt

Five-year performance

Why we've chosen this measure:

This metric tracks improvements in the relative profitability of the Group and enables us to monitor progress against our stated objective of achieving a 15 per cent Underlying EBIT margin in the medium term. We also use it as a risk monitor.

How we've performed:

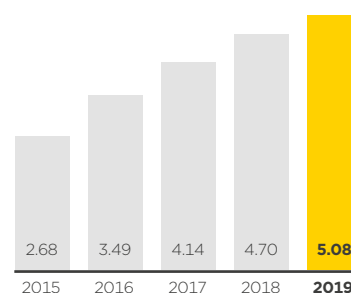
Our Underlying EBIT margin increased, despite challenging trading conditions in 2019.

Remuneration link:

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

UNDERLYING BASIC EPS

pence



+90%

Five-year performance

Why we've chosen this measure:

This metric tracks improvements in the underlying basic EPS for our shareholders. We also use it as a risk monitor.

How we've performed:

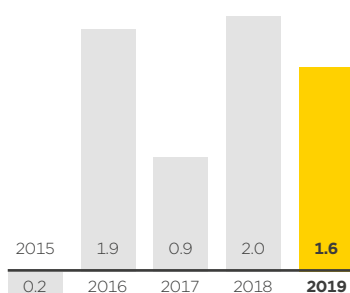
The eight per cent increase in our Underlying basic EPS in 2019 reflects the improved performance of the business.

Remuneration link:

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

LEVERAGE

times



Why we've chosen this measure:

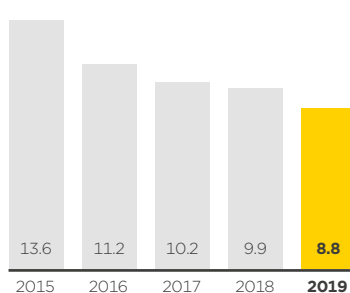
This metric tracks the ability of the Group to generate sufficient cash flows to service the needs of the business and to pursue its acquisition strategy, whilst covering its contractual debt-servicing obligations. We also use it as a risk monitor.

How we've performed:

The Group continued to generate healthy cash flow, enabling us to reduce our net debt to £290.3 million at 31 December 2019, equivalent to 1.6 times Underlying EBITDA.

RETURN ON INVESTED CAPITAL

%



-4.8ppt

Five-year performance

Why we've chosen this measure:

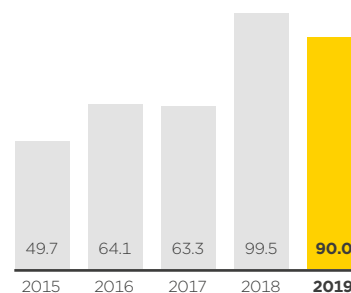
This metric tracks how well the Group generates returns in relation to the average capital invested and we target a return across the cycle exceeding our cost of capital.

How we've performed:

The decline in 2019 reflects the impact of the acquisition of Lagan Group (Holdings) Limited ("Lagan") in April 2018 on capital invested. However, at 8.8 per cent it more than covers our cost of capital.

FREE CASH FLOW

£m



+81%

Five-year performance

Why we've chosen this measure:

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

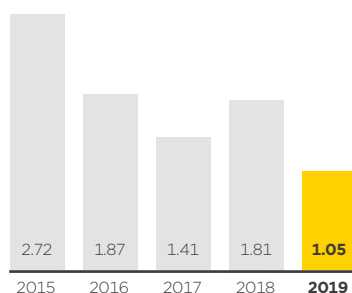
How we've performed:

The decline in 2019 reflects the expected working capital reversal following an exceptionally strong performance in 2018.

NON-FINANCIAL KPIS

EMPLOYEE LTIFR

per million hours worked



-61%

Five-year performance

Why we've chosen this measure:

This industry-standard metric tracks our health and safety performance and enables us to maintain a strong health and safety culture. We also use it as a risk monitor.

How we've performed:

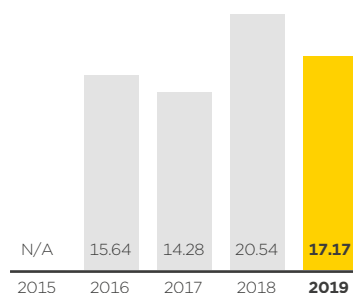
We delivered an encouraging performance in 2019, reducing our LTIFR to its lowest level in the Group's history.

Remuneration link:

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

EMPLOYEE TIFR

per million hours worked



+10%

Five-year performance

Why we've chosen this measure:

We believe it is appropriate to report on this wider measure of our health and safety performance, which indicates the total recorded injury frequency rate of the Group. We also use it as a risk monitor.

How we've performed:

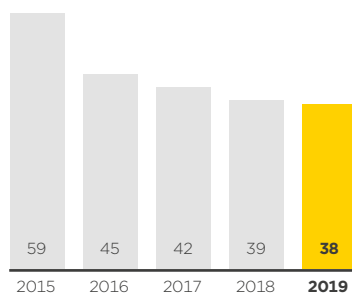
This decreased in 2019, although there is still work to do to establish a consistent downward trend.

Remuneration link:

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

RESERVES AND RESOURCES LIFE

years



Why we've chosen this measure:

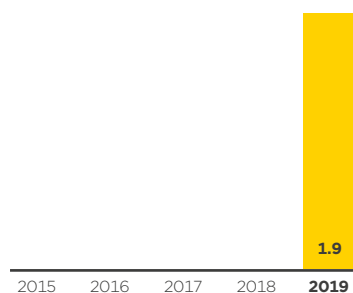
This metric tracks the ability of the Group to replenish its reserves and resources. We also use it as a risk monitor.

How we've performed:

We continued to preserve our asset base in 2019 and ended the year with reserves and resources of nearly 900 million tonnes.

EMISSIONS INTENSITY

tCO₂e/£ revenue (kg)



2019 represents the Group's first formal SECR report

Why we've chosen this measure:

This is a reporting requirement of the UK Government's Streamlined Energy and Carbon Reporting (SECR) regime, with which we have elected to comply a year early. We also use it as a risk monitor.

How we've performed:

This is our first report and we will use it as the baseline for all future reporting.

Where a financial KPI is a non-statutory measure of performance, a reconciliation to the most directly related statutory measure is provided on pages 132 to 134 in note 28 to the Financial Statements.

MANAGING OUR RISKS AND OPPORTUNITIES

By identifying and managing our existing and emerging risks effectively we can focus on our long-term business 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 to accept, transfer or mitigate those risks to an acceptable level.

This year we have chosen to present 'Environment and climate change' separately from 'Health and Safety' as a principal and emerging risk, recognising the increase in its profile, both externally, and within the Group.

THE GROUP'S PRINCIPAL RISKS, IN ALPHABETICAL ORDER, ARE:

1. **Acquisitions**
 2. **Competition and margins**
 3. **Environment and climate change**
 4. **Financing, liquidity and currency**
 5. **Health and safety**
 6. **IT and cyber security**
 7. **Legal and regulatory**
 8. **Market conditions**
 9. **People**
-

During the year the remaining eight of our net risk ratings remained unchanged. However, prior to our announcement on 8 January 2020 of our conditional agreement to acquire certain assets and operations from CEMEX in the UK, our assessment of the risks from 'Acquisitions' and from 'Financing, liquidity and currency' would have reduced. This is because of the successful integration of Lagan into the Group, its financial performance and the Group's strong cash generation and deleveraging. Subsequent to the CEMEX announcement and expected completion in the second quarter of 2020, retaining these two risks, as high and medium ratings respectively, remains appropriate.

BREXIT

The Group continues to manage the potential impacts that Brexit could have on its business and on our risk assessment. 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 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 following the end of the transition period in 2020. In such a scenario World Trade Organisation (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 wider supply chains and labour shortages.

We have contingency plans in place 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 them.

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

COVID-19

The Group's operations are based in GB and Ireland, which have both reported cases of COVID-19. The UK Government's current response to these cases is to minimise the spread of the virus, and at the time of writing it is too soon to quantify the extent of the risk posed. The business has contingency plans in place, which focus primarily on the health and wellbeing of our employees, whilst seeking to minimise the disruption to the business.

RISK MANAGEMENT FRAMEWORK

Board

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

Audit Committee

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

Group Finance Director

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

Group Controls Manager

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

Risk-owners/Senior Management Team

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

RISK 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.

RISK HEAT TABLE

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



Read our viability statement on page 81.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Risk description	How we mitigate them	KPI used as a risk monitor	Fit with strategy
1. ACQUISITIONS ➔			
<p>We could overpay for, fail successfully to integrate, or fail to deliver the expected returns from, an acquisition. We may also fail to identify potential acquisitions to sustain our growth strategy.</p>	<p>The Group has a strong acquisition track record, supported by our specialist advisers and rigorous due diligence processes. All major acquisitions are approved by the Board and all acquisitions are subject to detailed integration plans which are executed by project teams, with progress monitored by the Board.</p> <p>We have developed a management structure which facilitates our growth strategy and, where appropriate, we make arrangements to retain acquired senior management. The Board holds strategy meetings with our external advisers to review wider acquisition opportunities and our businesses are all tasked with bringing forward potential bolt-on acquisition targets for review at Group level.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • Leverage • FCF • Reserves and resources life 	     
2. COMPETITION AND MARGINS ➔			
<p>Increased competition, increases in energy and hydrocarbon costs or commodity prices, heavy reliance on key suppliers and poor haulage management could impact profitability or cause supply issues.</p> <p>An unplanned production outage at a cement plant could significantly impact our ability to supply cement both internally and externally.</p>	<p>We maintain a diverse customer base and focus on providing a high level of service. All major contracts are approved by the Board.</p> <p>We operate a strategic purchasing plan to minimise key supplier risks, notably in energy and hydrocarbons, including bitumen, and we seek to offset rising commodity prices through our product pricing strategy and hedging programmes and by optimising our internal supply chain. Experienced Transport Managers optimise truck availability to match demand and we actively engage with our subcontractors.</p> <p>Both cement plants have real-time performance monitoring and preventative maintenance and inspection programmes and mitigating cement procurement strategies are in place. We hold Business Interruption Insurance and continue to strengthen business continuity plans.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • FCF • Emissions intensity 	   
3. ENVIRONMENT AND CLIMATE CHANGE N/A			
<p>The Group's impact upon the environment or the effects of climate change could expose us to regulatory breaches, significant disruption, reputational risk or a reduction in demand for our products.</p> <p>Emission restrictions and the transition to a low carbon economy could impact performance.</p>	<p>The Group is a member of the GCCA and as such must comply with the GCCA Sustainability Charter by 2023. We are committed to setting targets, implementing sustainability initiatives and reporting our performance to the GCCA.</p> <p>We have engaged a Carbon and Energy Management company and implemented processes to comply with the SECR regulations.</p> <p>Management, training and control systems are in place to prevent environmental incidents, including a Group Health, Safety, Environment and Quality policy. We are committed to reducing the level of carbon emissions and have stringent emissions monitoring, maintenance and inspection regimes at key sites.</p> <p>Further information on our sustainability targets and initiatives can be found within Resources and Relationships on pages 44 to 53 and our SECR reporting is on pages 48 and 49.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • FCF • Emissions intensity 	    
4. FINANCING, LIQUIDITY AND CURRENCY ➔			
<p>The Group may not have sufficient financial resources to meet our obligations as they fall due, or to continue to invest organically or to undertake acquisitions.</p> <p>The Group borrows at floating and fixed interest rates and is therefore exposed to fluctuations in those rates. Our business in RoI exposes us to additional foreign exchange risks.</p>	<p>We maintain strong relationships with our key banks and shareholders and the Group's committed credit facility runs to April 2022. We manage our liquidity risk by continuously monitoring forecasts and cash flows to ensure that we maintain significant headroom.</p> <p>We use interest rate caps to manage our exposure to changes in floating interest rates and our activities are conducted primarily in the local currencies of our respective businesses, resulting in a low level of foreign currency transactional risk. We hedge a proportion of our net investments in foreign businesses with foreign currency borrowings, but do not generally hedge the income statement transactional risks.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • Leverage • ROIC • FCF 	  
5. HEALTH AND SAFETY ➔			
<p>Failure to manage health and safety risks could expose the Group to significant potential disruption, regulatory breaches, liabilities and reputational damage.</p>	<p>We safeguard the health and safety of employees, contractors and others working on behalf of the Group, employing experienced health and safety professionals who promote a strong safety culture and provide relevant training. We have recently appointed a Group Head of Health, Safety and Environment to further drive forward our health and safety strategy.</p> <p>We are constantly improving communication and reporting across the Group. Visible Felt Leadership visits are conducted, our Executive Committee holds regular safety days and we have a Fleet Risk Group which manages risk and safety issues associated with the management of our vehicle fleet.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • FCF • Employee LITFR • Employee TIFR 	  

Risk description	How we mitigate them	KPI used as a risk monitor	Fit with strategy
6. IT AND CYBER SECURITY ➔			
<p>Disruption to the IT environment could affect our operational performance and lead to reputational damage, regulatory penalties or significant financial loss.</p> <p>Failure to keep up to date with advances in technology could impact demand and our ability to access the market.</p>	<p>Our Group's dedicated internal IT support teams and external service providers continue to monitor and respond to new and expanding cyber risks by implementing best practice in IT security management and by continuing to strengthen the Group's disaster recovery plans.</p> <p>All IT system development projects are carefully planned and managed with defined governance and control procedures and we have an ongoing IT systems enhancement programme.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • FCF 	
7. LEGAL AND REGULATORY ➔			
<p>A legal or regulatory breach (excluding environmental or health and safety breaches) could result in disruption to operations and reputational damage or regulatory bodies could prevent us from consolidating the smaller end of the heavyside materials industry.</p> <p>Product quality issues could result in customer claims, while planning and licensing restrictions could prevent us from operating facilities or extracting mineral reserves economically.</p>	<p>Our Company Solicitor and Group Tax Manager monitor and respond to legal and regulatory developments. Compliance policies are maintained and a rolling training programme is in place. We have recently updated our Group Code of Business Conduct and have clearly defined our purpose and corporate values. We engage local legal, tax and planning experts for advice on new laws and regulations in our markets.</p> <p>We have clear and regularly updated contracting terms with all our customers and suppliers. We maintain strict quality control policies and procedures with high quality laboratories and experienced technical teams, and hold all appropriate business accreditations and insurances.</p> <p>Our Planning and Estates teams monitor and respond to changes in planning regulations, and track our mineral reserves against planning consents. We consult regularly with our stakeholders, especially those impacted by our operations.</p> <p>Our transport teams manage compliance with the Group's Goods Vehicle Operator licences and road traffic laws.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • FCF • Reserves and resources life 	
8. MARKET CONDITIONS ➔			
<p>Changes in the macro-economic environment, shifts in Government policy and adverse weather could all have an impact on demand for our products and utilisation of our assets.</p> <p>Difficult economic conditions could also increase our exposure to credit risk from our customers.</p>	<p>We closely follow published indicators of activity in our sectors, including market data and economic forecasts drawn from a wide range of sources. We also maintain regular contact with our key suppliers and customers in order to identify significant events which could potentially impact the Group. Our formal budgeting and forecasting process takes account of these assessments.</p> <p>We also maintain broad exposure to a diverse range of end-uses for our products and our presence in both the UK and Irish markets provides geographical diversity. Credit risk insurance cover is maintained over the majority of our private sector customers and authorisation procedures are in place for both insured and uninsured risk.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • FCF • Emissions intensity 	
9. PEOPLE ➔			
<p>Failure to recruit, develop and retain the right people could have an adverse impact on our ability to meet our strategic objectives, as could failing to create a corporate culture that is based upon ethical values and behaviours.</p>	<p>The Board approves the Group's Human Resources policies and the Nomination Committee regularly reviews the succession plan for key leadership roles. The Remuneration Committee reviews all key aspects of executive and senior management remuneration and appropriate packages are in place to assist in the attraction and retention of key employees. We have a standardised grading and benefit structure, with a formal development and performance monitoring process.</p> <p>Our experienced senior leadership team is supported by high-quality operational management and we are strengthening this cohort with the roll-out of management and commercial development programmes.</p> <p>We have completed an extensive review to ensure that a common culture, principles, values and standards of behaviour are recognised throughout the business and we continue to recruit upcoming talent onto apprenticeship programmes to improve the talent pipeline.</p>	<ul style="list-style-type: none"> • Revenue • Underlying EBIT margin • Underlying basic EPS • FCF 	

Key

 **A CLEAR PURPOSE AND THE RIGHT CULTURE**

 **ROBUST GOVERNANCE**

 **COMMITMENT TO SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

 **LONG-TERM GROWTH MARKETS**

 **CONSERVATIVE FINANCIAL MANAGEMENT**

 **A WELL-UTILISED, GROWING ASSET BASE**

GROUP FINANCE DIRECTOR'S REVIEW



“

Our conservative approach will enable us to continue pursuing capital growth, whilst supporting the dividend policy announced today.”

Rob Wood
Group Finance Director

During the year we delivered strong earnings growth, underpinned by both organic growth and contributions from our recent acquisitions, the most significant being the April 2018 acquisition of Lagan.

Group aggregates volumes for the year were up four per cent at 20.2 million tonnes, asphalt volumes were up six per cent at 3.0 million tonnes, ready-mixed concrete volumes were down seven per cent at 3.0 million cubic metres and cement volumes were up three per cent at 2.0 million tonnes.

Excluding the impact of acquisitions and disposals, like-for-like aggregates volumes were down three per cent, asphalt volumes down four per cent, ready-mixed concrete volumes down four per cent and cement volumes down three per cent.

These like-for-like volumes were delivered in difficult trading conditions. The political uncertainty created by Brexit overshadowed all our markets in GB during 2019, although as always there were marked regional variations dependent upon localised projects and road schemes. In Ireland, in addition to Brexit, market conditions in NI were compounded by the absence of the Northern Ireland Executive, whilst activity in ROI was more positive. In Cement, the Irish market remained challenging throughout 2019, with all regions relatively muted apart from Dublin which continued to grow strongly, whilst in GB market conditions were broadly stable.

Revenue for the year at £929.6 million was eight per cent ahead of 2018 (£862.7 million). On a like-for-like basis, revenue was up one per cent on 2018.

Underlying EBIT was £116.6 million, 13 per cent ahead of 2018 (£103.5 million). On a like-for-like basis, Underlying EBIT improved by 10 per cent.

It is worth noting that, as reported in our November 2019 trading update, the integration of Lagan is now largely complete and our current annual cost synergies run-rate has hit the targeted £5 million.

The Group's Underlying EBIT margin improved by 0.5 percentage points to 12.5 per cent. We continue to target 15 per cent in the medium term, but do not believe that the pursuit of this target in isolation is in the best interests of our shareholders; we have therefore introduced two additional financial measures to our KPIs: FCF and ROIC. We believe that these two additional measures will ensure better shareholder alignment.

NON-UNDERLYING ITEMS

Non-underlying items in the year amounted to a net pre-tax cost of £8.0 million (2018: £11.8 million), the major items being acquisition costs, redundancy and reorganisation costs and amortisation of acquired intangible assets.

REVENUE AND UNDERLYING EBIT

	2019			2018		
	Revenue £m	Underlying EBIT* £m	Underlying EBIT margin %	Revenue £m	Underlying EBIT* £m	Underlying EBIT margin %
Great Britain	615.1	62.8	10.2	609.8	61.4	10.1
Ireland	202.0	26.8	13.3	156.3	20.9	13.4
Cement	186.4	36.3	19.5	176.5	31.4	17.8
Central administration	-	(10.9)	-	-	(11.9)	-
Share of profit of associate and joint ventures	-	1.6	-	-	1.7	-
Eliminations	(73.9)	-	-	(79.9)	-	-
Total	929.6	116.6	12.5	862.7	103.5	12.0

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

INTEREST

Net finance costs in the year totalled £14.0 million (2018: £11.8 million) and included interest on the Group's bank facilities, amortisation of bank arrangement fees, interest on lease liabilities and the unwinding of discounting on provisions. The higher costs in 2019 reflected the interest element of lease liabilities following the adoption of IFRS 16 in 2019.

PROFIT BEFORE TAX

Profit before tax was £94.6 million, 18 per cent ahead of 2018 (£79.9 million). Underlying profit before tax was £102.6 million, 12 per cent ahead of 2018 (£91.7 million).

As guided previously, the adoption of IFRS 16 – *Leases* in 2019 under the 'modified retrospective' approach did not have a material impact on the Income Statement at the Underlying profit before tax level; an increase in Underlying EBITDA was offset by increased depreciation and interest costs. However, £47.0 million of additional debt has been recognised on adoption as at 1 January 2019. This does 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.

TAX

The tax charge was £16.6 million (2018: £15.3 million). An Underlying tax charge of £17.3 million (2018: £15.9 million) was recorded in the year, resulting in an Underlying effective tax rate for the full year of 16.9 per cent (2018: 17.3 per cent), reflecting increased profits in RoI which 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 Her Majesty's Revenue & Customs (HMRC) in the UK and the Office of the Revenue Commissioners ("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 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 2019 the total taxes borne and collected by the Group amounted to nearly £175 million (2018: over £150 million).

EARNINGS PER SHARE

Basic EPS for the year was 4.64 pence (2018: 4.01 pence), reported after the non-Underlying items mentioned above. Underlying basic EPS for the year totalled 5.08 pence (2018: 4.70 pence).

STATEMENT OF FINANCIAL POSITION

Net assets at 31 December 2019 were £839.1 million (2018: £773.3 million). The net assets continue to be underpinned by the mineral reserves and resources of the Group, which at the end of December 2019 totalled nearly 900 million tonnes, and by our two well-invested cement plants.

RETURN ON INVESTED CAPITAL

Using average invested capital, year-end ROIC was 8.8 per cent (2018: 9.9 per cent). The decline in 2019 reflects the impact of the Lagan acquisition in April 2018 on capital invested. However, at 8.8 per cent it more than covers our cost of capital.

CASH FLOW

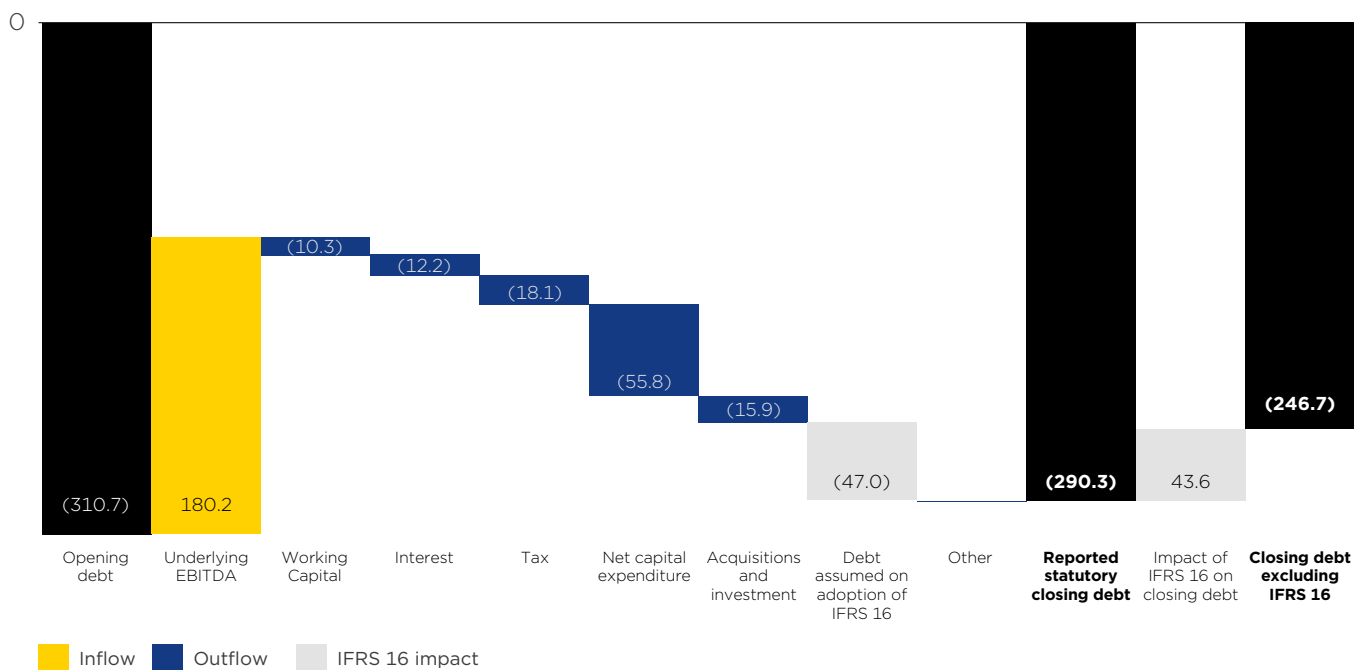
Net cash from operating activities was £136.5 million (2018: £134.7 million).

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 2019 the Group spent £8.9 million of cash on Roadway and a further £3.0 million on a 43 per cent stake in Capital Concrete (2018: £406.3 million on four acquisitions: Staffordshire Concrete Limited ("Staffs Concrete"); Blinkbonny Quarry (Borders) Limited ("Blinkbonny"); Lagan; and four quarries and an asphalt plant from Tarmac Holdings Limited).

2019 NET DEBT MOVEMENT

£million



The Group also incurred capital expenditure of £56.3 million (2018: £48.6 million).

Further details of this expenditure can be found in the Business Reviews on pages 33 to 43.

Proceeds from the sale of property, plant and equipment totalled £3.3 million in 2019 (2018: £4.9 million).

Proceeds from the issue of shares was £1.0 million (2018: £171.2 million, which included the net proceeds of the equity placing and open offer in respect of the Lagan acquisition).

The repayment of loans of £69.2 million in 2019 reflects the strong cash generation of the Group (2018: new loans of £409.7 million and repayment of loans of £246.1 million, reflecting the refinancing undertaken at the point of the Lagan acquisition).

Repayment of lease obligations totalled £12.9 million (2018: £7.4 million).

FREE CASH FLOW

FCF was £90.0 million (2018: £99.5 million).

The decline in 2019 reflects the expected working capital reversal following an exceptionally strong performance in 2018.

NET DEBT

Net debt at 31 December 2019 was £246.7 million on a pre-IFRS 16 basis (2018: £310.7 million) and Leverage was 1.4 times (2018: 2.0 times). Including the impact of IFRS 16 - *Leases*, which was adopted for the first time in 2019, net debt at 31 December 2019 was £290.3 million and Leverage was 1.6 times. This deleveraging clearly demonstrates the highly cash-generative nature of the Group.

Aside from the impact of IFRS 16 - *Leases*, key movements include: Underlying EBITDA of £180.2 million (2018: £154.4 million); a working capital outflow of £10.3 million (2018: £11.4 million inflow); interest and tax payments of £30.3 million (2018: £25.8 million); net capital expenditure, including IFRS 16 assets, of £55.8 million (2018: £43.7 million); expenditure on acquisitions, including the purchase of a 43 per cent stake in Capital Concrete, of £15.9 million (2018: £461.3 million); and equity raised of £1.0 million (2018: £171.2 million).

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.

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 2019, the total undrawn facility available to the Group amounted to £204.7 million.

The facility is subject to Group Leverage and Group interest cover covenants which are tested half-yearly. At 31 December 2019, 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 (see note 20 to the Financial Statements).

CAPITAL ALLOCATION PRIORITIES



CAPITAL ALLOCATION

We prioritise the maintenance of a strong balance sheet and deploy our capital responsibly, allowing us to commit significant organic investment to our business whilst continuing to pursue acquisitions to accelerate our strategic development.

This conservative approach to financial management will enable us to continue pursuing capital growth for our shareholders, whilst also supporting the dividend policy announced today.

DIVIDENDS

Recognising the Group's scale, level of maturity and cash generation, the directors propose to adopt a progressive dividend policy from 2021.

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

The first dividend is therefore currently expected to be declared with the 2021 interim results.

POST BALANCE SHEET EVENT

In early January 2020 we announced that we had entered into a conditional agreement with CEMEX to acquire certain assets and operations in the UK for £155 million in cash together with the assumption of £23 million of lease liabilities.

Completion is expected in the second quarter of 2020, subject to completion of a TUPE consultation process.

The cash consideration will be financed from our existing £350 million revolving credit facility and a drawdown of an £80 million term loan through exercise of an accordion option agreed at the time of the 2018 refinancing.

Rob Wood
Group Finance Director
11 March 2020

BUSINESS REVIEWS

**Breedon reports as three Divisions:
Great Britain, Ireland (Lagan and
Whitemountain) and Cement
(GB and RoI).**

Great Britain	34
Ireland	36
Cement	37



GREAT BRITAIN

Our operations in GB generated a one per cent increase in revenues to £615.1 million (2018: £609.8 million) and a two per cent increase in Underlying EBIT to £62.8 million (2018: £61.4 million), with a relatively stronger performance in England and Wales than in Scotland, where markets were very much softer.

The political uncertainty created by Brexit overshadowed all our markets in GB during 2019, although as always there were marked regional variations dependent upon localised projects and road schemes.

BREEDON NORTHERN

Scotland was hampered once again by a lack of major capital infrastructure spending which inevitably created some margin pressure, although the relatively wide spread of end-use markets we serve helped to protect the business from weakness in individual sectors.

Despite the softness of the market, we took a good share of the available work, including three major new airport runway surfacing projects at Orkney, Aberdeen and RAF Kinloss. We also continued to supply significant volumes of high-specification ready-mixed concrete to Edinburgh Airport and RAF Lossiemouth.

We were particularly pleased to be awarded a substantial supply and lay surfacing contract by Balfour Beatty for the latest phase of the A9 Dualling project: a 9.5 kilometre stretch between Luncarty and Pass of Birnam, part of Transport Scotland's £3 billion upgrade of 129 kilometres of the A9 between Perth and Inverness.

The integration of Daviot and Low Plains quarries, acquired last year from Tarmac, continued with major investments to improve production and profitability at these two strategically important sites. Investment in a new wash plant at Loak Farm also enhances our ability to profitably service the nearby A9 contract. Elsewhere, we continued to ramp up production from our new quarry at North Drumboay near Glasgow.

Our decision to construct a new ready-mixed concrete plant at our Raisby quarry in County Durham was immediately vindicated with the award of a maiden contract to supply substantial volumes to a large flooring contract at a distribution centre near Durham, which continued through the first quarter of this year. More generally, we made good progress in rationalising our network where the footprints of the former Hope Construction Materials and Sherburn Minerals Group concrete plants overlapped.



Above: New stands at Edinburgh Airport

New land and mineral purchases extended the reserves and resources available at our Boyne Bay and Low Harperley quarries and we look forward in the current year to the opening of a new sand and gravel quarry at South Boreland in south-west Scotland to replace our worked-out quarry at Clayshant.

BREEDON SOUTHERN

Our markets for all products in England and Wales were challenging, with the year becoming more difficult as it progressed. Housebuilding was the most robust sector and growth in the early months supported the market overall. Outside of housing, whilst commercial work declined, the East Midlands benefited from an active distribution infrastructure market. Local Authority work was subdued, and highways work sporadic. The West Midlands benefited from early HS2 work. Our price performance was particularly pleasing, with all major product groups showing growth over the previous year.

Major contracts included the supply of rock armour from Minffordd quarry for sea defences at Friog in North Wales and substantial quantities of ready-mixed concrete to BAM Nuttall's £100 million Boston Barrier flood defence project in Lincolnshire. Welsh Slate continued to capitalise on its global reputation with the full re-roofing of the Perth Museum in Australia, involving the supply of three square kilometres of roofing slate.

Another landmark was the selection by the Royal Horticultural Society of our proprietary Breedon Golden Amber Gravel for its spectacular new garden at Bridgewater in Manchester.



Above: Capital Concrete, our new joint venture in London

Investment continued in the expansion of our quarry and plant network, with the development of a new sand and gravel quarry and concrete plant at Willington near Bedford, a new concrete plant at Borras in Clwyd and planning permission secured for a new concrete plant at Stevenage together with a new rail head and concrete plant at Thorney Mill near Slough.

Incremental aggregates reserves were secured at Potton quarry in Bedfordshire and we commenced extraction of new minerals from the extension recently obtained at Norton Bottoms quarry in Lincolnshire, which will provide us with access to an additional seven million tonnes of material over the next 15 years.

One of the corporate development highlights of the year was the formation of our new joint venture with Brett to service the London ready-mixed concrete market. Capital Concrete had already established a strong presence in London and by combining our London plants in the joint venture with those of Brett, we secured immediate critical mass in this, the UK's largest market. We are both ambitious for Capital Concrete and look forward to developing a business of significant scale in London over the next few years.

The other highlight was the acquisition of Roadway, which gives us a well-established term maintenance and surfacing business in North Wales together with a newly-erected asphalt plant at Wrexham. This provides us with a solid contracting and asphalt production platform in the region which reaches into new markets and allows our surrounding quarries to maximise value by internalising more of their output.



Despite the softness of the market, we took a good share of the available work, including three major new airport surfacing projects at Orkney, Aberdeen and RAF Kinloss. We also continued to supply significant volumes of high-specification ready-mixed concrete to Edinburgh Airport and RAF Lossiemouth.”

We were particularly pleased to see our safety record improving across GB in 2019, with a significant reduction in our Employee LTIFR and a wide range of new safety initiatives implemented, including: enhanced training on crucial isolation and lockout procedures; the re-induction of our drivers; the rollout of our new IDC health screening programme; and the introduction of a new incident root-cause investigation training course.

Looking ahead to the remainder of 2020, we see an improving outlook in GB as investment in our key sectors begins to recover. We aim to at least maintain our market shares, whilst pressing ahead with price increases to recover past cost increases and improve margins wherever possible.

IRELAND

Our operations in Ireland, trading as Whitemountain in NI and Lagan in RoI, increased revenues by 29 per cent to £202.0 million (2018: £156.3 million) and Underlying EBIT by 28 per cent to £26.8 million (2018: £20.9 million). Both businesses performed well during the year, with Lagan delivering an especially strong result.

WHITEMOUNTAIN

Market conditions in NI were challenging due to Brexit uncertainty and the absence of the Northern Ireland Executive, leading to the sharpest contraction in business activity of all UK regions, with construction orders continuing to shrink and more subdued volumes in the second half. Tender opportunities were limited and legal challenges to tenders hampered progress of awards and impacted spending.

Whitemountain nonetheless performed strongly by concentrating on selective work streams and applying strict cost control. We continued to build on internal supply to other Group companies, with a significant increase in 2019, and are focused on further increasing internal aggregates volumes in 2020.

A significant investment in relocating and replacing the primary crusher at our Temple quarry will improve production capacity, facilitate access to reserves and increase profitability.

In addition to our work in NI, Whitemountain also engages in selective contracts in GB. For example, we successfully completed the £18.4 million new road contract at Colley Lane in Bridgwater, which opened to the public at an official ceremony in December and received enthusiastic plaudits from Somerset County Council. Elsewhere, we won a substantial contract at DP World London Gateway Port for the construction of 1.3 kilometres of new distribution park spine roads,

where work will continue through the second quarter of this year. We were also awarded a four-year Civil Engineering Framework for Newry, Mourne & Down District Council.

We worked hard at improving our health, safety and environmental performance. An initiative to increase reported safety observations helped reduce our Employee LTIFR and we introduced new asset management software to record inspections, usage and repair of company assets. It was encouraging to see Alpha Resource Management, our waste to energy business in NI, awarded a WISHNI (Waste Industry Safety and Health Forum Northern Ireland) Ambassador Award.

We maintained our engagement with local universities, offering placement opportunities to civil engineering and quantity surveying students, and also developed a Higher Level Civil Engineering Apprenticeship programme which enables apprentices both to qualify and to benefit from on-the-job training.

We aim in the current year to maintain our market share, focusing on recovering costs and increasing our margin. The recent re-establishment of the Northern Ireland Executive offers the potential for approval to be given to a number of delayed infrastructure projects, which can only be good news for our NI business. We also continue to seek commercial opportunities in GB for Whitemountain's contracting operation, with further potential for expanding internal material supply.

LAGAN

Market conditions in RoI were positive, with a relatively stronger first half. There is some evidence that a more recent modest reduction in tenders has been occasioned by the well-publicised overspend on the new €2 billion National Children's Hospital in Dublin, which has led to short-term reductions in expenditure elsewhere in the economy. Nonetheless, we delivered a strong performance over the year.



Above: The Rose Fitzgerald Kennedy Bridge, the longest in Ireland, part of the New Ross Bypass in County Wexford

We completed a number of high-profile projects in 2019, including the New Ross Bypass in County Wexford for BAM Dragados, which involved approximately 15 kilometres of roadworks and nearly 30 new structures, including Ireland's longest bridge. A successful overlay on Runway 16-34 at Dublin airport led to the award of the next phase for the same runway. Later in the year we were awarded a sizeable contract to supply asphalt to the new N4 Sligo to Collooney dual carriageway.

Our programme to extend our quarry network in ROI continued with the reopening of a dormant quarry at Castlepollard in County Westmeath, bringing to six the number of active quarries operated by Lagan.

A new bespoke health and safety training programme, '360° Safety', which focused on the interaction between people and vehicles, was completed by all Lagan employees and contractors. In addition, Lagan successfully migrated and gained accreditation to the ISO 45001 Safety Management Standard. Later in the year we completed our successful annual programme of dyeing all the lakes in our dormant quarries black, to discourage trespass and swimming.

Looking ahead to the remainder of 2020, the prospects for construction in ROI remain very encouraging, with all forecasters predicting a healthy growth in output on the back of a continuing strong economy.

CEMENT

Our Cement business delivered a six per cent increase in revenues to £186.4 million (2018: £176.5 million) and a 16 per cent increase in Underlying EBIT to £36.3 million (2018: £31.4 million) against the backdrop of mixed markets.

The Irish cement market remained challenging throughout 2019, with all regions relatively muted apart from Dublin, which continued to grow strongly. In GB, market conditions were broadly stable. Confidence in both markets was clearly impacted by uncertainties around Brexit.

Major investments at Hope Works included the completion of our raw mill drive and kiln shell replacement projects, together with the overhaul of our PCA rail fleet. All three kiln shutdowns at Hope and Kinnegad were completed ahead of time and on budget.

Kiln reliability at Hope remained at high levels, with clinker production ahead of 2018. Kinnegad met all clinker demand and averaged more than 72 per cent usage of alternative fuels, ahead of budget, with successful trials of solid recovered fuel (SRF) paving the way for further progress. Kinnegad also commenced its LEAN waste project with the emphasis on delivering further environmental improvements and cost-savings. In all, our cement kilns consumed around 218,000 tonnes of waste in 2019.

Safety initiatives at Hope involved widespread engagement with our colleagues both at the Works and in our road and rail fleet, which resulted in a

much-improved safety performance in 2019, including a totally harm-free kiln shutdown. At Kinnegad, the fourth annual edition of 5-Star Safety was launched, incorporating a team-led site safety improvement programme, which resulted in nearly 90 safety improvements being implemented. Health and wellbeing activities were increased in the second half of the year at Hope and at Kinnegad, with workshops provided across both sites.

Sustainability, most notably the call from across the political spectrum for agreement on 'Net Zero' carbon targets, has risen to the top of our agenda and we are in the process of finalising a definitive sustainability roadmap in conjunction with the GCCA and MPA which will drive our strategy for substantially reducing carbon emissions from our cement plants within an achievable timeframe.

In the remainder of the current year, our commercial priority is to implement price increases to recover cost inflation. A major investment in a new bag filter to replace the electrostatic precipitator system is now underway at Kinnegad, with further alternative fuel trials planned during the year. We are also exploring further alternative fuel options at Hope, together with planning applications for a supplementary raw material delivery system and a longer-term project to extend the limestone quarry.



Above: Barnett Dock aggregates terminal, Port of Belfast



Above: Kinnegad quarry and cement plant in County Westmeath

MAKING A MATERIAL DIFFERENCE

FROM AIR TO SEA

ENSURING SAFE LANDINGS

Our expertise in airport infrastructure helps to keep aircraft flying in and out of some of the busiest airports in GB and Ireland.

In 2019 Lagan carried out a major rehabilitation project on Runway 16/34 at Dublin Airport, including the installation of specialist Marshall Pavement surfacing material, with all works carried out overnight. Lagan was also nominated for an Irish Construction Excellence Award for exceptional delivery of the rehabilitation of 2,400 metres of 30-year old runway at Shannon Airport, involving a team of 90 colleagues and a fleet of 70 vehicles, again with all the work carried out overnight.

When the RAF began replacing its ageing fleet of Nimrod MR2s, Breedon was chosen to supply material for construction of hangars and aprons at RAF Lossiemouth to accommodate its successor, the Boeing P-8A Poseidon maritime aircraft. And at Edinburgh Airport, Breedon was selected to supply material for new aircraft stands, the latest phase in a £220 million five-year investment programme at the international hub. During the year we also carried out major runway resurfacing works at Aberdeen and Orkney Airports and at RAF Kinloss.



Above: Runway resurfacing at RAF Kinloss (courtesy of the Defence Industry Organisation)

PROTECTING OUR COASTLINES



Our products are widely used for coastal protection and flood defences, and for the construction and maintenance of harbours.

Benbecula Airport in the Outer Hebrides is shielded from the worst of the North Atlantic weather by several thousand tonnes of gabion stone from our Druim Reallasger quarry in North Uist and in 2019 we supplied substantial quantities of rock armour from our Minffordd quarry to Friog Corner in North Wales to protect a Meirionnydd village from rising sea levels.

In Lincolnshire we supplied a specially designed high-strength self-compacting concrete to the £100 million Boston Flood Barrier project to protect the town from tidal flooding.

Towards the end of the year we supplied significant quantities of concrete to a customer at the Port of Blyth for construction of specialist mattresses to protect the East Anglia One offshore windfarm. Cromarty Firth Port Authority, Aberdeen Harbour, Whitehills Harbour and Dunbar Harbour were among the many other customers who benefited from our products, including specialist underwater concrete for pier repairs and slipways.



Above: At work on the Boston Flood Barrier

Full page: Coastal protection works at Benbecula Airport



This package of coastal works provides the airport with the protection required against the North Atlantic.”

Keith Inglis

Head of Infrastructure Services at Highlands and Islands Airports Limited

BRINGING PROSPERITY TO OUR TOWNS AND CITIES



Breedon is a major provider of products and services to the local and national highway networks of GB and Ireland, ensuring that our roads are safe to drive on and our communities have the local transport infrastructure they need to flourish and prosper.

In 2019 Whitemountain brought relief to the residents of Bridgwater in Somerset with completion of the £18.4 million Colley Lane Southern Access Road, including the construction of two new bridges, 840 metres of new carriageway, together with cycleways and footpaths. The new road scheme freed a major bottleneck in the town and opened up brownfield development sites to support the delivery of planned housing and employment land.

Meanwhile, in Kettering, Northamptonshire, Breedon Southern and Whitemountain are undertaking enabling works to facilitate a major urban extension programme, including the eventual construction of 5,500 dwellings, community facilities and new public open spaces.

Full page: The Colley Lane Southern Access Road near Bridgwater in Somerset

MAKING A MATERIAL DIFFERENCE

FROM TOWN TO COUNTRY

HELPING OUR RURAL COMMUNITIES PROSPER



Breedon is at the heart of many farming communities in GB and Ireland, providing the infrastructure farmers need to keep their crops and livestock healthy.

Our products are used in the construction and maintenance of farm roads, animal housing, stables, milking parlours, workshop floors, crop storage and silage clamps. And our agricultural lime is highly sought after as a fundamental natural ingredient in soil care, helping to increase crop yields.

In Ireland, Lagan is helping to develop new geosynthetic solutions to the problem of failing 'bog rampart roads', which float on peat and have been moving and splitting in recent years due to drought-like conditions which have seen the water table fall.

And of course no countryside community would survive without the rural road network which keeps it connected. Breedon is a major supplier of asphalt, contracting services and highway maintenance to national highways agencies and rural local authorities, linking our towns, cities and villages across GB and Ireland.



Above: Whitemountain at work on the non-national roads network in Donegal

CONTRIBUTING TO GREAT WORK SPACES



We believe that working environments should look good and feel good. From smart office buildings to high-throughput distribution centres, manufacturing plants and retail parks, we supply the construction materials that our customers use to build great work spaces.

In 2019 we supplied material for construction of Glasgow's landmark office building at 177 Bothwell Street, part of the ambitious Bothwell Exchange development. Its 13 storeys and 313,000 square feet of luxury highly sustainable office space make it the largest office building in the city – and it even boasts an 8,000 square foot rooftop terrace, complete with a running track.



Thanks for all the great work you have done... The service has been second to none."

David Griffiths
Site Engineer, 177 Bothwell Street

MAKING A MATERIAL DIFFERENCE

FROM WORK TO PLAY

AND PLACES TO RELAX

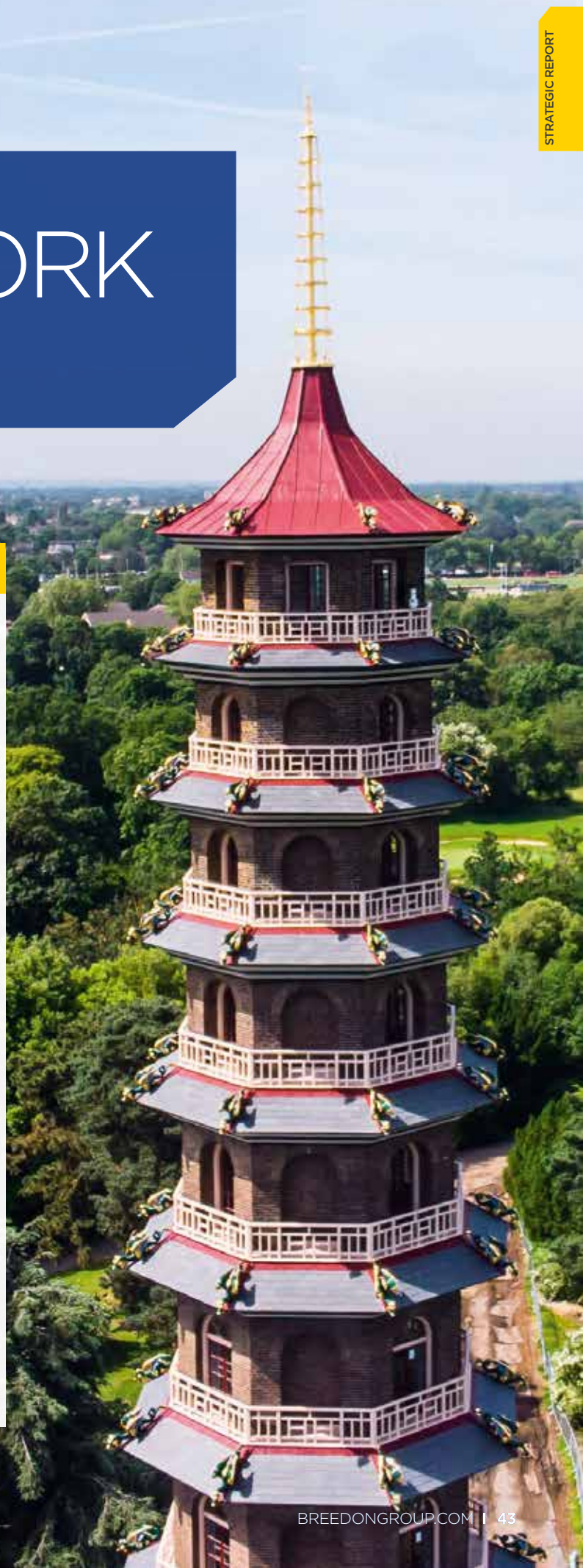


We make it possible for thousands of visitors every year to visit our stately homes and historic monuments, which are graced with durable, hard-wearing walkways and pathways built from our specialist self-binding Golden Amber gravel, holder of the Royal Warrant.

The Centenary Garden at Exbury in Hampshire (pictured below) is just one of the latest tourist attractions to benefit from Breedon's Golden Amber gravel pathways, which blend perfectly into this tranquil environment designed by Royal Horticultural Society gold medal award-winning designer Marie-Louise Agius.



Full page: The Great Pagoda in the Royal Botanical Gardens at Kew, roofed with Welsh Slate



RESOURCES AND RELATIONSHIPS

In the following pages we report on the key resources and relationships on which the success of our business depends.

Introduction	45
1. Health and Safety	46
2. Climate Change and Energy	48
3. Social Responsibility	50
4. Environment and Nature	52
5. Circular Economy	53

Craigenlow quarry in Aberdeenshire

RESOURCES AND RELATIONSHIPS

In 2018 Breedon became an active member of the GCCA, which aims to drive industry leadership in the manufacture and use of cement and concrete, improve the social and environmental impact of the sector's activities and products and foster innovation and collaboration with industry associations and innovators along the length of the built-environment value chain.

In 2019 we made a strong commitment to the five pillars of sustainability contained in the GCCA's Sustainability Charter and its associated guidelines: Health and Safety; Climate Change and Energy; Social Responsibility; Environment and Nature; and the Circular Economy. Breedon has until 2023 to ensure that these are fully embedded across all our business lines, that our KPI reporting is harmonised with others in our sector and that we report all relevant performance data. In many cases we will be complying with other statutory reporting requirements, some of which are more onerous than those of the GCCA, but we will always comply with the GCCA's guidelines as a minimum and in general will seek to go well beyond them.



We made a strong commitment to the five pillars of the GCCA Sustainability Charter.”

In 2019 we established a GCCA working group, with representation from all business lines, charged with revising our targets and policies. We also appointed a new Head of Health, Safety and Environment, together with an Environment and Systems Adviser specialising in data collection and analysis.

This year we will add to our resources in this critical area with the appointment of a dedicated Head of Sustainability, who will actively engage with academic and engineering institutions, sustainability experts and our stakeholders, to actively encourage our businesses to seek best practice and technological innovation.

As we begin embedding the GCCA's sustainability pillars across the Group, we have elected to report our Resources and Relationships activity in 2019 under these five headings, which will be the model for all our future annual reporting, with clear performance criteria and targets. There is inevitably significant overlap between the pillars, but we have sought wherever possible to position our reports where it seems most appropriate to do so.

GROUP SUSTAINABILITY PRIORITIES FOR 2020

- ▶ Complete collation of GCCA KPIs and confirm our internal targets in line with the five pillars.
- ▶ Reissue revised policies to our stakeholders.
- ▶ Recruit a new Head of Sustainability.
- ▶ Increase the rate of recycling of on-site waste and internally-produced product.
- ▶ Implement a strategy to reduce fuel consumption in our transport fleets.
- ▶ Continue to introduce more sustainable, green energy substitutes into our business and reduce reliance on fossil fuels and their derivatives.
- ▶ Ensure that all our managers are trained in sustainability principles, with the support of the Institute of Environmental Management and Assessment.
- ▶ Standardise energy and carbon reporting systems across the Group.



Above: Ashwood Dale quarry in Derbyshire, where recently restored land is slowly blending into the landscape

1 HEALTH AND SAFETY

The GCCA Charter requires us to apply and report against its good safety practice guidelines and promote the sharing of good health practices.

We continued our journey in 2019 towards our ultimate goal of Zero Harm, seeing a significant decrease in both Lost Time Injuries among employees and contractors and in our Employee LTIFR, which fell from 1.81 to its lowest ever level of 1.05 per million hours worked. As a wider measure, we also track our Employee TIFR, which includes all incidents – however minor – requiring medical treatment; this saw a reduction from 20.54 in 2018 to 17.17 in 2019.

January saw Back to Work presentations and tool box talks delivered to the whole business, and Lagan completed its 360° Safety programme in RoI. A bi-monthly wellness newsletter was launched across the business in February and in March over 800 company-employed and contract drivers were re-inducted on safety-critical tasks in Breedon Southern. Incident investigation programmes were held throughout the business to improve the quality of incident investigations and establish root causes, while updated LOTOTO (Lock Out – Tag Out – Try Out) training was rolled out across the Group using materials customised from the MPA.

In August we appointed our first Group Head of Health, Safety and Environment to ensure closer alignment of our health and safety strategy and to consolidate best practice from around our businesses.

Our SHE (safety, health and environment) Assure software platform was extended to include a health and safety training module, enabling us to request and book sector-specific courses directly against a full training matrix; an environment and sustainability module; and an asset module for recording safety-critical equipment. In November, Whitemountain launched a programme for managing occupational road risk in NI, including both off-road assessment and on-road driver training.

As 2019 closed, our Cement Division focused on the next phase of their behavioural safety journey in GB, involving a detailed employee and management cultural survey and senior management behavioural workshops across both the Hope cement works and their associated depots and terminals.

Our contracting services businesses in GB introduced a new HAV (Hand Arm Vibration) electronic recording and evaluation system to replace older software and paper-based systems for monitoring power tools used on their surfacing sites.

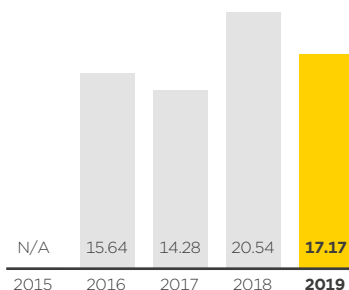
Lagan, Whitemountain’s Alpha landfill site and our Kinnegad Works all successfully achieved accreditation to the new ISO 45001 health and safety management standard and Whitemountain won the Regional NI Award in the 2019 NISO/NISG All Ireland Occupational Safety Awards. Our tile business in NI also received a Silver Award in the RoSPA Annual Health & Safety Awards.



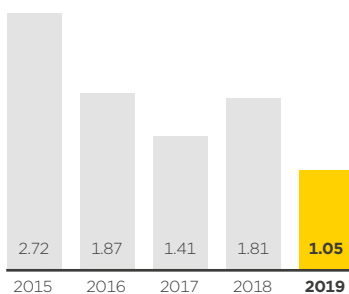
The team at Breedon’s roof tile works receiving their Silver Achievement Award at the RoSPA Health & Safety Awards in Glasgow, one of many safety awards won by Breedon colleagues around the Group in 2019.

EMPLOYEE TIFR

per million hours worked

**EMPLOYEE LTIFR**

per million hours worked

**PRIORITIES FOR 2020**

- ▶ Target further improvement in Employee LTIFR for 2020.
- ▶ Launch new Group Health and Safety Procedures manuals, including revised Group Health and Safety Standards.
- ▶ Renew focus on enhancing pedestrian and vehicle segregation, including rollout of MPA guidelines and best practice.
- ▶ Integrate our Group statutory inspection programmes to further enhance good practice and allow easier management decision-making on priority areas for improvement.
- ▶ Extend occupational health screening X-ray service into prevention of exposure to RCS (Respirable Crystalline Silica) and complete all remaining medical assessments.
- ▶ Increase the number of mental health first-aiders, as part of a broadening health and wellbeing programme.
- ▶ Roll out Occupational Road Risk Policies and training.



Above: Confined space training at Whitemountain

2 CLIMATE CHANGE AND ENERGY

The GCCA Charter requires us to develop a climate change mitigation strategy and publish and report on targets and progress. As part of our legal disclosure obligations, we are required from the current financial year to report against the UK Government's SECR regulations, which are somewhat more stringent than that of the GCCA. We have elected to comply with this requirement a year early and our full 2019 SECR report follows.

ENERGY AND CARBON STATEMENT

The below statement contains Breedon Group's annual energy consumption, associated relevant greenhouse gas ("GHG") emissions, and additional related information. Under new UK SECR regulations our UK businesses will be required to include energy and emissions data from electricity, gas and transport within their annual company reporting from 2020. As a Group, we are exceeding the legal minimum reporting requirements by broadening the scope to include non-UK information and all Scope 1 and 2 emissions in this Group statement. In addition, the cement manufacturing process produces a significant amount of process emissions. These emissions have also been included here to provide a true reflection of our carbon footprint.

METHODOLOGY

The methodology applied to the calculation of greenhouse gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting - 2019'. Emissions are reported as CO₂e. Only 'location-based' electricity emissions have been reported.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

The table below shows the total annual energy use associated with the consumption of: electricity, natural gas, all other fuels combusted on-site, and fuel consumed directly for business transport purposes, for the year ended 31 December 2019.

ENERGY CONSUMPTION AND EMISSIONS 2019

By reporting segment

	Great Britain	Ireland	Cement	Group Total
On-site combustion (MWh)	426,798	176,629	1,789,461	2,392,888
Electricity (MWh)	73,478	15,464	240,438	329,380
Road Transport (MWh)	65,099	13,516	16,916	95,531
Energy (MWh)	565,375	205,609	2,046,815	2,817,799
Scope 1 (tCO ₂ e)	124,499	47,867	475,184	647,550
Scope 2 (tCO ₂ e)	19,341	5,316	70,772	95,429
Total Energy Emissions (tCO₂e)	143,840	53,183	545,956	742,979
Process Emissions Scope 1 (tCO ₂ e)	-	-	1,021,060	1,021,060
Total Emissions (tCO₂e)	143,840	53,183	1,567,016	1,764,039

By geographic location

	Energy MWh	%	tCO ₂ e (inc. process)	%
UK	2,069,353	73%	1,294,852	73%
Rest of World	748,446	27%	469,187	27%
Total	2,817,799	100%	1,764,039	100%



Above: Investment in alternative fuels and new technology has made our Kinnegad cement works increasingly energy-efficient

EMISSIONS INTENSITY

For the purposes of baselining and ongoing comparison, we have chosen to express the emissions using a carbon intensity metric. The intensity metric chosen is £ revenue.

The resultant emissions intensity is: 1.9kg CO₂e/£ revenue.

ENERGY EFFICIENCY ACTION

During the course of 2019, Breedon undertook a number of actions to reduce our energy consumption. Under the UK Energy Savings Opportunity Scheme (ESOS), our UK operations undertook a comprehensive energy audit, reviewing energy consumption across the business. This process has outlined a number of opportunities which will form the basis of an ongoing energy reduction programme. We have also established a new centralised data capture process which will enable the organisation to better monitor energy consumption and improve granularity of reporting.

Other energy reduction activities and achievements include:

- The utilisation of new, low-drag, filter bag technology at our Kinnegad cement plant has resulted in a significant reduction in the energy consumption associated with this part of the process, as well as a reduction in waste generated.
- In GB, improvements to air-conditioning systems, replacement of fluorescent lighting with LED, measures to reduce office solar gain, and the replacement of several pumps and conveyor motors with more efficient equipment at several sites.

- A number of energy reduction measures undertaken by Whitemountain, including: converting all external lighting to LED, investment in new energy-efficient primary crushing plant, dumpers, loading shovels and excavators throughout its quarries, the introduction of charging points for electric vehicles, and ensuring that all HGVs meet the latest European emission standards.
- A continued push towards alternative fuel substitution at both our Kinnegad and Hope cement plants, to reduce our reliance on fossil fuels. We look for continual improvement through external assessment and accreditation under ISO 14001 but in 2019 we also extended our commitment through the rollout of ISO 6001 (responsible sourcing), initially in our ready-mixed concrete business.
- Extension of the scope of Whitemountain's ISO 50001 Energy Management System to include the sand dredging operation at Lough Neagh and all its concrete plants, meaning that all Whitemountain sites in NI are now certified to ISO 50001.
- 100 per cent of the electricity we purchase in GB and Ireland is now from renewable sources.

PRIORITIES FOR 2020

- ▶ Recruit Head of Sustainability who will focus on building our plans to deliver energy savings identified in the ESOS audit in 2019.
- ▶ Work towards implementing the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

3 SOCIAL RESPONSIBILITY

The GCCA Charter requires us to publish a Code of Conduct incorporating the principles of internationally proclaimed human rights, apply the Association’s Social Impact Assessment guidelines and establish a systematic dialogue process with stakeholders (see also pages 54 and 55).

STAKEHOLDER ENGAGEMENT

For the last 10 years Breedon has pursued its mission to be the safest and most profitable construction materials company in the UK and, more recently, Ireland. But we acknowledge that our corporate responsibilities extend well beyond performing well for our shareholders. Whilst we continue to pursue profitable growth and capital appreciation for our financial stakeholders, who fund our development, we are also committed to improving the lives of all our stakeholders, both inside and outside the company.

It is this commitment which gave birth to the company purpose which we have articulated for the first time in this report: to make a material difference, to the lives of our colleagues, customers and communities. This clear purpose will be a cornerstone of our strategy for the future, guiding our behaviour and setting the benchmark against which we will measure all our stakeholder engagement activity.

Our purpose is supported by four simple business principles, or values, which we developed in 2019 following a wide-ranging engagement survey among our 3,000 colleagues. They are:

- **Keep it simple**
- **Make it happen**
- **Strive to improve**
- **Show we care**

During 2020 we will be working hard to firmly embed these values at every level of our business. We will provide our colleagues with the tools and training they need to ensure that these values become part of Breedon’s DNA and are evident to everyone with whom our colleagues come into contact.

This is not to say that we did not continue to support our customers, colleagues and communities in 2019. From practical support for the BBC’s *DIY SOS: The Big Build* TV programme and ITV’s *Love your Garden*, to donations of stone for a World War II memorial in Scotland and a Saxon heritage memorial in Cambridgeshire, Breedon provided material and manpower for a wide variety of community projects.

Our Hope cement works was once again very active in its local community, hosting a highly-successful open day for local residents and businesses to celebrate its 90th year of operation and using its annual golf day to raise funds for local hospice and end-of-life care charities in Derbyshire.

In NI, the Whitemountain Programme celebrated its substantial investment in local community and biodiversity projects since its formation in 2008, with 200 projects supported to date (see page 52).

We continued to focus much of our effort on educational support, working in partnership with a large number of local schools, colleges and universities across GB and Ireland. A variety of young sportsmen and women benefited from our sponsorship of kit or playing pitches, not to mention our continued sponsorship of the Highland League in Scotland, now in its 10th year.

PRIORITIES FOR 2020

- ▶ Maintain positive engagement with communities neighbouring our operations and establish community liaison groups at all major quarry sites.
- ▶ Publish significant historic knowledge discovered through archaeological investigations in our quarries.



Above: Members of St Teresa’s Youth Centre in Belfast, among the many beneficiaries of the Whitemountain Programme

MARIA



Maria Dargie joined Breedon straight from school, following completion of her Scottish Highers, beginning her apprenticeship as a Customer Service Administrator at Clatchard quarry in Fife.

On completion of her apprenticeship, Maria was awarded an SCQF Level 6 in Business Administration and a Diploma in Digital Application.

Jennifer Forbes, Customer Service Manager for Fife & Tayside, who also started her working life as an apprentice, said: "It's definitely a great way to attract young people into our industry. It's been fantastic to be a part of Maria's development during the last couple of years."

Since completing her apprenticeship at the end of 2019, Maria has moved into a trainee role supporting the Contracting Commercial team.



ENGAGEMENT WITH OUR COLLEAGUES

As part of our work to develop a clear purpose and values for our business, we undertook the Group's first-ever large-scale employee engagement survey in 2019, which sought to establish current engagement levels in our business and identify areas where we need to improve working conditions for our colleagues. The survey revealed generally encouraging results, with relatively high levels of engagement, pride and loyalty to Breedon.

Health and safety and relationships with managers and colleagues registered among the highest scores and trust in our leadership is solid. The survey, however, pointed to a need for improved communication of our strategy to our colleagues and for more visibility of our senior management team in the business, both areas of focus for us in 2020.

In our 2018 report we committed to expanding the reach and content of our Management Development Programme (BMDP) and we continued to roll it out throughout 2019, taking the total number of managers who have completed the programme to over 200. In addition, we introduced a standalone Finance for Managers workshop, delivered by our internal finance, marketing and strategy teams, which is being extended across the UK and Ireland in 2020.

In the last quarter of 2019 we piloted new commercial learning programmes which are now being launched across our GB business. The Commercial Leaders Programme (CLP) is targeted at managers in commercial and customer service roles and the Commercial Development Programme (CDP) is designed for our commercial and customer service colleagues. Both will continue to run throughout 2020 and into 2021.

In 2019 we launched our Driver Apprenticeship Academy in Breedon Southern, recruiting nine new colleagues who, as part of their apprenticeship, will obtain a light goods vehicle driving licence. To date nearly all the apprentices have successfully obtained their licence, with our remaining colleagues currently taking their tests. In all, we recruited 25 new apprentices, trainees and placement students across the Group, taking the total number of colleagues on apprenticeships in 2019 to 45. We also had our first successful 'Mastership', with a colleague achieving an MBA with Distinction from Cranfield University.

As our Group expands, we are adapting and developing to support our growing business. Changed and newly-formed teams have been supported with resilience workshops, offering tools that can improve their physiological, emotional and cognitive resilience and wellbeing, drawing on techniques used by elite athletes to develop mental toughness, as well as advice and guidance on how to improve energy levels and sleep. In 2019, a number of colleagues attended one of these workshops and they will continue to be available in 2020.

Building on a fantastic year for results in 2018, 18 colleagues achieved qualifications from Derby University in 2019, of whom eight were awarded Distinctions in their Foundation Degrees.

We continued to sponsor advanced learning for our colleagues, with 37 new enrolments in further and higher education programmes in 2019.

We continued to provide coaching and mentoring support to our senior colleagues. Seventeen senior managers spent one-to-one time developing their leadership skills with the support of a performance coach. Further leadership development took place towards the end of 2019 through a 360-degree feedback exercise and behavioural profiling of the Executive Committee.

PRIORITIES FOR 2020

- ▶ Embed the Group's purpose and values throughout the business.
- ▶ Continue to deliver our Management Development Programme and embed the behaviours in the business.
- ▶ Build the capabilities of our commercial teams through our CLP and CDP programmes.
- ▶ Continue delivering on our strategy to recruit through apprenticeships.
- ▶ Design programmes and solutions to develop our leaders of the future.

4 ENVIRONMENT AND NATURE

The GCCA Charter requires us to apply the Association’s Environment and Nature guidelines and set and report on emissions (see SECR report on pages 48 and 49), biodiversity and water usage.

We undertook a number of initiatives in 2019 to reduce the impact of our operations on the environment, make our products more eco-friendly and encourage conservation and biodiversity.

Our search for more sustainable construction products continued, with the extension of our BREEDON Eco™ range of eco-friendly concretes for drives, shed bases, foundations and agricultural applications. These products, developed by our in-house R&D Team, use responsibly-sourced recycled aggregates with low embodied carbon which reduce reliance on extraction of virgin materials and are currently being test-launched in East Anglia.



The Whitemountain Programme has distributed over £6 million to community and biodiversity projects.”

One of the achievements of which we are most proud is our work on the £100 million Boston Flood Barrier in Lincolnshire, where we designed and deployed special high-strength self-compacting concrete mixes to effect a robust barrier against tidal flooding. This year sees construction of the dock ‘wet gate’, using the same specialist limestone mixes and proprietary concretes.

In NI we continued to work closely with voluntary organisations to promote conservation and enhance local biodiversity. This included helping the Belfast Hills Partnership (BHP) to develop a new native woodland nursery near our Blackmountain quarry. We also worked with BHP volunteers to plant native tree species at Blackmountain using recycled soils and dredging spoil which would otherwise have been bound for our inert landfill facility.

The Whitemountain Programme funded 34 projects in 2019, allocating nearly £1.5 million to various community and ecological projects within a 15-mile radius of our Mullaghglass landfill site. Since its inception in 2007, the Whitemountain Programme has distributed over £6 million of Landfill Communities Fund funding to fantastic community and biodiversity projects, helping communities bring their plans for positive change to reality.

Having joined the MPA’s Good Neighbour Scheme, we signed up all our quarries in NI and our dredging operation at Lough Neagh. The aim of the scheme is to engage fully with our local communities and strive to be good neighbours.

Lagan has been piloting with local authorities a range of geogrid/geosynthetic solutions to the major problem of damaged roads in boggy sections of the Irish countryside. These ‘bog rampart’ roads literally float on the peat and drought-like conditions in 2018 caused many of them to fail. Working with Titan Environmental Containment in Canada, Lagan conceived a number of pilot schemes using a variety of geogrid and glass grid solutions to reinforce the soil and provide a more robust base for the roads.

PRIORITIES FOR 2020

- ▶ Continue to husband our assets by converting existing mineral resources into reserves.
- ▶ Maximise economic viability and minimise environmental impact through innovative quarry designs.
- ▶ Continue to create educational opportunities in geodiversity and improve awareness of our industry through our employee STEM (Science, Technology, Engineering and Mathematics) ambassadors.



Above: Restored wetland at West Deeping quarry



Above: Our cement works in the Hope Valley has set aside land for the Derbyshire Wildlife Trust’s Forest School, where children can get back to nature in a safe environment

5 CIRCULAR ECONOMY

The GCCA Charter requires us to promote the principles of the circular economy across our value chain, in particular applying the guidelines developed for fuel and raw material use in cement production (see under ‘Climate Change and Energy’ on pages 48 and 49).

For Breedon, it is useful to think of the application of the circular economy to our business under the three key principles of ‘reduce, reuse, recycle’. We have over many years implemented a wide variety of schemes and policies to reduce our dependence on fossil fuels and other scarce or environmentally compromised raw materials and we made further progress in these areas in 2019. To take a selection of examples:

In Scotland we worked with our associate company BEAR Scotland to resurface part of the A92 trunk road and with Transerv on the A75, both using recycled tar planings processed at our Clatchard and Tongland quarries via a novel technology from Eurovia called Recofoam®. This innovative system reduces CO₂ emissions during the production process by around 50 per cent. At Connah’s Quay in Wales, we have been piloting the use of recycled plastic as a substitute for bitumen, which will reduce the use of oil-based products in the manufacture of asphalt and should extend the life of roads in Flintshire.

In Rol, we significantly reduced the need to dispose of waste product by reprocessing around 35,000 tonnes of scalpings and other material within our quarries in County Cork to produce saleable products and we plan to more than double this during 2020.

We increased the proportion of reclaimed asphalt pavement (RAP) used in our asphalt plant in Rossmore to approximately 25 per cent by the end of 2019, reducing our dependence on virgin aggregates. We also secured a permit to accept planings at our Kinnegad depot, where they will be reprocessed and reused as RAP.

At our Kinnegad cement plant, the new SRF processing facility was commissioned in conjunction with Panda Recycling and began operations in February. The facility allows our cement plant to process incoming SRF to a smaller and more uniform sized fuel, which in turn allows our operations to maintain tighter control over the quality of the fuel, increasing efficiency and maximising fossil fuel replacement.

We commissioned an innovative 3.5 hectare system to manage and treat pumped groundwater during the deepening of our Rossmore quarry in County Cork. Intercepted groundwater is pumped to a settlement lagoon system for treatment prior to discharge to ground via an infiltration pond, effectively recharging the underlying aquifer and eliminating the risk of over-abstracting groundwater.

PRIORITIES FOR 2020

- ▶ Continue to maximise the use of alternative fuels in cement manufacture.
- ▶ Identify suitable plants for installation of RAP systems, in order to increase our use of RAP and reduce our dependence on virgin aggregates.
- ▶ Continue to ensure that waste aggregate and other materials are reused or recycled wherever practicable, with consideration to life cycle assessment.



A finished stretch of the A92 in Scotland, surfaced with recycled tar planings



This is only the second time that this technology has been used in Scotland.”

Alan Mackenzie

Managing Director, Breedon Northern

OUR STAKEHOLDERS

The Board of Breedon Group plc is of the opinion that it has acted in a way which would be likely to promote the success of the company for the benefit of its members and other stakeholders through the decisions it has taken in the year to 31 December 2019.

OUR STAKEHOLDERS	HOW WE ENGAGE	WHAT ARE THEIR MATERIAL ISSUES
<p>Colleagues</p> <p>We recognise our dedicated workforce as a key driver of the value derived from the business. Our colleagues are experienced and continuously developed to fulfil their potential. All employees are offered a fair benefits and compensation package relative to their role and level in the organisation.</p>	<ul style="list-style-type: none"> • Intranet, newsletters, presentations, email, notices and post • Employee groups and committees • Employee survey • Development reviews 	<ul style="list-style-type: none"> • Physical working conditions • Pay and benefits • Communication • Opportunities for development and training • Health and safety
<p>Customers and Suppliers</p> <p>Breedon works alongside its customers by striving to deliver best customer service and to seek innovative solutions to support many of the major projects on which it operates. We pride ourselves on going the extra mile and recognise customer loyalty as a key part of our long-term success. The Company also recognises the huge role its suppliers play in its long-term success. We strive to maximise value from our suppliers and work with them to support the delivery of our customers' needs.</p>	<ul style="list-style-type: none"> • Direct engagement • Contracts and terms of business • Third party engagement • Website • Industry associations 	<ul style="list-style-type: none"> • Cost • Product development • Service levels • Sustainability commitments • Product quality • Payment practises
<p>Communities</p> <p>We are at the heart of the communities in which we operate and recognise our responsibility to be good, supportive and engaged neighbours. Where appropriate, Breedon's businesses have active liaison programmes with the communities in which they operate, and they seek to take into account the interests and concerns of those communities in their operational activities.</p>	<ul style="list-style-type: none"> • Local liaison meetings • Social media • Community events • Letters, emails, notices • Websites 	<ul style="list-style-type: none"> • Noise • Transportation routes • Safety • Environment • Communication • Support for local causes
<p>Investors</p> <p>Our shareholders play an important role in the continued success of our business. We maintain purposeful and close relationships with them.</p>	<ul style="list-style-type: none"> • One-to-one meetings • Telephone calls • Site visits and field trips • Investor conferences • Brokers' contacts 	<ul style="list-style-type: none"> • Governance • Profitability and return on investment • Sustainability commitments • Dividend policies
<p>Regulators/Local Government</p> <p>Developing and sustaining good relationships with the many regulators who govern our businesses is central to the success of our business and maintaining our license to operate. We are committed to adherence to our legal and regulatory requirements.</p>	<ul style="list-style-type: none"> • Mandatory returns and applications • HSE visits • Notices • Meetings with regulators 	<ul style="list-style-type: none"> • Emissions and discharges • Climate change • Site restoration • Health and safety • Vehicle management

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

OUR IMPACT IN 2019

Colleagues

- Engaged colleagues through the group-wide staff survey – participation at c 50%
- Over 1,000 colleagues participated in SAYE share option schemes
- 37 colleagues enrolled and 20 completed higher education programmes
- 132 colleagues completed the BMDP and development of the Breedon CDP commenced
- Well embedded apprenticeship schemes for mechanical and electrical engineers as well as a graduate programme
- Significant decrease in the number of LTI's to 1.05 per million hours worked
- Medical assessments of nearly 800 operational staff

Customers and Suppliers

- New purchasing terms of business rolled out in 2019 to customers and new suppliers signed up to the Code of Conduct
- Internal guidance distributed highlighting specific modern slavery risks
- Unique dry ridge fixing system launched
- UK Stone Direct launched – direct Welsh slate flooring, paving, rockery stones and aggregate
- Lagan is helping to develop new geosynthetic solutions to the problem of failing 'bog rampart roads'
- Breedon Northern completed resurfacing works on part of the A92 trunk road at Ladybank, Fife, using reprocessed asphalt stripped from the same stretch of road
- At Connah's Quay in Wales, piloted the use of recycled plastic as a substitute for bitumen
- In RoI, we significantly reduced the need to dispose of waste product by reprocessing around 35,000 tonnes of scalplings and other material within our quarries in County Cork to produce saleable products
- In our cement production we use SRF/chipped tyres and other alternative fuels as fossil fuel replacements

Communities

- Dedicated website established to provide information about the Hope cement works
- Sponsorship of Breedon Highland League supporting local communities in the regions of our Highlands and Grampian operations
- Creation of community path networks in various locations
- Supporting local causes through donations of product and the provision of labour
- The Whitemountain Programme has funded 34 community and ecological projects allocating c £1.5 million
- All NI sites are now signed up to the MPA Good Neighbour Scheme, with similar schemes being considered elsewhere
- At Hope Works c £100,000 given for local activities, sponsorships and donations and communities use of facilities

Investors

- Non-executive Chairman appointed following retirement of previous Executive Chairman
- New independent Board members appointed to strengthen the Board
- Member of GCCA – made a commitment in 2019 to the five pillars of its Sustainability Charter
- Recruitment of Group Head of Sustainability commenced
- Intention to commence a progressive dividend policy from 2021 announced

Regulators/Local Government

- Successful planning applications received
 - Group Head of Health, Safety and Environment appointed and recruitment announced for Group Head of Sustainability
 - All Whitemountain sites in NI certified to ISO 5001 Energy Management System
 - Health and safety training completed for Breedon Southern readymix sites in risk assessment, isolation, contractor management and hazard spotting
 - Lagan, Whitemountain's Alpha landfill site and Kinnegad works all accredited with the ISO 45001 health and safety management standard
 - SECR reporting requirements adopted one year early
-

GOVERNANCE REPORT

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

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Tongland quarry, Kirkcudbright



BOARD OF DIRECTORS

OUR LEADERSHIP

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

BOARD OF DIRECTORS

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

N

AMIT BHATIA

Non-executive Director,
Chairman

Appointed to Board: 2016

Independent: No

Core strengths and experience:

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

Other positions currently held:

- Chairman, Queens Park Rangers Football Club
- Partner, Summix Capital
- Director of Brimay Investments Sarl, QPR Holdings Limited, Summix Capital Limited and Global Relief Initiative
- Advisory Board Member, Metro Bank PLC
- Member of the External Advisory Council for Internationalisation, Cornell University

Background

Amit is founder and managing partner of Swordfish Investments, a private equity and venture capital business. He is also Partner at Summix Capital, a strategic land fund and a Partner at Initial Capital, a firm that invests in early stage technology companies. He is Chairman of the Global Relief Initiative, a philanthropic trust he founded in 2011. He is a Gold Leaf member at the Aspen Institute and a William Pitt group member at Chatham House. Amit was Executive Chairman of Hope Construction Materials until it was acquired by Breedon Group in August 2016 when he joined the Board. He was appointed Deputy Chairman in 2018 and Non-executive Chairman in May 2019.



PAT WARD

Group Chief Executive

Appointed to Board: 2016

Core strengths and experience:

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

Background

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



ROB WOOD

Group Finance Director

Appointed to Board: 2014

Core strengths and experience:

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

Background

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

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PETER CORNELL
Non-executive Director

Appointed to Board: 2018

Independent: Yes

Core strengths and experience:

- Senior corporate lawyer with significant experience in investment markets

Other positions currently held:

- Non-executive Chairman of Augusta Securities
- Non-executive Chairman of Grant Thornton (C.I.)
- Non-executive Chairman of Lexington Consultants
- Partner of Metric Capital Partners

Background

Prior to co-founding Metric Capital in 2011, Peter was a Managing Director at Terra Firma, one of Europe's leading private equity firms. He formerly spent more than 20 years with international law firm Clifford Chance, latterly as Global Managing Partner. Peter is a Partner in Metric Capital, a Special Situations Fund targeting mid-sized companies throughout Europe with approximately €3 billion of assets currently under management. He was appointed to the Board in October 2018. Peter will retire prior to the 2020 AGM.

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SUSIE FARNON
Non-executive Director

Appointed to Board: 2010

Independent: Yes

Core strengths and experience:

- Chartered Accountant with significant experience in the financial services industry

Other positions currently held:

- Non-executive director of a number of listed and unlisted companies

Background

Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit at KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission, and is a former Commissioner of the Guernsey Financial Services Commission. She is a non-executive director of a number of listed and unlisted companies and is a member of the Board of The Association of Investment Companies. Susie was appointed to the Board of Breedon in 2010 and became the Senior Independent Director in January 2012. She was appointed as Chair of the Audit Committee in 2018. Susie will retire prior to the 2020 AGM.

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MONI MANNINGS
Non-executive Director

Appointed to Board: 2019

Independent: Yes

Core strengths and experience:

- Solicitor with significant Board and Remuneration Committee Chair experience

Other positions currently held:

- Senior Independent Director and Chair of the Remuneration Committee of Investec Bank PLC
- Non-executive Chair of Investec Holdings (Ireland) Limited
- Non-executive Chair of Investec Europe Limited
- Deputy Chair of Barnardo's

Background

Moni is a non-executive Director of a number of limited companies, Senior Independent Director and Chair of Remuneration at Investec Bank PLC and Deputy Chair of Barnardo's. Moni previously held a number of senior non-executive positions, including as a Board member of the Solicitors Regulation Authority (chairing its Equality, Diversity and Inclusion Committee), Cranfield University, Dairy Crest PLC and Polypipe Group plc where she was also Chair of the Remuneration Committee. Until 2017, Moni was Chief Operating Officer of Aistemos Limited, a leading IP data analytics and strategy company. From 2000 until 2016, Moni was a Partner and Head of the International Banking and Finance Division of Olswang LLP, before which she held senior positions with Dewey Ballantine LLP and Simmons & Simmons. Moni was appointed to the Board in December 2019 and appointed Chair of the Remuneration Committee in January 2020.

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CLIVE WATSON
Non-executive Director

Appointed to Board: 2019

Independent: Yes

Core strengths and experience:

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

Other positions currently held:

- Non-executive Director discoverIE Group PLC

Background

Clive has considerable finance experience, having previously been the Group Finance Director of Spectris PLC, a leading international provider of productivity-enhancing instrumentation and controls, Chief Financial Officer and Executive Vice President for business support at Borealis, a leading provider of polyolefins, Group Finance Director at Thorn Lighting Group and held a variety of finance roles at Black & Decker. In 2019, Clive retired from the Board of Spectris PLC and as a non-executive director of Spirax Sarco Engineering plc, the FTSE 100 engineering company, where he was Chair of the Audit Committee and Senior Independent Director. Clive is currently a non-executive director and chair of the Audit and Risk Committee for discoverIE Group plc, an international group of businesses which designs, manufactures and supplies electronic components. Clive was appointed to the Board in September 2019 and it is expected that he will become Chairman of the Audit Committee following Susie Farnon's retirement from the Board.

CORPORATE GOVERNANCE STATEMENT



Amit Bhatia
Chairman

2019 has seen a strengthening of the Board of directors, which continues to develop to align and support the strategic growth of the Group. The directors recognise the value of strong and effective corporate governance and are fully accountable to the Group's stakeholders including colleagues, shareholders, customers and suppliers.

The Board is responsible for ensuring that commercial risks and financing needs are properly considered, the obligations of a public company are adhered to and all decisions are made objectively in the interest of the Group and its stakeholders. The executive directors of the board, through their operational roles, will continue to have close involvement with the operations of the business.

The Board adopted the QCA Corporate Governance Code ('QCA code') with effect from 1 January 2019. In this section of our report we have broadly set out our approach to governance and how it complies with the QCA Code and have provided further information on how the Board and its Committees operate. The Board believes that it complies with all of the principles of the QCA code.

The Company will provide annual updates on its compliance with the QCA Code in its future annual reports, which will also be published on its website.

DELIVER GROWTH

PRINCIPLE 1

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

The Board has established the Group's strategy and regularly reviews it. The Board have defined six strategic pillars which form the foundation of the Group strategy and which will be of focus in 2020. These are: a clear purpose and the right culture; robust governance; a commitment to sustainability and social responsibility; long-term growth markets; conservative financial management; and a well-utilised, growing asset base.

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

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

The Group's Business Model and Strategy, together with the key challenges faced by the Group in their execution, are described in more detail on pages 16 and 17, and 20 and 21.

PRINCIPLE 2

Seek to understand and meet shareholder needs and expectations

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

Dialogue with shareholders

Breedon is committed to maintaining good communications with its shareholders. Members of the Board have face-to-face meetings with representatives of institutional shareholders and potential investors so to enable a greater understanding primarily of the business but mainly the Board's strategy for the continued long-term success of the business. Through these meetings, the Board is able to gain feedback to have a clear understanding of the views of the major shareholders, and the needs of potential shareholders so that these can be considered. During 2019 over 80 meetings were held with shareholders, ranging from telephone calls, one-to-one meetings and site visits. This equates in the period to the Executive team having contact with shareholders

holding over 70% of the Group. The Group Chief Executive plays an important role in ensuring that all views of shareholders are communicated to the Board as a whole, and we believe that this has been successful in ensuring that all directors have a clear understanding of major shareholders.

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

Use of general meetings

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

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

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

PRINCIPLE 3

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

Breedon recognises the importance of balancing the interests of its key stakeholders – employees, customers, investors, suppliers and the wider communities in which it operates. Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments.

The way in which the Board engages and takes into account stakeholder issues, together with the resultant impact is detailed on pages 44 to 53 of the Resources and Relationships section of the Strategic Report.

PRINCIPLE 4

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

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

Risk management processes are embedded throughout the Group and assist management in identifying and understanding the risk that they face in delivering business objectives and the key controls that they have in place to manage those risks.

By identifying and managing those existing and emerging risks, the Board can focus on long-term business opportunities.

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

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

The Group Controls Manager works with the businesses to identify and assess the key risks and controls and reports them to the Group Finance Director. In addition they facilitate the embedding and monitoring of the Board's agreed risk management process within the business, under the direction of the Group Finance Director.

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

The Group's principal risks are: acquisitions; competition and margins; environment and climate change; financing, health and safety; IT and cyber security; legal and regulatory; liquidity and currency; people; and market conditions.

Further details of the Group's approach to risk management, together with a full description of the key risks faced by the Group, are set out in pages 24 to 27.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE 5

Maintain the board as a well-functioning, balanced team led by the chair

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

The Chairman encourages and facilitates the contribution of each of the directors to ensure that no one individual can dominate its proceedings. All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The current Board comprises the Non-executive Chairman, two executive directors (Group Chief Executive and Group Finance Director), four independent non-executive directors (being Susie Farnon, who is the Senior Independent Director, Peter Cornell, Clive Watson who was appointed as a non-executive director with effect from 1 September 2019, and Moni Mannings who was appointed as a non-executive director with effect from 1 December 2019). Peter Tom, Executive Chairman and David Williams a non-executive director who was not considered to be independent, left the Board during 2019.

The Board has established Audit, Remuneration and Nomination committees to support the Board in the performance of its duties, and it believes that the members of those committees have the appropriate skills and knowledge to perform the functions delegated to them.

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

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

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

Details of the directors' attendance at Board meetings are set out below:

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Amit Bhatia	7	7
Pat Ward	7	7
Rob Wood	7	7
Peter Cornell	7	7
Susie Farnon	6	7
Moni Mannings ¹	1	1
Clive Watson ²	3	3
Peter Tom CBE ³	3	3
David Williams ⁴	7	7

1 Appointed 1 December 2019

2 Appointed 1 September 2019

3 Retired 29 May 2019

4 Retired 31 December 2019

PRINCIPLE 6

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

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

The Board considers that each of the directors brings a senior level of experience and judgement to bear on issues of operations, finance, strategy, performance, resources (including key appointments) and standards of conduct. All directors are given regular access to the Group's operations and personnel as and when required. All non-executive directors have a wealth and breadth of experience gained through their directorships on other listed Boards. The individual biographical details of directors including the skills and experience they bring to the Board can be found on pages 58 and 59.

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

The primary role of the Chairman is to ensure the Board is effective in setting and implementing the Group's direction and strategy and the operation of the Company's governance structures. He is also responsible for leadership of the Board and ensuring

that the Group maintains an appropriate level of dialogue with its shareholders. The role of the Chief Executive is to oversee the operational management of the Group's businesses, and the role of the Senior Independent Director is to act as a sounding board for the Chairman and other members of the Board and to be an alternative point of access for shareholders for matters that they do not wish to raise through other channels.

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

Breedon has a robust succession plan which has seen the appointment of the Non-executive Chairman and two new independent non-executive directors in 2019. The Board recognises that following the departure of Peter Tom and David Williams during 2019, there remains one non-executive director, Susie Farnon who has served on the Board for more than nine years, however Susie will be retiring prior to the 2020 AGM. Peter Cornell will also retire from the Board prior to the AGM.

All directors stand for re-election by shareholders every year, notwithstanding that the Articles of Association of the Company require only one third of them to do so annually.

Following the recommendation of the Nomination Committee in February 2020, it is anticipated that Carol Hui will be appointed to the Board in spring 2020.

PRINCIPLE 7

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

The Board regularly reviews its own effectiveness and considers whether it comprises the appropriate skills to meet the needs of the business. The Chairman is in regular contact with each member of the Board to ensure that any concerns that any of them may have are identified and can be acted upon.

The Board aims to carry out an externally facilitated Board Effectiveness Review every three years. The most recent review, carried out in 2017, consisted of each director participating in a one-to-one interview with the provider and the output of those interviews then being compiled in a report for consideration by the Board as a whole. While the review covered the whole spectrum of the Board's activities, it had a particular focus on four key areas which the directors had identified in advance as being worthy of additional attention. Those areas related to the Board's approach to strategy, succession planning, risk and employee management and development.

The review concluded that the Breedon Group Board was highly effective. It comprises well-experienced individuals, has good reporting, little bureaucracy, conducts well controlled and open meetings and benefits from a high level of challenge. There is a high degree of trust amongst the directors and between the directors and senior management.

The Board will undertake an externally facilitated review in 2020, which will follow recommendations from the ICSA: The Governance Institute & Department for Business, Energy and Industrial Strategy Quality and Effectiveness of Board Evaluations Review which will allow the Board to understand its own effectiveness, the impact it has had since the last review and how it may make further enhancements to its own performance. The review will be set in context of the changes made to the composition of the Board in 2019 to ensure that it continues to function in an efficient and productive manner.

PRINCIPLE 8**Promote a corporate culture that is based on ethical values and behaviours**

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

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

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

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

PRINCIPLE 9**Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

The Board meets at least six times per year (it met seven times in 2019) in accordance with its scheduled meeting calendar. The Board receives appropriate and timely information prior to each meeting, a formal agenda is produced, and these papers are distributed in good time before each meeting. At the start of each meeting, the Board considers any Directors' Conflicts of Interest.

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

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

The Board is supported by the Audit, Remuneration and Nomination committees. Terms of reference of each board committee, and the schedule of matters reserved to the Board are set out on the Group's website at www.breedongroup.com. The activities of the Audit, Remuneration and Nomination committees during 2019 are described on pages 66 to 78.

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

BUILD TRUST

PRINCIPLE 10

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

Breedon is committed to maintaining good communications with its shareholders, and it has put in place appropriate processes and structures to allow that to happen. The Group communicates with its shareholders through the Annual Report and Accounts, trading announcements, the AGM and in the manner set out in the commentary above in relation to Principle 2.

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

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

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



Amit Bhatia

Non-executive Chairman

11 March 2020

AUDIT COMMITTEE REPORT

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



Susie Farnon
Chair, Audit Committee

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

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

- External audit tender process
- Audit planning
- Auditor's fees and independence
- Auditor's effectiveness
- Interim report and annual report
- Internal audit
- Internal controls and risk management
- Taxation
- Going concern and viability statement
- Significant accounting matters
- Plans for transition to new accounting standards
- Whistleblowing
- The Audit Committee's terms of reference

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Susie Farnon, Committee Chairman	3	3
Peter Cornell, Independent Non-executive Director	3	3
Clive Watson, Independent Non-executive Director*	1	1

* appointed 1 September 2019

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

The Audit Committee monitors and reviews the effectiveness of the internal financial controls, the internal control and risk management systems and the compliance environment operating within the Group. This includes the Group's whistleblowing arrangements, which the Committee ensures allows for proportionate and independent investigation alongside appropriate follow up action of concerns raised.

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

The Audit Committee was chaired by myself throughout the year, and comprised Peter Cornell and Clive Watson (who was appointed to the Board and the Audit Committee on 1 September 2019).

The Committee has relevant financial experience at a senior level as set out in their biographies on pages 58 and 59. The Audit Committee met three times formally in 2019 and also held informal discussions with the external auditor as appropriate.

The principal activities of the Audit Committee in respect of the year ended 31 December 2019, and the manner in which it discharged its responsibilities, were as follows:

FINANCIAL STATEMENTS

The Audit Committee reviewed and agreed the external auditor's strategy and approach in advance of their audit for the year ended 31 December 2019, and reviewed reports on the outcome of the audit.

The Audit Committee also reviewed the 2019 Preliminary Results Announcement, the 2019 Annual Report, the 2019 Interim Results Announcement and the 2019 Interim Report.

SIGNIFICANT ACCOUNTING MATTERS

During the year, the Audit Committee considered key accounting issues, judgements and disclosures in relation to the Group's Financial Statements. The most significant of which was impairment of goodwill.

The Audit Committee also received communications from management and the external auditor on a number of other accounting matters, including the adoption of IFRS 16 – *Leases* in the year, the valuation of mineral reserves and resources, revenue recognition, restoration provisions, and the possible impact of Brexit on the Group.

Area of Judgement	Detail	Action taken
IMPAIRMENT OF GOODWILL		
<p>The Group has £410.1 million of goodwill which it has recognised on acquisitions and which represents the excess of the fair value of the consideration paid over the share of identifiable assets acquired and liabilities assumed.</p> <p>Goodwill is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. This testing is performed at the lowest level at which management monitor goodwill, being the groups of CGUs which comprise the Group's three operating segments.</p>	<p>The recoverable amounts for each segment to which goodwill has been allocated are calculated by determining the value in use of each segment which is based on the net present value of projected cash flows.</p> <p>The most significant judgements are in setting the assumptions for the calculation of the value in use, which includes the discount rate applied to cash flows, forecast financial performance and the longer-term rate of growth.</p> <p>Details of the assumptions used are provided in note 9 to the Financial Statements.</p>	<p>Cash flows for each segment were calculated over a 30-year period, starting with the 2020 budget approved by the Board, followed by forecast three year plan results for 2021 and 2022 and subsequently by a longer term growth assumption of between 1.5 and 2.5 per cent for the remaining 27 years.</p> <p>These cash flows were adjusted for the impact of working capital and capital expenditure, before being discounted at a pre-tax discount rate of between 9.4 and 10.1 per cent which was calculated by an external expert.</p> <p>The recoverable amounts of each segment show significant headroom compared to their carrying value when reasonably possible changes are made to key assumptions.</p> <p>The Audit Committee discussed the assumptions underlying the cash flow projections with both management and the external auditor, considered the appropriateness of the key assumptions and the adequacy of the disclosure provided in note 9 of the Financial Statements. They also considered the additional analysis around the possible impact of Brexit on impairment calculations which was prepared by management.</p> <p>Following discussion on headroom and sensitivity, the Committee was satisfied that no impairment of goodwill was necessary.</p>

AUDIT COMMITTEE REPORT CONTINUED**GOING CONCERN AND VIABILITY**

The Audit Committee reviews supporting papers from management to support the Going Concern and Viability statements set out on page 81. This includes sensitivity analysis over key assumptions.

Following this review, the Committee recommended to the Board the approval of both statements.

EXTERNAL AUDIT TENDER

KPMG LLP either directly or via KPMG Channel Islands Limited has acted as auditor since the formation of the Group in 2008. Given the length of tenure, a competitive tender process for the appointment of the external auditor was undertaken by the Audit Committee in 2019 on behalf of the Board.

A selection panel was formed comprising the members of the Audit Committee alongside the Group Finance Director and Group Financial Controller. Five audit firms were initially approached, of which three were shortlisted, being KPMG LLP as the incumbent as well as a candidate from both inside and outside the 'big four'.

Each shortlisted firm was sent a Request for Proposal, setting out details of the process, timetable and evaluation criteria. The evaluation criteria included, but were not limited to, the experience and personal credentials of the audit team, their understanding of the business and the industry, approach to quality assurance and value for money.

A comprehensive data room was set up to provide each firm with sufficient information to produce a detailed proposal, with additional meetings being held with both the Audit Committee and senior members of management throughout the process.

All three firms presented their proposal for the audit in November 2019, followed by a question and answer session. After careful consideration of the merits of each proposal, the Audit Committee (having consulted with management) recommended to the Board two choices for external auditor, with a reasoned preference that KPMG LLP be retained as external auditor, albeit with an increased focus on the most effective use of data and analytics within the audit.

The Board accepted the recommendation of the Audit Committee, and shareholders will be asked to approve the reappointment of KPMG LLP as auditor at the AGM.

EXTERNAL AUDITOR

The external auditor, KPMG LLP, attends meetings of the Audit Committee. The Audit Committee has the opportunity to meet with the external auditor without the executive directors being present to provide a forum to raise any matters of concern in confidence.

The Audit Committee discusses and agrees the scope of the audit plan for the full year with the auditor.

The external auditor reports on the control environment in the Group, key accounting matters and mandatory communications. The Audit Committee also receives and reviews a report from the external auditor setting out to its satisfaction how its independence and objectivity is safeguarded when providing non-audit services.

The value of non-audit services provided by KPMG in respect of the year ending 31 December 2019 amounted to nil (2018: £16,000, principally in respect of life assurance and pension advisory services).

During the year there were no circumstances where KPMG was engaged to provide services prohibited by the FRC's 2016 ethical standard or which might have led to a conflict of interest.

The Audit Committee continues to be satisfied with the work of KPMG and that they continue to remain objective and independent.

Following the conclusion of the 2019 audit, the lead audit partner, Craig Parkin has served two years of a maximum tenure of five years before rotating to assure independence.

INTERNAL AUDIT

The Group does not have a formal internal audit function. However, the Group Controls Manager performs a number of activities that an internal audit function would perform. The Audit Committee receive regular formal updates covering planned activities, findings of reviews performed and updates on agreed actions from previous reviews.

The Audit Committee considers this is appropriate given the close involvement of the executive directors and senior management on a day-to-day basis, the location of operations in the UK and RoI and the work of the Group Controls Manager. However, the need for an internal audit function will be kept under review by the Audit Committee on behalf of the Board.

WHISTLEBLOWING

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



Susie Farnon
Chair, Audit Committee
11 March 2020

DIRECTORS' REMUNERATION REPORT

The Group needs to ensure that its pay and benefits practices are competitive but consistent with its circumstances.



Moni Mannings
Chair, Remuneration Committee

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

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

- Executive salaries
- Annual bonuses
- Long-term incentives
- Chairman's fee
- Pay and benefit levels across the Group
- The Directors' Remuneration report

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
David Williams, Committee Chairman	5	5
Peter Cornell, Independent Non-executive Director	5	5
Susie Farnon, Independent Non-executive Director	5	5

DEAR SHAREHOLDER

I am pleased to present the Directors' Remuneration report for the year ended 31 December 2019. Having been appointed as non-executive director on 1 December 2019 and Chair of the Remuneration Committee on 1 January 2020, I can report that all aspects of executive remuneration are in order. I would like to place on record my thanks to the outgoing Chair of the Committee for his work over many years during which Breedon has grown rapidly and executive remuneration has been at the forefront of driving this growth and success of the business. During 2020, I intend to review all aspects of our remuneration policy together with our advisers, to ensure it is appropriate for Breedon as we enter the next phase of growth and development. Once this review is complete, towards the summer I intend to consult with our major shareholders to ensure we have alignment. The Report is set out in two sections: the 'Policy Report' summarises our current Remuneration Policy; and the 'Annual Report on Remuneration' shows the amounts earned by directors in 2019, and how we propose to apply the Policy.

2019 BUSINESS PERFORMANCE

2019 was an extremely busy year for the Group, with the focus on ongoing performance, the first full year contribution from Lagan and the delivery of the resulting synergies. The acquisition of Roadway was completed in October, with the joint venture with Brett in London (Capital Concrete) completing in December. In terms of remuneration, our success in 2020 led to an annual cash bonus outcome towards the higher-end of the scale, but an anticipated PSP vesting at just below two-thirds of maximum.

As reported in the Statement from the Chair, Group Chief Executive's review on pages 8 to 15, and the Group Finance Director's review on pages 28 to 32, the Group continued to perform well, driving positive results in a tough trading environment for the sector.

DECISIONS IN RELATION TO DIRECTORS' REMUNERATION IN 2019

A benchmarking exercise was undertaken in 2019 in order to set the pay of the new Chairman following Peter Tom's retirement. The base salaries set for 2019 were as follows, with executive salaries increasing in line with the wider workforce:

- £170,000 for the Non-executive Chairman,
- £615,000 for the Group Chief Executive, and
- £410,000 for the Group Finance Director.

The bonuses earned in the year by the directors reflect the performance of the business. Further information is given on page 75.

REMUNERATION COMMITTEE

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

The Remuneration Committee was chaired by David Williams throughout the year and his co-members were Susie Farnon and Peter Cornell. The Committee met formally five times in 2019. David retired on 31 December 2019 after which date I became Chair.

LOOKING FORWARD TO 2020

During 2020, as I mentioned earlier in my report, I intend to conduct a full review of policy, with an open engagement with shareholders thereafter. In accordance with Breedon's usual salary review timetable for the Group as a whole, executive directors' salaries have been reviewed and increases will be implemented with effect from 1 April 2020 in line with those applied to the wider workforce. These salaries will be reported in the 2020 Directors' Remuneration report. A summary of our approach to other elements of executive remuneration is set out on pages 70 to 76.

POLICY REPORT**BASE SALARY**

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

Operation

Reviewed annually or on a significant change of responsibilities.

Salaries are determined by reference to the skills and personal performance of the individual.

The Remuneration Committee also takes into account external market data and pay and employment conditions elsewhere in the Group when considering increases to base salary levels.

Maximum opportunity

Whilst there is no maximum salary, increases will normally be broadly in line with the range of salary increases awarded (in percentage of salary terms) to the wider workforce. Salary increases above this level may be awarded to take into account individual circumstances, including a change in the scope or responsibilities of the role, a change in market practice, a change in the size or complexity of the business or to reflect development and performance in role.

Performance conditions

None.

ANNUAL CASH BONUS

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

Operation

Executive directors may participate in the annual bonus scheme.

Performance measures and targets are set by the Remuneration Committee at the start of the financial year or later if appropriate and, based on performance, bonuses are paid in cash shortly after the completion of the audit of the annual results.

Maximum opportunity

For executive directors, the maximum opportunity is 125 per cent of salary. This level of incentive opportunity reflects the Committee's desire to retain a high proportion of remuneration on variable pay.

Bonuses are not pensionable.

Performance conditions

Performance is assessed against financial targets. A moderator may also be applied to increase or decrease the outturn dependent on average capital employed performance against targets, subject to the 125 per cent of salary limit.

The bonus may be reduced or eliminated if safety performance or accident records reach unacceptable levels.

PERFORMANCE SHARE PLANS (PSPs)

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

Operation

Annual share-based awards with a three-year performance period.

Maximum opportunity

In line with best and market practice, it is currently intended that rolling annual awards will be made.

The maximum award limit in any financial year under the plan rules is 250 per cent of base salary.

In 2019 awards with a face value of 150 per cent of salary were made to the Executive Chairman and Group Chief Executive, and 125 per cent to the Group Finance Director.

It is expected that a similar level of award will be made in 2020, for the Group Chief Executive and Group Finance Director.

Performance conditions

The vesting of awards is subject to the satisfaction of performance conditions, typically measured over a period of at least three years. Performance conditions, and their weightings where there is more than one metric, are reviewed annually to maintain appropriateness and relevance. Awards are based on financial measures which may include, but are not limited to, EPS.

Awards will usually vest between 20 per cent and 100 per cent for performance between 'threshold' (the lowest level of performance which results in any level of vesting) and 'maximum' performance.

PENSION

To aid recruitment and retention by allowing the directors to make provision for long-term retirement benefits comparable with similar roles in similar companies.

Operation	Maximum opportunity	Performance conditions
A salary supplement equivalent to the contribution that would otherwise be made to a defined contribution pension plan.	The Group Chief Executive and the Group Finance Director receive a salary supplement of 17.5 per cent of their base salary in lieu of a pension contribution.	None.

OTHER BENEFITS

To provide market-competitive, cost-effective benefits.

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

APPROACH TO PERFORMANCE MEASURES

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

The annual bonus targets for 2019 were set by reference to Underlying EBIT, which tracks improvements in the profitability of the Group.

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

The current performance measure for the PSPs is based on EPS, reflecting our focus on profitability and the delivery of value to shareholders, whilst maintaining simplicity and line-of-sight for the participants.

The Committee retains the ability to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or disposal of a Group business, or a change in prevailing market conditions) which cause the Committee to consider that the measures are no longer appropriate and that an amendment is required to enable them to achieve their original purpose.

The PSPs are operated in accordance with their terms, which includes the ability of the Committee to adjust awards in the event of a variation of share capital.

DIRECTORS' REMUNERATION REPORT CONTINUED**NON-EXECUTIVE DIRECTORS****NON-EXECUTIVE DIRECTORS' REMUNERATION**

To provide market-competitive, cost-effective benefits.

Operation

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

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

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

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

Director	Date of contract/letter of appointment	Notice Period	
		From the Director	From the Company
Amit Bhatia	1 August 2016	N/A	N/A
Pat Ward	20 January 2016	12 months	12 months
Rob Wood	27 February 2014	12 months	12 months
Peter Cornell	31 August 2018	N/A	N/A
Susie Farnon	25 October 2010	N/A	N/A
Moni Mannings ¹	29 October 2019	N/A	N/A
Clive Watson ²	24 July 2019	N/A	N/A
Peter Tom ³	5 June 2008 ⁴	12 months	12 months
David Williams ⁵	5 June 2008	N/A	N/A

1 Moni Mannings appointed to the Board on 1 December 2019

2 Clive Watson appointed to the Board on 1 September 2019

3 Peter Tom retired from the Board on 29 May 2019

4 The service agreement was entered into with Rise Rocks Limited for the purposes of procuring the services of Peter Tom as a consultant to the Company in the role of Executive Chairman.

5 David Williams retired from the Board on 31 December 2019

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

Notice periods and payments in lieu of notice

The maximum notice period for executive directors is 12 months. The Committee retains the right to terminate an executive director's service agreement by making a payment in lieu of notice, consisting of salary, cost of benefits and loss of pension provision for the notice period (or the unexpired portion of it).

It is the Company's policy to have regard to the executive director's duty to mitigate his/her loss in respect of those contractual rights that he/she would otherwise be entitled to receive.

Annual bonus

The payment of bonus for the year in which the executive director leaves is determined by the Committee, taking into consideration their contribution up to the leaving date and normal pro-rating for time in service during the year.

PSP

PSP awards will usually lapse on cessation of employment. However, if a participant leaves due to death, ill health, injury, retirement with the agreement of the Committee, or any other reason at the discretion of the Committee, his/her award shall either vest on the normal vesting date or at the date of cessation. In either case, the extent of vesting will be determined by reference to the extent the performance conditions are satisfied and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed.

Other payments

Payments may be made in the event of a loss of office under the ShareSave scheme, which is governed by its rules and the applicable legislation and which does not provide discretion in the case of leavers.

In appropriate circumstances, other payments may also be made, such as in respect of accrued holiday and outplacement and legal fees.

RECRUITMENT REMUNERATION

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

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

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

ANNUAL REPORT ON REMUNERATION

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

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

* Amit Bhatia appointed Chairman on 29 May 2019

** Peter Tom retired from the Board on 29 May 2019

*** Moni Mannings appointed to the Board on 1 December 2019

**** Clive Watson appointed to the Board on 1 September 2019

***** David Williams retired from the Board on 31 December 2019

Notes:

1 Further information in relation to the bonuses payable to Pat Ward and Rob Wood is given on page 75 and these bonuses were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme.

2 Included in fees above is an amount of £189,375 (2018: £437,500) in respect of services provided by Rise Rocks Limited, a company in which Peter Tom had a beneficial interest, and the sum of £120,117 (2018: £340,335) which was paid to Rise Rocks Limited as a bonus pursuant to the consultancy agreement between the Company and Rise Rocks Limited; further information is given on page 76. Both these payments were prorated to 29 May 2019 when Peter Tom retired from the Board.

3 Benefits paid to Pat Ward and Rob Wood comprise the provision of private medical insurance, the provision of a car allowance and the reimbursement of certain travel costs.

4 Both Pat Ward and Rob Wood received a salary supplement in lieu of a contribution to a pension arrangement.

5 Further information in relation to the PSP awards vesting for Peter Tom, Pat Ward and Rob Wood is given on page 75. These PSP awards vested in accordance with the scheme rules.

The remuneration of the directors for the year ended 31 December 2018 was as shown in the table below:

Director	2018						Total
	Salary	Bonus (note 1)	Fees (note 2)	Benefits (note 3)	Pension (note 4)	PSP awards vesting (note 5)	
Peter Tom CBE	-	-	777,835	-	-	574,900	1,352,735
Pat Ward	581,250	453,780	-	16,960	89,383	192,384	1,333,757
Rob Wood	383,750	352,520	-	22,656	59,012	547,736	1,365,674
Amit Bhatia	-	-	37,500	-	-	-	37,500
Peter Cornell*	-	-	12,500	-	-	-	12,500
Susie Farnon	-	-	58,650	-	-	-	58,650
Simon Vivian**	-	-	12,500	-	-	267,301	279,801
David Warr***	-	-	57,500	-	-	-	57,500
David Williams	-	-	57,500	-	-	-	57,500
Total	965,000	806,300	1,013,985	39,616	148,395	1,582,321	4,555,617

* Peter Cornell joined the Board on 1 October 2018

** Simon Vivian retired from the Board on 7 March 2018

*** David Warr retired from the Board on 31 December 2018

Notes:

- The bonuses payable to Pat Ward and Rob Wood were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme. In addition, Rob Wood had a supplement of £50,000 applied to his bonus to reflect his contribution to the acquisition and subsequent integration of the Lagan business.
- Included in fees above is an amount of £437,500 (2017: £393,750) in respect of services provided by Rise Rocks Limited, a company in which Peter Tom has a beneficial interest, and the sum of £340,335 (2017: £335,560) which was paid to Rise Rocks Limited as a bonus pursuant to the consultancy agreement between the Company and Rise Rocks Limited.
- Benefits paid to Pat Ward and Rob Wood comprise the provision of private medical insurance, the provision of a car allowance and the reimbursement of certain travel costs.
- Both Pat Ward and Rob Wood received a salary supplement in lieu of a contribution to a pension arrangement.
- PSP awards which vested in 2018 in respect of the three years 2015, 2016 and 2017 and additionally for Rob Wood in respect of 2014.

BONUSES

Pat Ward and Rob Wood were each eligible to earn a bonus of up to 125 per cent of salary, based on the achievement of stretching Underlying EBIT targets. Bonuses were earned as set out below:

Threshold level of Underlying EBIT £m	Target level of Underlying EBIT £m	Maximum level of Underlying EBIT £m	Actual level of Underlying EBIT ¹ £m	Bonus earned (percentage of salary) %
102.3	116.6	122.1	118.3	103.29

¹ Including a capital employed moderator.

PSP AWARDS VESTING IN RESPECT OF PERFORMANCE IN 2019

Awards were granted under the PSPs in April 2017, with vesting subject to a performance condition based on Underlying diluted EPS growth in excess of RPI over a performance period running from 2017 to 2019. Subject to the rules of the PSPs, the executive directors' awards will vest in April 2020 as described below:

Director	Shares subject to award	Threshold EPS growth in excess of RPI (20% of the award vests)	Maximum EPS growth in excess of RPI (100% of the award vests)	Vesting level		
				Actual EPS growth in excess of RPI	Percentage	Number of shares
Peter Tom CBE*	373,665	25%	59%	42.82%	61.85%	231,112
Pat Ward	695,364	25%	59%	42.82%	61.85%	430,083
Rob Wood	417,218	25%	59%	42.82%	61.85%	258,050

* The option to Peter Tom was granted to Rise Rocks Limited, a company in which he had a beneficial interest and which provided his services as Executive Chairman of the Company. Following Peter Tom's retirement from the Board, on 29 May 2019, the number of shares held under the Option was reduced pro rata to the length of his service in accordance with the rules of the Scheme.

DIRECTORS' REMUNERATION REPORT CONTINUED**PSP AWARDS GRANTED IN 2019**

On 15 April 2019, awards were granted to the executive directors under the PSPs. The vesting of those awards is subject to a performance condition based on Underlying diluted EPS growth as follows, assessed over 2019, 2020 and 2021:

EPS growth per annum	Percentage of award that vests
Less than 4.9%	0%
Equal to 4.9%	20%
Between 4.9% and 10.5%	Between 20% and 100% on a straight line basis
10.5% or more	100%

Awards were granted to the Executive Chairman and Group Chief Executive at 150 per cent of salary and the Group Finance Director at 125 per cent as follows:

Peter Tom CBE†:	1,014,479 shares
Pat Ward:	1,352,639 shares
Rob Wood:	751,466 shares

† The award to Peter Tom was granted to Rise Rocks Limited, a company in which he had a beneficial interest and which provided his services as Executive Chairman of the Company. Following Peter Tom's retirement from the Board, on 29 May 2019, the number of shares held under the Option was reduced, pro rata to the length of his service to 42,579 shares in accordance with the rules of the Scheme.

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2020

A review of policy will take place in 2020 followed by consultation with our major shareholders.

EXECUTIVE DIRECTORS' SALARIES

In accordance with Breedon's usual salary review timetable for the business as a whole, executive directors' salaries for 2020 will increase with effect from 1 April 2020. Any increases to executive directors' salaries will be in line with the range of increases awarded to the wider workforce and will be reported in the 2020 Directors' Remuneration report.

NON-EXECUTIVE DIRECTORS' FEES

The fee for the non-executive chairman for 2020 is £170,000.

The basic fee for the non-executive directors for 2020 are:

- Basic fee: £50,000;
- The additional fee for holding the office of Senior Independent Director, for chairing the Audit or Remuneration Committee remains at: £10,000.

EXECUTIVE DIRECTORS' BONUS OPPORTUNITY

For 2020, the executive directors will continue to have the opportunity to earn a bonus of up to 125 per cent of salary. The bonus will be subject to stretching performance conditions based on Underlying EBIT.

The performance targets contain confidential information and so are not disclosed on a prospective basis.

However, the Committee proposes to disclose the targets, and performance against them, retrospectively as has been done for the bonuses earned in 2019.

PSP AWARDS

The Committee currently expects to grant awards under the PSPs in 2020 at the level of 150 per cent of salary for the Group Chief Executive, and 125 per cent for the Group Finance Director.

The awards will vest subject to the satisfaction of a performance condition assessed over 2020, 2021 and 2022.

DIRECTORS' INTERESTS IN SHARE PLANS

Details of the directors' interests in the Company's share-based incentive schemes are set out on page 80.



Moni Mannings

Chair, Remuneration Committee

11 March 2020

NOMINATION COMMITTEE REPORT

The Nomination Committee has continued to keep the leadership of the Group under review, and to ensure adequate resources are made available to support its future development.



Amit Bhatia
Chairman, Nomination Committee

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, the Committee met five times and discussed the following:

- **Succession Plans for executive directors and the Executive Committee**
- **Retirement and appointment of Chairman of the Board**
- **Retirement and appointment of non-executive directors**

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Amit Bhatia, Committee Chairman	3	3
Peter Cornell, Independent Non-executive Director	4	5
Susie Farnon, Independent Non-executive Director	5	5
Peter Tom, CBE Executive Chairman*	1	1
David Williams, Non-executive Director**	4	4
Clive Watson, Independent Non-executive Director***	1	1

* Peter Tom retired from the Board on 29 May 2019

** David Williams retired from the Board on 31 December 2019

*** Clive Watson appointed to the Board on 1 September 2019

The role of the Committee is to:

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

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

- The consideration of the retirement of the Executive Chairman and the recommendation of the appointment of Amit Bhatia as Non-executive Chairman (under the Chairmanship of the Senior Independent Director);
- The consideration of the retirement of two long serving non-executive directors and the recommendation of the appointment of two independent non-executive directors; and
- The consideration of succession plans for executive director and Executive Committee roles.

As per the Terms of Reference, throughout the year the Nomination Committee was chaired by the Chairman of the Company, except on one occasion when under discussion included the appointment of his own successor. The quorum for Committee meetings is a minimum of two directors and must comprise a majority of independent directors.

The Committee was quorate for all meetings in 2019.

TERMS OF REFERENCE

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

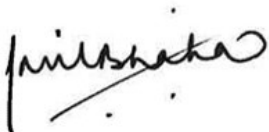
CHAIRMAN'S REPORT

2019 has seen the Nomination Committee fully consider the succession plan for both the Board and senior executives within the business. In terms of the Board, the Committee reviewed the future position as to those directors nearing the end of their term (particularly those that had given considerable length of service) and the role of independent Board members, alongside the current composition and attributes of the Board. The Committee reflected on the recommendation made in 2018 with my appointment as Deputy Chairman and in consideration of the retirement of Peter Tom as Executive Chairman, they recommended to the Board that I should be appointed as Non-executive Chairman. The Committee had identified as a key directive, the requirement for a search process for two new independent non-executive directors balancing any potential conflicts of interest whilst seeking industry expertise, skills and diversity to complement the Board. The process was supported by Korn Ferry, an executive search and recruitment company, engaged solely for this purpose. The Nomination Committee recommended the appointment to the Board of Clive Watson and Moni Mannings as independent non-executive directors.

Following the recommendation of the Nomination Committee in February 2020, it is anticipated that Carol Hui will be appointed to the Board in spring 2020.

With regards to senior executives, the Nomination Committee considered proposed succession plans for both executive director and Executive Committee roles to ensure the continued strategic operational leadership of the company.

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

**Amit Bhatia**

Chairman, Nomination Committee

11 March 2020

DIRECTORS' REPORT

The directors present their report, together with the audited Financial Statements, for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products in GB and Ireland, including cement, asphalt and ready-mixed concrete, together with related activities. Further details of the Group's activities and future developments are included in the Statement from the Chair, and the Group Chief Executive's review on pages 8 to 15 and in the Group Finance Director's review and Business reviews on pages 28 to 43.

RISK MANAGEMENT

The Board is responsible for the Group's system of risk management and continues to develop policies and procedures that reflect the nature and scale of the Group's business. Further details of the key areas of risk to the business identified by the Group are included on pages 24 to 27. Details of the Group's operational key performance indicators are shown on pages 22 and 23.

RESULTS AND DIVIDENDS

For the year to 31 December 2019, the Group's profit before tax was £94.6 million (2018: £79.9 million) and after tax was a profit of £78.0 million (2018: £64.6 million). Recognising the Group's scale, level of maturity and cash generation, the Directors propose to adopt a progressive dividend policy from 2021.

STATED CAPITAL

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

DIRECTORS

The following directors served during the year:

Amit Bhatia	Non-executive Chairman
Pat Ward	Group Chief Executive
Rob Wood	Group Finance Director
Peter Cornell	Independent Non-executive Director
Susie Farnon	Independent Non-executive Director
Moni Mannings (appointed 1 December 2019)	Independent Non-executive Director
Clive Watson (appointed 1 September 2019)	Independent Non-executive Director
Peter Tom CBE (retired 29 May 2019)	Executive Chairman
David Williams (retired 31 December 2019)	Non-executive Director

Biographical details of the directors serving at the year-end can be found on pages 58 and 59 and details of the directors' service contracts are given in the Directors' Remuneration report on page 72.

DIRECTORS' INTERESTS

The directors in office at 31 December 2019 had interests in the issued share capital of the Company as shown in the table below:

	Ordinary Shares	
	2019	2018
Amit Bhatia	500,000	500,000
Pat Ward	1,072,994	483,590
Rob Wood	940,395	672,823
Peter Cornell	140,000	140,000
Susie Farnon	1,865,000	1,865,000
Moni Mannings*	-	-
Clive Watson**	35,000	-

* Moni Mannings appointed to the Board on 1 December 2019

** Clive Watson appointed to the Board on 1 September 2019

In addition, the following directors had an interest in the shares set against their names in the table below in accordance with the rules of the Group's share-based incentive schemes:

	Performance Share Plan		Savings-Related Share Option Scheme	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Pat Ward	3,118,157	2,938,313	54,545	30,030
Rob Wood	1,763,214	1,437,279	54,545	79,365

The savings-related share options held by Pat Ward and Rob Wood are exercisable at a price of 55.0 pence and are normally exercisable between 1 May 2024 and 30 October 2024.

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

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

Clive Watson, Non-executive Director purchased 37,500 ordinary shares, increasing his interest to 72,500 ordinary shares on 20 January 2020. There were no further changes in the directors' interests between 1 January 2020 and 11 March 2020.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that, as at 25 February 2020, other than the directors, the interests of shareholders holding three per cent or more of the issued share capital of the Company were as shown in the table below:

	Number	%
Invesco Perpetual Asset Management	177,651,682	10.6
Abicad Holding Limited*	164,959,102	9.8
Columbia Threadneedle Investments	131,865,704	7.8
Lansdowne Partners	111,070,275	6.6
Merian Global Investors	91,953,182	5.5
Octopus Investments	73,460,657	4.3
Investec Asset Management	63,024,081	3.7
AXA Investment Managers	61,356,676	3.7
Blackrock Investment Management	59,315,026	3.5
Aviva Investors	53,217,590	3.2

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

EMPLOYEES

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

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

POLITICAL CONTRIBUTIONS

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in the Park Suite, Park Plaza, Westminster Bridge, County Hall – Riverside Building, Belvedere Road, London SE1 7GP on 21 April 2020 at 2.00pm. The formal notice convening the AGM, together with explanatory notes on the resolutions contained therein, is included in the separate circular accompanying this document and is available on the Company’s website at www.breedongroup.com.

GOING CONCERN

The Group meets its day-to-day working capital and other funding requirements through its banking facility, which includes an overdraft facility, which expires in April 2022. Further details of the Group’s bank facilities are given on page 31.

The Group actively manages its financial risks as set out in note 20 to the Financial Statements and operates Board-approved financial policies, including interest rate hedging policies, that are designed to ensure that the Group maintains an adequate level of headroom and effectively mitigates financial risks.

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing these Financial Statements.

VIABILITY STATEMENT

The directors have assessed the viability of the Group over a period to December 2022. This is the same period over which financial projections were prepared for the Group’s strategic financial plan.

In making their assessment the directors have taken into account the Group’s current position and the potential impact of the principal risks and uncertainties set out on pages 24 to 27 on its business model, future performance, solvency or liquidity. They also stress tested their analysis by running a number of credible scenarios and considered the availability of mitigating actions.

Based on this assessment, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2022.

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

Further to the tender exercise for audit services undertaken by the Audit Committee in 2019 (detailed on page 68) KPMG LLP has expressed willingness to continue in office and, in accordance with Article 113 of the Companies (Jersey) Law 1991, a resolution to reappoint KPMG LLP will be proposed at the forthcoming AGM.

By order of the Board



Amit Bhatia
Non-executive Chairman
11 March 2020



Pat Ward
Group Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards and applicable law.

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

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

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

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

FINANCIAL STATEMENTS

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

1. OUR OPINION IS UNMODIFIED

We have audited the Financial Statements of Breedon Group plc ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU"), of the state of the Group's affairs as at 31 December 2019 and of the Group's profit for the year then ended; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

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

Overview

Materiality:

Financial Statements as a whole

£4.5m (2018: £4.0m)

4.8% of Group profit before tax. (2018: 4.6% of Group profit before tax adjusted for acquisition costs of £6.4 million).

Coverage

94% (2018: 93%) of Group profit before tax

Key audit matters

vs 2018

Brexit

The impact of uncertainties due to the UK exiting the European Union on our audit.



Goodwill

Recoverability of goodwill allocated to Cement and Ireland.



Key

Risk unchanged from 2018

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

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

	The risk	Our response
<p>The impact of uncertainties due to the UK exiting the European Union on our audit.</p> <p>Refer to page 24 (principal risks), page 81 (viability statement), pages 66 to 68 (Audit Committee report).</p>	<p>Unprecedented levels of uncertainty</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matter on recoverability of goodwill allocated to Cement and Ireland and related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Group’s future prospects and performance.</p> <p>Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Our Brexit knowledge: We considered the directors’ assessment of Brexit-related sources of risk for the Group’s business and financial resources compared with our own understanding of the risks. We considered the directors’ plans to take action to mitigate the risks. • Sensitivity analysis: When addressing the recoverability of goodwill allocated to Cement and Ireland and other areas that depend on forecasts and cash flows, we compared the directors’ analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • Assessing transparency: As well as assessing individual disclosures as part of our procedures on the recoverability of goodwill allocated to Cement and Ireland, we considered all of the Brexit-related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. <p>However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</p>

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

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

	The risk	Our response
<p>Recoverability of goodwill allocated to Cement (£152.0 million (2018: £155.0 million)) and Ireland (£106.4 million (2018: £110.0 million)).</p> <p>Refer to page 67 (Audit Committee report), page 99 (accounting policy) and page 111 (financial disclosures).</p>	<p>Forecast-based valuation</p> <p>Both the Cement and Ireland businesses are still at an early stage in their trading lifecycle under the Group's ownership and market conditions continue to be challenging.</p> <p>As a result, the amount of headroom of value in use over carrying value is at risk of being reduced or eliminated when testing these Cash Generating Units for impairment.</p> <p>There are inherent uncertainties and estimations involved in forecasting and discounting future cash flows and relatively minor changes in these assumptions could give rise to material changes in the assessment of the recoverable amount of goodwill.</p> <p>The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the recoverable amount of goodwill of £258.4 million had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole, and possibly many times that amount. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Benchmarking assumptions: We challenged, using our own valuation specialists, the key inputs used in the Group's calculation of the discount rates by comparing them to externally-derived data, including available sources for comparable companies. • Our sector experience: Assessed whether assumptions used, in particular those relating to forecast cash flow growth and long-term growth rates reflect our knowledge of the business and industry, including known or probable changes in the business environment. • Historical comparisons: Considered historical forecasting accuracy, by comparing previously forecast cash flows to actual results achieved. • Comparing valuations: Compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • Sensitivity analysis: Performed our own sensitivity analysis over the reasonably possible combination of changes in the forecasts on the assumptions noted above. • Assessing transparency: Assessed whether the Group's disclosures regarding the sensitivity of the impairment assessment to changes in key assumptions and the impact of Brexit, appropriately reflected the risks inherent in the valuation of goodwill.

We continue to perform procedures over recognition and valuation of tangible and intangible assets acquired with business acquisitions in the period. However, as the acquisition of Roadway this year is significantly smaller than the Lagan acquisition in the prior year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified as a key audit matter in our report this year.

Similarly, we continue to perform procedures over going concern. However, given the level of headroom on the Group's financing and covenants, considered alongside the maturity profile of the Group's borrowings, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified as a key audit matter in our report this year.

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

Materiality for the Financial Statements as a whole was set at £4.5 million (2018: £4.0 million). This has been determined with reference to a benchmark of Group profit before tax of £94.6 million (2018: £86.3 million Group profit before tax adjusted for acquisition costs). The benchmark profit before tax for the current year was not adjusted for acquisition costs given no significant acquisitions occurred in the year. The materiality represents 4.8% (2018: 4.6% profit before tax of £86.3 million adjusted for acquisition costs of £6.4 million) of this benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £225,000 (2018: £200,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 25 (2018: 32) reporting components, 9 (2018: 12) were subject to full scope audits for group reporting purposes, whilst none (2018: 2) were subject to a review of financial information (including enquiry). The group audit team carried out the work on all of the components located in Great Britain. A separate UK audit director with a team from KPMG Ireland carried out the work over those components based in Ireland.

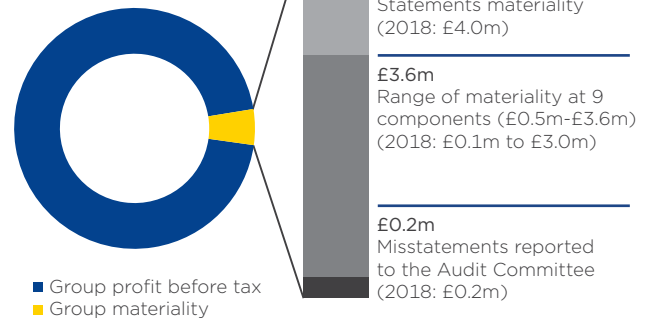
The component materialities, ranged from £0.5 million to £3.6 million (2018: £0.1 million to £3.0 million), having regard to the mix of size and risk profile of the Group across the components.

The components within the scope of our work accounted for the percentages illustrated opposite.

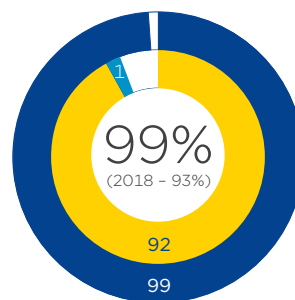
The remaining 1.0% (2018: 7.0%) of total Group revenue, 6.0% (2018: 7.0%) of Group profit before tax and 3.0% (2018: 5.0%) of total Group assets is represented by the remaining reporting components, none of which individually represented more than 2.0% (2018: 3.0%) of any of total Group revenue, Group profit before tax or Group total assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement present.

Group profit before tax £94.6m (2018: £86.3m)
Group profit before tax adjusted for acquisition costs of £6.4 million)

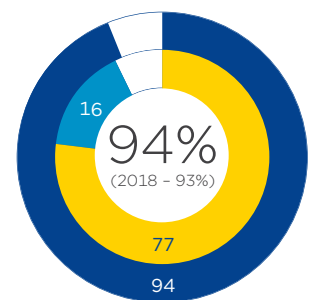
Group Materiality £4.5m (2018: £4.0m)



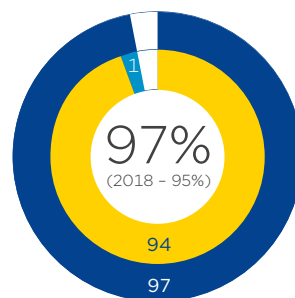
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2019
- Full scope for group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Residual components

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

4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

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

Our responsibility is to conclude on the appropriateness of the directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the parent Company will continue in operation.

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's and the parent Company's business model and analysed how those risks might affect the Group's and the parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and the parent Company's available financial resources over this period were the impact of macro-economic factors following a no-deal Brexit.

As these were risks that could potentially cast significant doubt on the parent Company's or the Group's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the parent Company's or the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements.

We have nothing to report in these respects and we did not identify going concern as a key audit matter.

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

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

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

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 82, the directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Craig Parkin
for and on behalf of KPMG LLP,
Chartered Accountants and Recognised Auditor

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

11 March 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019			2018		
		Underlying £m	Non - underlying* (note 3) £m	Total £m	Underlying £m	Non - underlying* (note 3) £m	Total £m
Revenue	1,2	929.6	-	929.6	862.7	-	862.7
Cost of sales		(587.2)	-	(587.2)	(556.9)	-	(556.9)
Gross profit		342.4	-	342.4	305.8	-	305.8
Distribution expenses		(163.8)	-	(163.8)	(145.5)	-	(145.5)
Administrative expenses		(63.6)	(8.0)	(71.6)	(58.5)	(11.8)	(70.3)
Group operating profit		115.0	(8.0)	107.0	101.8	(11.8)	90.0
Share of profit of associate and joint ventures	11	1.6	-	1.6	1.7	-	1.7
Profit from operations	2	116.6	(8.0)	108.6	103.5	(11.8)	91.7
Financial income	6	-	-	-	0.1	-	0.1
Financial expense	6	(14.0)	-	(14.0)	(11.9)	-	(11.9)
Profit before taxation		102.6	(8.0)	94.6	91.7	(11.8)	79.9
Taxation	7	(17.3)	0.7	(16.6)	(15.9)	0.6	(15.3)
Profit for the year		85.3	(7.3)	78.0	75.8	(11.2)	64.6
Attributable to:							
Equity holders of the parent		85.2	(7.3)	77.9	75.7	(11.2)	64.5
Non-controlling interests		0.1	-	0.1	0.1	-	0.1
Profit for the year		85.3	(7.3)	78.0	75.8	(11.2)	64.6
Basic earnings per ordinary share	24	5.08p		4.64p	4.70p		4.01p
Diluted earnings per ordinary share	24	5.07p		4.63p	4.68p		3.99p

* 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 2019

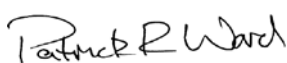
	Note	2019 £m	2018 £m
Profit for the year		78.0	64.6
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of foreign operations, net of hedging		(13.3)	6.6
Effective portion of changes in fair value of cash flow hedges		(1.5)	-
Taxation on items taken directly to other comprehensive income	7	0.2	-
Other comprehensive (expense)/income for the year		(14.6)	6.6
Total comprehensive income for the year		63.4	71.2
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		63.3	71.1
Non-controlling interests		0.1	0.1
		63.4	71.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

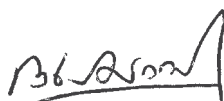
AT 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	8	698.6	665.9
Intangible assets	9	464.2	467.0
Investment in associate and joint ventures	11	10.8	6.4
Total non-current assets		1,173.6	1,139.3
Current assets			
Inventories	13	58.5	54.8
Trade and other receivables	14	164.7	160.8
Cash and cash equivalents		23.8	37.6
Total current assets		247.0	253.2
Total assets		1,420.6	1,392.5
Current liabilities			
Interest-bearing loans and borrowings	15	(43.9)	(31.2)
Trade and other payables	16	(177.9)	(177.5)
Current tax payable		(7.6)	(7.3)
Provisions	17	(2.5)	(2.3)
Total current liabilities		(231.9)	(218.3)
Non-current liabilities			
Interest-bearing loans and borrowings	15	(270.2)	(317.1)
Provisions	17	(32.2)	(36.2)
Deferred tax liabilities	12	(47.2)	(47.6)
Total non-current liabilities		(349.6)	(400.9)
Total liabilities		(581.5)	(619.2)
Net assets		839.1	773.3
Equity attributable to equity holders of the parent			
Stated capital	18	550.0	549.0
Hedging reserve	18	(1.3)	-
Translation reserve	18	(6.7)	6.6
Retained earnings		297.0	217.5
Total equity attributable to equity holders of the parent		839.0	773.1
Non-controlling interests		0.1	0.2
Total equity		839.1	773.3

These Financial Statements were approved by the Board of Directors on 11 March 2020 and were signed on its behalf by:



Pat Ward
Group Chief Executive



Rob Wood
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2018	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
Shares issued	1.0	-	-	-	1.0	-	1.0
Dividend to non-controlling interests	-	-	-	-	-	(0.2)	(0.2)
Total comprehensive income for the year	-	(1.3)	(13.3)	77.9	63.3	0.1	63.4
Share-based payments	-	-	-	1.6	1.6	-	1.6
Balance at 31 December 2019	550.0	(1.3)	(6.7)	297.0	839.0	0.1	839.1

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Profit for the year		78.0	64.6
Adjustments for:			
Depreciation		65.2	52.6
Amortisation		3.1	4.2
Financial income		-	(0.1)
Financial expense		14.0	11.9
Share of profit of associate and joint ventures		(1.6)	(1.7)
Net gain on sale of property, plant and equipment		(0.8)	(0.5)
Share-based payments		1.6	2.9
Taxation		16.6	15.3
Operating cash flow before changes in working capital and provisions		176.1	149.2
(Increase)/decrease in trade and other receivables		(0.8)	13.5
Increase in inventories		(5.7)	(0.6)
Decrease in trade and other payables		(1.8)	(0.2)
Decrease in provisions		(2.0)	(1.3)
Cash generated from operating activities		165.8	160.6
Interest paid		(8.4)	(8.9)
Interest element of lease payments		(2.6)	(0.4)
Dividend paid to non-controlling interests	10	(0.2)	(0.1)
Income taxes paid		(18.1)	(16.5)
Net cash from operating activities		136.5	134.7
Cash flows used in investing activities			
Acquisition of businesses	26	(8.9)	(406.3)
Purchase of share in joint venture	11	(3.0)	-
Purchase of property, plant and equipment		(56.3)	(48.6)
Proceeds from sale of property, plant and equipment		3.3	4.9
(Issue)/repayment of loan to joint venture		(4.0)	0.4
Interest received		-	0.1
Dividends from associate and joint ventures	11	0.8	0.4
Net cash used in investing activities		(68.1)	(449.1)
Cash flows (used in)/from financing activities			
Proceeds from the issue of shares (net of costs)	18	1.0	171.2
Proceeds from new interest-bearing loans (net of costs)		-	409.7
Repayment of interest-bearing loans		(69.2)	(246.1)
Repayment of lease obligations		(12.9)	(7.4)
Net cash (used in)/from financing activities		(81.1)	327.4
Net (decrease)/increase in cash and cash equivalents		(12.7)	13.0
Cash and cash equivalents at 1 January		37.6	23.9
Foreign exchange differences		(1.1)	0.7
Cash and cash equivalents at 31 December		23.8	37.6

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland. Breedon Group plc is a company domiciled in Jersey. The address of the Company's registered office is 28 Esplanade, St Helier, Jersey JE2 3QA.

Basis of preparation

These Financial Statements consolidate the results of the Company and its subsidiary undertakings, and equity account for the Group's interest in its associate and its joint ventures (collectively 'the Group').

Applicable laws and accounting standards

These consolidated Financial Statements have been prepared in accordance with Adopted IFRS. The consolidated Financial Statements have been prepared under the historical cost convention except for the revaluation to fair value of certain financial instruments.

Parent company information has not been provided in accordance with Article 105 (11) of the Companies (Jersey) Law 1991.

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

Going concern

The Group meets its day-to-day working capital and other funding requirements through its banking facility, which includes an overdraft facility, which expires in April 2022. Further details of the Group's bank facilities are given in note 15.

The Group actively manages its financial risks as set out in note 20 and operates Board-approved financial policies, including interest rate hedging policies, that are designed to ensure that the Group maintains an adequate level of headroom and effectively mitigates financial risks.

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing these Financial Statements.

Accounting estimates and judgements

The preparation of Financial Statements in conformity with Adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements, are disclosed in note 27.

Presentation

These Financial Statements are presented in Pounds Sterling ("Sterling"), which is the Group's functional currency. All financial information presented has been rounded to the nearest 0.1 million.

New IFRS Standards and Interpretations

The following standards have been adopted by the Group during the year:

[IFRS 16 - Leases](#)

The Group has adopted IFRS 16 - *Leases* from 1 January 2019. The primary impact of the new standard has been to bring arrangements previously accounted for under IAS 17 as operating leases on balance sheet, with a right-of-use asset and corresponding financial liability of £47.0m recognised on transition at 1 January 2019, being primarily the discounted value of the £69.9m of operating lease commitments disclosed at 31 December 2018 in accordance with IAS 17 - *Leases*. There was no impact on net assets at the date of transition.

The right-of-use asset is presented within property, plant and equipment in the Consolidated Statement of Financial Position and the lease liability is presented within interest-bearing loans and borrowings (see Leases accounting policy on page 102).

1 ACCOUNTING POLICIES CONTINUED**New IFRS Standards and Interpretations** CONTINUED**IFRS 16 - Leases** CONTINUED

The Group has adopted the modified retrospective approach to implementation, meaning the asset and liability have been recognised from 1 January 2019 without restatement of comparative information for 2018, which continues to be reported under IAS 17. It has also elected to take advantage of the practical expedients permitted by the Standard not to recognise lease assets and liabilities in respect of short-term and low-value leases.

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.

The impact of the adoption of IFRS 16 on the Group for the year ended 31 December 2019 has been as follows:

Impact of IFRS 16 on the Consolidated Income Statement for the year ended 31 December 2019

	As reported £m	IFRS 16 adjustments £m	Amounts without adoption £m
Group operating profit	107.0	(1.0)	106.0
Share of profit of associate and joint ventures	1.6	-	1.6
Profit from operations	108.6	(1.0)	107.6
Financial income	-	-	-
Financial expense	(14.0)	2.3	(11.7)
Profit before taxation	94.6	1.3	95.9
Taxation	(16.6)	-	(16.6)
Profit for the period	78.0	1.3	79.3

Impact of IFRS 16 on the Consolidated Statement of Financial Position at 31 December 2019

	As reported £m	IFRS 16 adjustments £m	Amounts without adoption £m
Non-current assets			
Property, plant and equipment	698.6	(42.3)	656.3
Current assets			
Trade and other receivables	164.7	0.9	165.6
Change in total assets		(41.4)	
Current liabilities			
Interest-bearing loans and borrowings	(43.9)	5.0	(38.9)
Non-current liabilities			
Interest-bearing loans and borrowings	(270.2)	38.6	(231.6)
Provisions	(32.2)	(0.9)	(33.1)
Change in total liabilities		42.7	
Change in total equity		1.3	

1 ACCOUNTING POLICIES CONTINUED

New IFRS Standards and Interpretations CONTINUED

The Group has also adopted the following standards from 1 January 2019:

- IFRIC 23 – *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 – *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures*
- Amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement*
- Annual Improvements to IFRS Standards 2015–2017 Cycle

The adoption of these standards has not had a material impact on the Financial Statements.

New IFRS Standards and Interpretations not adopted

At the date on which these Financial Statements were authorised, there were no Standards, Interpretations and Amendments which had been issued but were not effective for the year ended 31 December 2019 that are expected to materially impact the Group's Financial Statements.

Basis of consolidation

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to effect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Ordinarily, the Group considers a company a subsidiary undertaking when it holds more than 50 per cent of the shares and voting rights. The Financial Statements of subsidiary undertakings are included in the Group's Financial Statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group holds more than 20 per cent of the shares and voting rights and has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, requiring unanimous consent for strategic financial and operating decisions. The Group's Financial Statements includes the Group's share of the total comprehensive income of its associate and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

Foreign exchange

Foreign exchange transactions

Transactions in foreign currencies are recorded at the spot rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date, with all currency translation differences recognised within the Consolidated Income Statement, except for those monetary items that provide an effective hedge for a net investment in a foreign operation.

Foreign exchange translation

The consolidated Financial Statements are presented in Sterling, which is the functional currency of the Group. The individual Financial Statements of the Group's subsidiaries and joint ventures with a functional currency other than Sterling are translated into Sterling according to IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. Results and cash flows are translated using average annual exchange rates for the reporting period, assets and liabilities translated using the closing rates at the reporting date and equity at historic exchange rates. The translation differences resulting from this are recognised in the Consolidated Statement of Comprehensive Income until the subsidiary is disposed of. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation and are translated accordingly.

Financial instruments

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

Trade receivables and trade payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. For the purposes of the Consolidated Statement of Cash Flows, bank overdrafts are also included as they are an integral part of the Group's cash management.

1 ACCOUNTING POLICIES CONTINUED**Financial instruments** CONTINUED**Bank and other borrowings**

Interest-bearing bank loans and overdrafts and other loans are recognised initially at fair value less attributable transaction costs. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the Consolidated Income Statement over the period to redemption on an effective interest basis.

Derivative financial instruments

The Group uses financial instruments to manage financial risks associated with the Group's underlying business activities and the financing of those activities. The Group does not undertake any trading in financial instruments.

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently remeasured in future periods at their fair value. The gain or loss on the remeasurement of fair value is recognised immediately in profit or loss, unless a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability. In this instance the effective part of any gain or loss on the derivative financial instrument is recognised in the Consolidated Statement of Comprehensive Income and in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Consolidated Income Statement.

Amounts recorded in the hedging reserve are subsequently reclassified to the Consolidated Income Statement when the expense for the hedged transaction is actually recognised.

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, at hedge inception and on an annual basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, effective in offsetting changes in fair value or cash flows of hedged items.

Mineral reserves and resources

Mineral reserves and resources are stated at cost, including both the purchase price and costs incurred to gain access to the reserves. The value of mineral reserves and resources recognised as a result of business combinations is based on the fair value at the point of acquisition.

These assets are depreciated using a physical unit-of-production method, over the commercial life of the quarry.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. This includes right-of-use assets recognised under IFRS 16 – *Leases*.

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

• Freehold buildings	–	50 years
• Fixtures and fittings	–	up to 10 years
• Office equipment	–	up to 5 years
• Fixed plant	–	up to 35 years
• Loose plant and machinery	–	up to 10 years
• Motor vehicles	–	up to 10 years
• Right-of-use assets	–	life of lease or the useful economic life of underlying asset

No depreciation is provided on freehold land.

1 ACCOUNTING POLICIES CONTINUED

Intangible assets and goodwill

The Group measures goodwill as the fair value of the purchase consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Fair value adjustments are always considered to be provisional at the first reporting date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

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

Goodwill arising on the acquisition of subsidiary undertakings is recognised as an asset in the Consolidated Statement of Financial Position and is subject to annual impairment review. Goodwill arising on the acquisition of associated undertakings is included within the carrying value of the investment. When the excess is negative, a gain on bargain purchase is recognised immediately in the Consolidated Income Statement.

Other intangible assets that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses. Cost reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future economic benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate discount rate. Other intangibles arising on the acquisition of associated undertakings are included within the carrying value of the investment.

Amortisation is based on the useful economic lives of the assets concerned, currently being the consumption of economic benefits over a period of up to 20 years.

Impairment

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

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

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

Non-current assets held exclusively with a view to resale

Non-current assets acquired exclusively with a view to subsequent disposal are classified as assets held for resale at the acquisition date only where all criteria set out in IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* are satisfied within a short period following the acquisition. When acquired as part of a business combination, non-current assets acquired exclusively with a view to subsequent disposal are initially measured at fair value less costs to sell. Subsequently, these non-current assets are measured at the lower of their current carrying value and current fair value less costs to sell. Subsequent gains or losses on remeasurement are recognised in the Consolidated Income Statement. Gains are not recognised in excess of any cumulative loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1 ACCOUNTING POLICIES CONTINUED**Emissions rights**

Emissions rights where an annual allowance is received for nil cost, typically European Union Emissions Trading System credits, are accounted for such that an emissions liability is recognised only in circumstances where emissions have exceeded the allowance from the perspective of the Group as a whole and will require the purchase of additional allowances to settle the emissions liability. Assets and liabilities arising in respect of nil cost emission allowances are accordingly netted against one another in the preparation of the Consolidated Financial Statements.

Retirement benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement as incurred.

Provisions**Restoration provisions**

Where a legal or constructive obligation exists, the Group provides for the costs of restoring a site and of decommissioning associated property, plant and equipment. The initial cost of creating provisions on commencement of the exploitation of the raw materials is included in property, plant and equipment and depreciated over the life of the site. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of the related asset. All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Other provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue

Group revenue arises from the sale of goods and contracting services. IFRS 15 requires revenue from contracts with customers to be recognised in line with a principles-based five-step model. This requires the Group to identify performance obligations within its contracts with customers, determine the transaction price applicable to each of these performance obligations and then to select an appropriate method for the timing of revenue recognition, reflecting the substance of the performance obligation, being either recognition at a point in time or over time.

Sale of goods

The majority of the Group's revenue is derived from the sale of physical goods to customers. Depending on whether the goods are delivered to or collected by the customer, the contract contains either one performance obligation which is satisfied at the point of collection, or two performance obligations which are satisfied simultaneously at the point of delivery.

The transaction price for this revenue is the amount which can be invoiced to the customer once the performance obligations are fulfilled, reduced to reflect provisions recognised for returns, trade discounts and rebates.

The Group does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Group believes it will receive. This value also excludes items collected on behalf of third parties, such as sales and value added taxes.

For all sales of goods, revenue is recognised at a point in time, being the point that the goods are transferred to the customer.

1 ACCOUNTING POLICIES CONTINUED

Revenue CONTINUED

Contracting services

The majority of contracting services revenue arises from contract surfacing work, which typically comprises short-term contracts with a performance obligation to supply and lay product. Other contracting services revenue can contain more than one performance obligation dependent on the nature of the contract.

The transaction price is calculated as consideration specified by the contract, adjusted to reflect provisions recognised for returns, remedial work arising in the normal course of business, trade discounts and rebates. The Group does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Group believes it will receive.

Where the contract provides for elements of variable consideration, these values are included in the calculation of the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Where the transaction price is allocated between multiple performance obligations on other contracts, this typically reflects the allocation of value to each performance obligation agreed with the end customer, unless this does not reflect the economic substance of the transaction.

As contracting services performance obligations are satisfied over time, revenue is recognised over time. It is measured on an output basis, being volume of product laid for contract surfacing.

Expenses

Financial income and expense

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

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

Warranties and customer claims

The Group provides assurance type warranties over the specification of products, but does not provide extended warranties or maintenance services in its contracts with customers. Additionally, claims with customers may arise in the usual course of business. Both customer claims and warranties are accounted for under IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

Income tax

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

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

Deferred tax

Deferred tax is provided in full using the Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1 ACCOUNTING POLICIES CONTINUED**Leases****Accounting policy for leases in 2019**

Right-of-use assets and liabilities are recognised for any arrangements meeting the definition of a lease set out in IFRS 16 – *Leases*.

Right-of-use assets are presented within property, plant and equipment in the Consolidated Statement of Financial Position. They are measured at cost, comprising the initial amount of the lease liability adjusted for any lease prepayments, plus any initial direct costs incurred, less any lease incentives received. Right-of-use assets are then depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are presented within interest-bearing loans and borrowings. They are measured at the present value of future lease payments, discounted at a rate which reflects both the Group's incremental borrowing rate, adjusted for the time value of money, and the nature of the leased asset.

The Group has also elected to take advantage of the practical expedients permitted by the Standard not to recognise lease assets and liabilities in respect of short-term and low-value leases. Charges recognised in the Consolidated Income Statement in respect of these leases are not significant to the Group.

Accounting policy for leases in 2018

For all periods up to and including 2018 the Group applied IAS 17 – *Leases* in accounting for lease arrangements.

Payments made under operating leases were recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Lease incentives received were recognised in the Consolidated Income Statement as an integral part of the total lease expense.

Leases in which the Group assumed substantially all the risks and rewards of ownership of the leased asset were classified as finance leases. Leased assets acquired by way of finance lease were stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Finance lease payments were apportioned between the finance charge and the reduction of the outstanding liability. The finance charge was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Share-based transactions

Equity-settled share-based payments to directors, key employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is expensed, with a corresponding increase in equity, on a straight line basis over the period that the employees become unconditionally entitled to the awards. At each reporting date, the Group revises the amount recognised as an expense to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market-based performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Dividends

Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders.

Alternative performance measures

The following non-GAAP performance measures have been used in the Financial Statements:

- i. Underlying EBIT
- ii. Underlying EBIT margin
- iii. Underlying EBITDA
- iv. Underlying basic earnings per share
- v. Free cash flow
- vi. Return on invested capital
- vii. Leverage

Management uses these terms as 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 these alternative performance measures to the most directly related statutory measures is included within note 28.

2 SEGMENTAL ANALYSIS

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland.

The Group's activities are split into the following reportable segments:

Great Britain comprising our construction materials and contracting services businesses in Great Britain.

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

Cement comprising our cementitious operations in Great Britain and Ireland.

A description of the activities of each segment is included on pages 33 to 43. There are no other operating segments.

Income statement

	2019		2018	
	Revenue £m	Underlying EBITDA* £m	Revenue £m	Underlying EBITDA* £m
Great Britain	615.1	98.4	609.8	92.2
Ireland	202.0	33.8	156.3	25.4
Cement	186.4	58.8	176.5	48.6
Central administration	-	(10.8)	-	(11.8)
Eliminations	(73.9)	-	(79.9)	-
Group	929.6	180.2	862.7	154.4

* Underlying 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 Underlying EBITDA as above	180.2	154.4
Depreciation and mineral depletion	(65.2)	(52.6)
Underlying operating profit		
Great Britain	62.8	61.4
Ireland	26.8	20.9
Cement	36.3	31.4
Central administration	(10.9)	(11.9)
	115.0	101.8
Share of profit of associate and joint ventures	1.6	1.7
Underlying profit from operations (EBIT)	116.6	103.5
Non-underlying items (note 3)	(8.0)	(11.8)
Profit from operations	108.6	91.7
Net financial expense	(14.0)	(11.8)
Profit before taxation	94.6	79.9
Taxation	(16.6)	(15.3)
Profit for the year	78.0	64.6

IFRS 16 adjustments have resulted in increases of £7.9m in EBITDA, £1.0m in Underlying EBIT, and a decrease of £1.3m in profit for the year ended 31 December 2019.

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:

	2019 £m	2018 £m
United Kingdom	793.3	765.8
Republic of Ireland	134.7	95.2
Other	1.6	1.7
Total	929.6	862.7

Analysis of revenue by major products and service lines

	2019 £m	2018 £m
<i>Sale of goods</i>		
Great Britain	543.2	532.7
Ireland	51.2	38.0
Cement	186.4	176.5
Eliminations	(73.9)	(79.9)
	706.9	667.3
<i>Contracting services</i>		
Great Britain	71.9	77.1
Ireland	150.8	118.3
Cement	-	-
Eliminations	-	-
	222.7	195.4
Total	929.6	862.7

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

	2019		2018	
	Total assets £m	Total liabilities £m	Total assets £m	Total liabilities £m
Great Britain	661.9	(119.6)	629.2	(119.5)
Ireland	251.2	(39.5)	250.9	(35.3)
Cement	482.6	(42.0)	471.1	(47.7)
Central administration	1.1	(11.5)	3.7	(13.5)
Total operations	1,396.8	(212.6)	1,354.9	(216.0)
Current tax	-	(7.6)	-	(7.3)
Deferred tax	-	(47.2)	-	(47.6)
Net debt	23.8	(314.1)	37.6	(348.3)
Total Group	1,420.6	(581.5)	1,392.5	(619.2)
Net assets		839.1		773.3

GB total assets include £10.8m (2018: £6.4m) in respect of investment in an associate and joint ventures.

Geographic location of property, plant and equipment assets

	2019 £m	2018 £m
United Kingdom	586.3	546.5
Republic of Ireland	112.3	119.4
Total	698.6	665.9

Analysis of depletion & depreciation, amortisation and capital expenditure

	Mineral depletion & depreciation £m	Amortisation of intangible assets £m	Additions to property, plant and equipment £m
2019			
Great Britain	35.6	1.1	29.8
Ireland	7.0	2.0	10.6
Cement	22.5	-	20.0
Central administration	0.1	-	0.3
Total	65.2	3.1	60.7
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

Additions to property, plant and equipment exclude additions in respect of business combinations. Current year additions are inclusive of right-of-use asset additions from 1 January 2019 following the adoption of IFRS 16 - Leases.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 NON-UNDERLYING ITEMS

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying performance of the business, including non-cash items. In the opinion of the directors, this presentation aids understanding of the underlying business performance and references to underlying earnings measures throughout this report are made on this basis. Underlying measures are presented on a consistent basis over time to assist in the comparison of performance.

	2019 £m	2018 £m
<i>Included in administrative expenses:</i>		
Redundancy and reorganisation costs	1.1	1.5
Acquisition costs (note 26)	3.3	6.4
Loss on property disposals	0.5	0.2
Amortisation of acquired intangible assets	3.1	4.2
Gain on stepped acquisition of joint venture	-	(0.5)
Total non-underlying items (pre-tax)	8.0	11.8
Non-underlying taxation	(0.7)	(0.6)
Total non-underlying items (after tax)	7.3	11.2

4 EXPENSES AND AUDITOR'S REMUNERATION

	2019 £m	2018 £m
<i>Group operating profit has been arrived at after charging/(crediting)</i>		
Depreciation of property, plant and equipment:		
Owned assets	54.9	47.7
Leased assets	10.3	4.9
Amortisation of intangible assets	3.1	4.2
Loss on property disposals (note 3)	0.5	0.2
Gain on sale of plant and equipment	(1.3)	(0.7)
Operating lease rentals under IAS 17:		
Plant, equipment and vehicles	-	6.6
Land and buildings	-	3.5
<i>Auditor's remuneration</i>		
Audit of the Company's annual accounts	-	-
Audit of the Company's subsidiary undertakings	0.5	0.6
Non-audit services	-	-
	0.5	0.6

5 REMUNERATION OF DIRECTORS, STAFF NUMBERS AND COSTS

Remuneration received by the directors (the Group's key management personnel) is summarised below. Disclosure by individual director is provided in the Directors' Remuneration report on pages 74 and 75. Disclosure of share options, including information on all outstanding options, is provided in the Directors' Report on page 80.

	2019 £m	2018 £m
Salaries and short-term employee benefits	2.3	2.0
Directors' fees	0.3	1.0
Share-based payments (note 19)	1.3	1.6
	3.9	4.6

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

	Number of employees	
	2019	2018
Great Britain	2,101	2,039
Ireland	397	317
Cement	371	310
Central administration	90	34
	2,959	2,700

The aggregate payroll costs of these persons (including directors) were as follows:

	2019 £m	2018 £m
Wages and salaries	116.3	106.8
Social security costs	12.8	11.6
Pension costs	5.0	4.0
Share-based payments (note 19)	2.3	2.9
	136.4	125.3

6 FINANCIAL INCOME AND EXPENSE

	2019 £m	2018 £m
Bank deposits	-	0.1
Financial income	-	0.1
Bank loans and overdrafts	(8.4)	(8.9)
Amortisation of prepaid bank arrangement fee	(1.2)	(1.0)
Lease liabilities	(2.6)	(0.4)
Unwinding of discount on provisions	(1.8)	(1.6)
Financial expense	(14.0)	(11.9)

7 TAXATION**Recognised in the Consolidated Income Statement**

	2019 £m	2018 £m
Current tax expense		
Current year	18.1	17.1
Prior year	(0.5)	(0.5)
Total current tax	17.6	16.6
Deferred tax expense		
Current year	(1.0)	(1.2)
Prior year	-	(0.1)
Total deferred tax	(1.0)	(1.3)
Total tax charge in the Consolidated Income Statement	16.6	15.3

Recognised in Other Comprehensive Income

	2019 £m	2018 £m
Deferred tax income		
Relating to cash flow hedges	(0.2)	-
	(0.2)	-

Reconciliation of effective tax rate

	2019 £m	2018 (restated) £m
Profit before taxation	94.6	79.9
Tax at the Company's domestic rate of 19 per cent*	18.0	15.2
Difference between Company and subsidiary statutory tax rates*	(1.7)	-
Expenses not deductible for tax purposes	1.4	1.3
Property sales	(0.2)	(0.4)
Share-based payments	0.1	0.1
Utilisation of unrecognised deferred tax assets	(0.2)	-
Income from associate and joint ventures already taxed	(0.3)	(0.1)
Effect of change in rate	-	(0.2)
Adjustment in respect of prior years	(0.5)	(0.6)
Total tax charge	16.6	15.3

* The Company was previously tax resident in Jersey, with a zero per cent tax rate. During 2019 the tax residency of the Company was moved to the United Kingdom, with a 19 per cent tax rate. The Group's subsidiary operations continue to pay tax at a rate of 19 per cent (2018: 19 per cent) in the United Kingdom and 12.5 per cent (2018: 12.5 per cent) in the Republic of Ireland. Comparative values for 2018 have been restated to reconcile the Group's total tax charge to a rate of 19 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. The deferred tax liability at 31 December 2019 has been calculated based on these rates.

The UK Government has indicated that legislation may be introduced to cancel this planned reduction in tax rate. The impact of this would be to calculate deferred tax at a higher rate of 19 per cent, resulting in an increase of £4.6m in the Group's deferred tax liabilities at 31 December 2019.

8 PROPERTY, PLANT AND EQUIPMENT

	Mineral reserves and resources £m	Land and buildings £m	Plant, equipment & vehicles £m	IFRS 16 - Right-of-use		Total £m
				Land and buildings £m	Plant, equipment & vehicles £m	
Cost						
Balance at 1 January 2018	161.4	50.7	390.5	-	-	602.6
Translation adjustment	0.6	0.9	2.0	-	-	3.5
Acquisitions through business combinations (note 26)	70.4	41.8	83.7	-	-	195.9
Additions	4.7	3.0	41.0	-	-	48.7
Disposals	(2.6)	(0.9)	(7.8)	-	-	(11.3)
Reclassification	-	0.5	(0.5)	-	-	-
Balance at 31 December 2018	234.5	96.0	508.9	-	-	839.4
Recognised on adoption of IFRS 16	-	-	(22.9)	32.1	37.2	46.4
Translation adjustment	(1.3)	(2.3)	(3.2)	-	-	(6.8)
Acquisitions through business combinations (note 26)	-	-	3.4	-	0.2	3.6
Additions	6.3	2.3	49.3	2.6	0.2	60.7
Disposals*	(1.5)	(2.7)	(10.7)	(0.4)	(0.4)	(15.7)
Reclassification	5.2	15.2	(20.4)	-	-	-
Balance at 31 December 2019	243.2	108.5	504.4	34.3	37.2	927.6
Depreciation and mineral depletion						
Balance at 1 January 2018	26.2	6.5	92.5	-	-	125.2
Translation adjustment	-	-	0.1	-	-	0.1
Charge for the year	8.7	5.3	38.6	-	-	52.6
Disposals	-	(0.1)	(4.3)	-	-	(4.4)
Balance at 31 December 2018	34.9	11.7	126.9	-	-	173.5
Recognised on adoption of IFRS 16	-	-	(7.2)	-	7.2	-
Translation adjustment	-	-	(0.2)	-	-	(0.2)
Charge for the year	9.4	5.1	40.4	2.9	7.4	65.2
Disposals	(0.8)	(1.2)	(7.2)	(0.1)	(0.2)	(9.5)
Reclassification	-	2.2	(2.2)	-	-	-
Balance at 31 December 2019	43.5	17.8	150.5	2.8	14.4	229.0
Net book value						
At 31 December 2018	199.6	84.3	382.0	-	-	665.9
At 31 December 2019	199.7	90.7	353.9	31.5	22.8	698.6

* Disposals include £2.7m (2018: nil) in relation to changes made to capitalised restoration provisions (note 17)

Assets under construction

Presented within plant, equipment and vehicles are assets in the course of construction totalling £31.5m (2018: £29.9m) which are not being depreciated.

8 PROPERTY, PLANT AND EQUIPMENT CONTINUED**Depreciation and mineral depletion**

Depreciation and mineral depletion is recognised in the following line items in the Consolidated Income Statement:

	2019 £m	2018 £m
Cost of sales	62.5	50.5
Administration expenses	2.7	2.1
	65.2	52.6

Security

All mineral reserves, resources, land and buildings are subject to a floating charge as security for bank loans and borrowings, with Barclays Bank plc as security agent for the Group's lenders.

9 INTANGIBLE ASSETS

	Goodwill £m	Customer related £m	Other £m	Total £m
Cost				
At 1 January 2018	190.7	4.6	-	195.3
Translation adjustment	3.5	0.6	0.1	4.2
Acquisitions through business combinations (note 26)	224.2	36.6	19.5	280.3
Disposals	(7.9)	-	-	(7.9)
At 31 December 2018	410.5	41.8	19.6	471.9
Translation adjustment	(7.0)	(1.3)	(0.1)	(8.4)
Acquisitions through business combinations (note 26)	6.6	4.9	-	11.5
Disposals	-	-	(2.9)	(2.9)
At 31 December 2019	410.1	45.4	16.6	472.1
Amortisation				
At 1 January 2018	-	0.7	-	0.7
Charge for the year	-	3.6	0.6	4.2
At 31 December 2018	-	4.3	0.6	4.9
Translation adjustment	-	(0.1)	-	(0.1)
Charge for the year	-	2.2	0.9	3.1
At 31 December 2019	-	6.4	1.5	7.9
Net book value				
At 31 December 2018	410.5	37.5	19.0	467.0
At 31 December 2019	410.1	39.0	15.1	464.2

Other intangible assets at 31 December 2019 comprise brand and permit assets arising from acquisitions. The amortisation charge on these assets is recognised in non-underlying administrative expenses in the Consolidated Income Statement.

9 INTANGIBLE ASSETS CONTINUED

Impairment tests for cash-generating units containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of CGUs according to the level at which management monitor that goodwill, being the Group's operating segments. A summary of the carrying value allocated to each operating segment is shown below:

	2019 £m	2018 £m
Great Britain	151.7	145.5
Ireland	106.4	110.0
Cement	152.0	155.0
	410.1	410.5

Key assumptions

The key assumptions used in performing the impairment review are those used in calculating the value-in-use of each CGU, as set out below:

Cash flow projections

Cash flow projections for each operating segment are derived from the annual budget approved by the Board for 2020 and the three-year plan for 2021 and 2022. The key assumptions on which budgets and forecasts are based include sales growth, product mix and operating costs. These cash flows are then extrapolated forward for a further 27 years, with the total period of 30 years reflecting the long-term nature of the underlying assets. Budgeted cash flows are based on past experience and forecast future trading conditions.

Long-term growth rates

Cash flow projections assume growth rates of between 1.5 and 2.5 per cent (2018: between 2.0 and 3.0 per cent) between year 4 to 30 of the cash flow projections. This reflects forecast rates of growth in the UK and RoI.

Discount rate

Forecast pre-tax cash flows for each segment have been discounted at pre-tax rates of between 9.4 and 10.1 per cent (2018: between 9.2 and 9.6 per cent) which was calculated by an external expert based on market participants' cost of capital and adjusted to reflect factors specific to each segment.

Sensitivity

The Group has assessed the impact of possible changes in the key assumptions to the impairment review. Having performed a sensitivity analysis over the key assumptions, the directors have concluded that there are no reasonably possible changes to assumptions which could result in an impairment charge being recognised.

Impact of Brexit

In performing the impairment review, the directors have carefully considered the additional uncertainty arising from Brexit through performing additional sensitivity analysis based on Brexit specific scenarios. These included changes to the discount rate and modelling the impact of a significant decline in short-to-medium term growth caused by an economic shock following a disorderly exit at the end of the 2020 transition period. This additional analysis indicated the existence of continued headroom for all segments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 PRINCIPAL GROUP COMPANIES

	Country of incorporation	Percentage of ordinary shares held	Principal activity
Subsidiary undertakings			
Great Britain			
Breedon Southern Limited	England	100%	Production of construction materials
Breedon Northern Limited	Scotland	100%	Production of construction materials
Alba Traffic Management Limited	Scotland	75%*	Traffic management
Breedon Whitemountain Ltd	Scotland	100%	Contracting services
Breedon Brick Limited	Republic of Ireland	100%	Manufacture of building products
Ireland			
Whitemountain Quarries Limited	Northern Ireland	100%	Production of construction materials
Alpha Resource Management Limited	Northern Ireland	100%	Waste disposal
Lagan Asphalt Limited	Republic of Ireland	100%	Contracting services
Lagan Materials Limited	Republic of Ireland	100%	Production of construction materials
Cement			
Breedon Cement Limited	England	100%	Cement production
Breedon Cement Ireland Limited	Republic of Ireland	100%	Cement production
Central administration			
Breedon Holdings Limited	England	100%	Service company
Breedon Group Services Limited	England	100%	Service company
Breedon Employee Services Ireland Limited	Republic of Ireland	100%	Service company
Breedon Holdings (Jersey) Limited	Jersey	100%**	Holding company
Breedon Facilities Management Limited	Scotland	100%	Holding company
Associated undertaking			
BEAR Scotland Limited	Scotland	37.5%	Contracting services
Joint ventures			
Kingscourt Country Manor Brick Company Limited	Republic of Ireland	50%	Distribution of building products
Breedon Bow Highways Limited	England	50%	Contracting services
Capital Concrete Limited	England	43%	Production of construction materials
Breedon Bowen Limited	England	50%	Production of construction materials

* The Consolidated Statement of Financial Position includes total assets of £1.4m (2018: £1.5m) and total liabilities of £0.6m (2018: £0.6m) in respect of Alba Traffic Management Limited, the Group's 75 per cent owned subsidiary undertaking.

** Denotes shares are held directly by Breedon Group plc.

11 INVESTMENT IN ASSOCIATE AND JOINT VENTURES

The Group equity accounts for its investments in its associate and in its joint ventures.

	Associate £m	Joint ventures £m	Total £m
Carrying value			
At 1 January 2018	1.7	4.5	6.2
Acquisitions	-	0.9	0.9
Share of profit of associate and joint ventures	0.6	1.1	1.7
Dividends received	(0.4)	-	(0.4)
Loans to joint ventures reclassified from creditors	-	0.2	0.2
Loan repayment	-	(0.4)	(0.4)
Disposals	-	(1.8)	(1.8)
At 31 December 2018	1.9	4.5	6.4
Additions	-	3.6	3.6
Share of profit of associate and joint ventures	1.0	0.6	1.6
Dividends received	(0.4)	(0.4)	(0.8)
At 31 December 2019	2.5	8.3	10.8

Additions in the year relate to the purchase of a 43 per cent share in Capital Concrete Limited on 1 December 2019. Of the total consideration paid of £3.6m, £3.0m was settled in cash and £0.6m through the transfer of tangible fixed assets. A gain of £0.1m has been recognised on the transfer of these assets at fair value, in proportion to the share of the joint venture not owned by the Group. This has been presented within non-underlying items in the Consolidated Income Statement.

Summary financial information on associate and joint ventures – 100 per cent

	2019		2018	
	Associate £m	Joint ventures £m	Associate £m	Joint ventures £m
Non-current assets	6.4	13.5	4.1	4.4
Current assets	23.0	13.9	20.7	7.5
Current liabilities	(21.3)	(12.2)	(18.4)	(4.3)
Non-current liabilities	(1.1)	(7.2)	(1.1)	(0.5)
Net assets	7.0	8.0	5.3	7.1
Revenue	108.2	27.9	106.6	22.6
Net profit	2.7	1.0	1.7	1.2

12 DEFERRED TAX

	1 January 2019 £m	Acquisitions (note 26) £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2019 £m
Property, plant and equipment	(46.7)	(0.6)	2.4	-	0.5	(44.4)
Intangible assets	(8.2)	(0.9)	0.4	-	0.2	(8.5)
Derivative liabilities	-	-	-	0.2	-	0.2
Working capital and provisions	7.3	-	(1.8)	-	-	5.5
	(47.6)	(1.5)	1.0	0.2	0.7	(47.2)

	1 January 2018 £m	Acquisitions (note 26) £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2018 £m
Property, plant and equipment	(33.3)	(12.8)	(0.5)	-	(0.1)	(46.7)
Intangible assets	(0.7)	(8.1)	0.7	-	(0.1)	(8.2)
Working capital and provisions	5.6	0.5	1.1	-	0.1	7.3
	(28.4)	(20.4)	1.3	-	(0.1)	(47.6)

A deferred tax asset of £1.3m (2018: £1.5m) in relation to historic losses has not been recognised on the basis that there is insufficient certainty around the Group's ability to utilise these losses to obtain tax relief going forwards. There are no unrecognised deferred tax liabilities in the current or prior year.

13 INVENTORIES

	2019 £m	2018 £m
Raw materials and consumables	28.7	27.2
Work in progress	6.4	4.4
Finished goods and goods for resale	23.4	23.2
	58.5	54.8

Inventories (being directly attributable costs of production) of £575.7m (2018: £511.5m) were expensed in the year.

14 TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Trade receivables	127.9	124.5
Amounts due from associate and joint ventures (note 23)	8.7	3.8
Contract assets	14.2	17.5
Other receivables and prepayments	13.9	15.0
	164.7	160.8
Non-current	3.8	-
Current	160.9	160.8
	164.7	160.8

15 INTEREST-BEARING LOANS AND BORROWINGS

	2019 £m	2018 £m
Net Debt		
<i>Net debt comprises the following items:</i>		
Cash and cash equivalents	23.8	37.6
Current borrowings	(43.9)	(31.2)
Non-current borrowings	(270.2)	(317.1)
Statutory net debt	(290.3)	(310.7)
IFRS 16 adjustments	43.6	-
Net debt excluding the impact of IFRS 16	(246.7)	(310.7)
	2019 £m	2018 £m
Current borrowings		
Secured bank loans	35.0	25.0
Lease liabilities (note 21)	8.9	6.2
	43.9	31.2
Non-current borrowings		
Secured bank loans	230.6	311.9
Lease liabilities (note 21)	39.6	5.2
	270.2	317.1

The Group's banking facilities comprise a term loan of £125m (31 December 2018: £150m) and a multi-currency revolving credit facility of £350m (31 December 2018: £350m). Interest was paid on the facilities during the period at a margin of between 1.60 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 three further annual instalments up to April 2022. The revolving credit facility is repayable in April 2022.

On 8 January 2020 the Group exercised an £80m accordion option on the facilities following the announcement of the conditional agreement to acquire certain assets and operations of CEMEX in the UK (note 29).

15 INTEREST-BEARING LOANS AND BORROWINGS CONTINUED**Reconciliation of cash flow movement to movement in net debt**

	2019 £m	2018 £m
<i>For the year ended 31 December</i>		
Net (decrease)/increase in cash and cash equivalents	(12.7)	13.0
Net cash flow from movements in debt financing	82.1	(156.2)
Recognised on adoption of IFRS 16	(47.0)	-
Lease additions and disposals	(2.3)	-
Movement on bank arrangement fees	(1.2)	(1.0)
Debt acquired via acquisitions (note 26)	(0.4)	(55.0)
Foreign exchange differences	1.9	(1.7)
Movement in net debt in the year	20.4	(200.9)
Net debt as at 1 January	(310.7)	(109.8)
Net debt as at 31 December	(290.3)	(310.7)

16 TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Trade payables	91.7	97.2
Contract liabilities	3.8	3.2
Derivative liabilities	1.5	-
Deferred consideration	4.2	-
Other payables and accrued expenses	56.2	56.4
Other taxation and social security costs	20.5	20.7
	177.9	177.5

17 PROVISIONS

	Restoration £m	Other £m	Total £m
At 1 January 2018	25.7	3.0	28.7
Translation adjustment	0.1	-	0.1
Amounts arising from business combinations (note 26)	7.9	1.2	9.1
Utilised during the year	(0.4)	(0.9)	(1.3)
Charged to income statement	0.7	-	0.7
Unused amounts reversed	(0.4)	-	(0.4)
Unwinding of discount	1.5	0.1	1.6
At 31 December 2018	35.1	3.4	38.5
Translation adjustment	(0.2)	-	(0.2)
Reclassified to lease liabilities on adoption of IFRS 16	-	(0.9)	(0.9)
Utilised during the year	(0.7)	(0.5)	(1.2)
Charged to income statement	0.4	-	0.4
Unused amounts reversed*	(3.6)	(0.1)	(3.7)
Unwinding of discount	1.7	0.1	1.8
At 31 December 2019	32.7	2.0	34.7

* Unused amounts reversed includes £2.7m in relation to changes made to capitalised restoration provisions (note 8).

	2019 £m	2018 £m
Analysed as		
Current	2.5	2.3
Non-current	32.2	36.2
	34.7	38.5

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. The obligation is calculated on a site-by-site basis and is regularly reviewed to ensure it is adequate. The obligation has been discounted to reflect the period over which it will be settled.

Other provisions primarily comprise provisions for dilapidations.

18 CAPITAL AND RESERVES**Stated capital**

	Number of ordinary shares (m)	
	2019	2018
Issued ordinary shares at beginning of year	1,679.2	1,446.6
Issued in connection with:		
Acquisition of Lagan	-	227.8
Exercise of savings-related share options	2.1	1.8
Vesting of Performance Share Plan awards	1.6	3.0
	1,682.9	1,679.2

The Company has no limit to the number of shares which may be issued. The ordinary shares have no par value. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Movements during 2019:

During 2019, the Company issued 2,104,951 ordinary shares of no par value raising £1.0m in connection with the exercise of certain savings-related share options.

On 2 April 2019 and 8 April 2019, the Company issued 1,602,024 ordinary shares of no par value raising £Nil in connection with the vesting of awards under the Performance Share Plans (note 19).

Movements during 2018:

The Company issued 222,222,222 ordinary shares of no par value raising £170.0m on 19 April 2018, and on 14 May 2018 issued 5,542,967 ordinary shares of no par value raising £4.2m in connection with the acquisition of Lagan and the associated open offer.

During 2018, the Company issued 1,839,813 ordinary shares of no par value raising £0.8m in connection with the exercise of certain savings-related share options.

On 25 April 2018, the Company issued 2,973,726 ordinary shares of no par value raising £Nil in connection with the vesting of awards under the Performance Share Plans (note 19).

Hedging reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations as well as from the translation of the liabilities that hedge the Group's net investment in foreign operations.

19 EMPLOYEE BENEFITS

Pension plans

Various defined contribution pension schemes operate within the Group. These are accounted for on a contribution payable basis. The total cost charged to the income statement in respect of defined contribution pension schemes was £5.0m (2018: £4.0m). Contributions outstanding at 31 December 2019 amounted to £0.7m (2018: £0.7m) and are included in payables.

Share-based payments

An element of senior executive remuneration is provided in the form of Performance Share Plan awards. More details of these options and awards can be found in the Directors' Remuneration report (pages 74 to 60). Employees are also invited to participate in the Breedon Sharesave scheme. The interests of the directors in both the Performance Share Plans and Breedon Sharesave scheme are disclosed in the Directors' Report (pages 79 and 80).

Performance Share Plan

On 23 May 2011, the Group adopted the Breedon Aggregates Performance Share Plan (the PSP) as a means of attracting, rewarding, motivating and retaining certain key senior employees. Under the PSP, awards may be granted as conditional shares or as nil paid (or nominal) cost options. Awards will normally vest three years after grant subject to satisfaction of the relevant performance condition.

Movements in the number of outstanding conditional awards of ordinary shares during the year were as follows:

Date of Grant	Fair Value in pence	Consideration payable on vesting	Vesting period	Outstanding at 1 Jan 2019	Granted	Vested	Lapsed	Outstanding at 31 Dec 2019
April 2016	71.8	-	2016 to 2019	1,885,896	-	(1,573,783)	(312,113)	-
April 2017	75.3	-	2017 to 2020	2,107,790	-	-	-	2,107,790
April 2017	75.3	-	2017 to 2019	603,516	-	(603,516)	-	-
April 2017	75.3	-	2017 to 2020	266,376	-	-	(44,084)	222,292
April 2018	84.1	-	2018 to 2021	3,396,346	-	-	-	3,396,346
April 2019	69.2	-	2019 to 2022	-	4,509,100	-	(66,606)	4,442,494
				8,259,924	4,509,100	(2,177,299)	(422,803)	10,168,922

The weighted average consideration payable upon vesting in respect of the conditional awards outstanding at 31 December 2019, and movements in conditional awards during the period was 0.0p (2018: 0.0p).

The awards were valued using the Black-Scholes valuation model with key inputs as follows:

Date of grant	April 2016	April 2017	April 2018	April 2019
Share price at date of grant	71.8p	75.3p	84.1p	69.2p
Total awards at date of grant	2,006,023	3,649,414	3,396,346	4,509,100
Expected volatility	24%	24%	22%	24%
Risk-free rate	0.59%	0.10%	0.85%	0.80%
Expected term	3 years	1-3 years	3 years	3 years
Expected dividend yield	0%	0%	0%	0%

19 EMPLOYEE BENEFITS CONTINUED**Non-Employee Performance Share Plan**

On 3 March 2014, the Group adopted the Breedon Aggregates Non-Employee Performance Share Plan (the NEPSP) as a means of attracting, rewarding, motivating and retaining certain key persons who provide services to the Company, either as an individual or through a personal service company, and who are not otherwise an employee of any Group company. Under the NEPSP, awards may be granted as conditional shares or as nil paid (or nominal) cost options. Awards are subject to satisfaction of the relevant performance condition.

Movements in the number of outstanding share options are as follows:

Date of Grant	Fair Value in pence	Exercise price in pence	Vesting period	Outstanding at 1 Jan 2019	Granted	Exercised	Lapsed	Outstanding at 31 Dec 2019
April 2016	70.8	1.0	2016 to 2019	531,914	-	(443,883)	(88,031)	-
April 2017	74.3	1.0	2017 to 2020	529,801	-	-	(156,136)	373,665
April 2018	83.1	1.0	2018 to 2021	802,615	-	-	(510,422)	292,193
April 2019	68.2	1.0	2019 to 2022	-	1,014,479	-	(971,900)	42,579
				1,864,330	1,014,479	(443,883)	(1,726,489)	708,437

The weighted average exercise price of share options outstanding at 31 December 2019, and movements in share options during the period was 1.0p (2018: 1.0p).

The options were valued using the Black-Scholes valuation model with key inputs as follows:

Date of grant	April 2016	April 2017	April 2018	April 2019
Share price at date of grant	71.8p	75.3p	84.1p	69.2p
Total options at date of grant	531,914	529,801	802,615	1,014,479
Expected volatility	24%	24%	22%	24%
Risk-free rate	0.59%	0.10%	0.85%	0.80%
Expected term	3 years	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%	0%

Sharesave Schemes

During the year, the Group operated savings-related share option schemes open to all employees both in the UK and RoI (the Breedon Sharesave Schemes). No invitations were made to the RoI Scheme in 2019. The number and weighted average exercise prices of options granted under the Breedon Sharesave Schemes are as follows:

UK Sharesave Scheme

Date of Grant	Fair Value in pence	Exercise price in pence	Outstanding at 1 Jan 2019	Granted	Exercised	Lapsed	Outstanding at 31 Dec 2019
5 year option granted 2014	16.7	37.8	1,165,374	-	(1,132,306)	(17,195)	15,873
5 year option granted 2015	14.8	39.0	1,478,719	-	(18,717)	(120,508)	1,339,494
3 year option granted 2016	18.8	59.9	1,052,402	-	(921,542)	(115,845)	15,015
5 year option granted 2016	25.9	54.8	1,276,578	-	(23,356)	(162,220)	1,091,002
3 year option granted 2017	16.4	69.8	2,204,959	-	-	(526,039)	1,678,920
5 year option granted 2017	23.5	63.8	4,056,619	-	(3,291)	(792,757)	3,260,571
3 year option granted 2018	20.5	72.6	1,690,544	-	-	(561,780)	1,128,764
5 year option granted 2018	29.1	66.4	3,306,497	-	(3,012)	(802,809)	2,500,676
3 year option granted 2019	16.0	60.1	-	2,038,260	-	(230,972)	1,807,288
5 year option granted 2019	22.0	55.0	-	2,954,089	(2,727)	(402,208)	2,549,154
			16,231,692	4,992,349	(2,104,951)	(3,732,333)	15,386,757

19 EMPLOYEE BENEFITS CONTINUED

Sharesave Schemes CONTINUED

UK Sharesave Scheme CONTINUED

The weighted average exercise price of share options outstanding at 31 December 2019 was 60.8p (2018: 61.0p). The weighted average exercise prices of share options granted, exercised and lapsed in the year to 31 December 2019 were 57.1p, 47.8p and 63.9p, respectively (2018: 68.6p, 37.3p and 63.3p, respectively).

The fair value of services received in return for share options granted is measured based on a Black-Scholes valuation model using the following assumptions in respect of options granted in the current and prior year:

	3 year options Granted 2018	5 year options Granted 2018	3 year options Granted 2019	5 year options Granted 2019
Share price at date of grant	84.0p	84.0p	67.7p	67.7p
Total options at date of grant	1,904,148	3,513,419	2,038,260	2,954,089
Expected volatility	22.1%	24.0%	23.9%	23.9%
Risk-free rate	0.92%	1.18%	0.66%	0.76%
Option life	3 years	5 years	3 years	5 years
Expected dividend yield	0%	0%	0%	0%

RoI Sharesave Scheme

Date of Grant	Fair Value in pence	Exercise price in pence	Outstanding at 1 Jan 2019	Granted	Exercised	Lapsed	Outstanding at 31 Dec 2019
3 year option granted 2018	16.2	64.9	226,729	-	-	(5,351)	221,378
5 year option granted 2018	23.5	59.4	1,080,522	-	-	(303,468)	777,054
			1,307,251	-	-	(308,819)	998,432

The weighted average exercise price of share options outstanding at 31 December 2019 was 60.6p (2018: 60.4p). The weighted average exercise prices of share options granted and lapsed in the year to 31 December 2019 were nil and 59.5p respectively (2018: 60.3p and 59.4p respectively).

The fair value of services received in return for share options granted is measured based on a Black-Scholes valuation model using the following assumptions in respect of options granted in the current year:

	3 year options Granted 2018	5 year options Granted 2018
Share price at date of grant	74.2p	74.2p
Total options at date of grant	226,729	1,107,103
Expected volatility	22.1%	24.0%
Risk-free rate	0.92%	1.18%
Option life	3 years	5 years
Expected dividend yield	0%	0%

20 FINANCIAL INSTRUMENTS

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

- Credit risk
- Foreign exchange risk
- Liquidity risk
- Interest rate risk

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

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

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

Credit risk

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

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

Exposure to credit risk

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

	Carrying amount	
	2019 £m	2018 £m
Trade and other receivables	164.7	160.8
Cash and cash equivalents	23.8	37.6
	188.5	198.4

Credit risk associated with cash balances is managed by transacting with financial institutions with high-quality credit ratings. Accordingly, the Group's associated credit risk is limited.

The maximum exposure to credit risk for trade receivables, contract assets, and amounts due from associate and joint ventures at the reporting date, by reportable segment, was:

	Carrying amount	
	2019 £m	2018 (restated) £m
Great Britain	98.5	96.7
Ireland	33.3	30.3
Cement	19.0	18.8
	150.8	145.8

This note has been restated to include amounts due from associate and joint ventures.

20 FINANCIAL INSTRUMENTS CONTINUED

Exposure to credit risk CONTINUED

Management considers that the credit quality of the various receivables is good in respect of the amounts outstanding. The Group has no individually significant customers. The majority of the Group's customers are end-user customers. The Group's credit insurance covers the majority of its private sector UK and Ireland trade receivables subject to an aggregate first loss. The Group has fully provided for all its doubtful debt exposure. The remaining credit risk is therefore considered to be low. The ageing of trade receivables, contract assets and amounts due from associate and joint ventures at the reporting date was:

	2019			2018 (restated)		
	Gross £m	Impairment £m	Net £m	Gross £m	Impairment £m	Net £m
Not past due	129.9	(0.9)	129.0	127.2	(1.4)	125.8
Past due 0-30 days	16.3	(0.6)	15.7	11.5	(0.6)	10.9
Past due 31-60 days	5.5	(0.5)	5.0	6.3	(0.2)	6.1
Past due more than 60 days	5.1	(4.0)	1.1	5.7	(2.7)	3.0
	156.8	(6.0)	150.8	150.7	(4.9)	145.8

This note has been restated to include amounts due from associate and joint ventures.

Provisions for impairment of trade receivables are calculated on an 'expected loss' model in line with IFRS 9. Movements during the year were as follows:

	2019 £m	2018 £m
At 1 January	4.9	2.4
Amounts arising from business combinations (note 26)	0.1	2.8
Charged to the Consolidated Income Statement during the year	2.0	1.0
Utilised during the year	(0.8)	(0.9)
Unused amounts released	(0.2)	(0.4)
At 31 December	6.0	4.9

Foreign exchange risk

Transactional

The Group has limited transactional currency exposures arising on sales and purchases made in currencies other than the functional currency of the entity making the sale or purchase. Significant exposures which are deemed at least highly probable are matched where possible, but the remaining transactional risk is not generally mitigated.

Translation

The Group has significant net assets located in RoI which are denominated in Euro. The translation of these balances into Sterling for reporting purposes exposes the Group to foreign exchange movements in the Consolidated Statement of Financial Position and Consolidated Income Statement, along with a corresponding impact on certain key performance indicators. The Group's strategy is to mitigate this risk through utilising its Euro borrowings, which form part of its multi-currency revolving facility, as a hedge against movements in the Sterling value of its Euro investments. The level of this hedge is currently managed with the objective of mitigating the impact of foreign exchange movements on Leverage.

The carrying amount of the Group's interest-bearing borrowings denominated in foreign currency is as follows.

	2019 £m	2018 £m
Sterling	275.1	280.2
Euro	39.0	68.1
	314.1	348.3

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 FINANCIAL INSTRUMENTS CONTINUED

Significant exchange rates

The following significant exchange rates applied during the year:

	2019		2018	
	Average rate	Year-end rate	Average rate	Year-end rate
Sterling/Euro	1.14	1.18	1.13	1.11

Exchange rate sensitivity

A 10 per cent strengthening of Sterling against the following currencies would have decreased equity and profit before tax by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant:

	2019		2018	
	Profit £m	Equity £m	Profit £m	Equity £m
Euro	2.0	29.2	1.6	21.1

Liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments based on current utilisation:

31 December 2019	Carrying amount £m	Contractual cash flows £m	Within one year £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities					
Multi-currency revolving credit facility					
- Sterling	105.0	110.8	2.5	108.3	-
- Euro	38.3	39.7	0.6	39.1	-
Term loan					
- Sterling	125.0	129.2	37.4	91.8	-
Prepaid bank arrangement fees	(2.7)	-	-	-	-
Lease liabilities	48.5	69.4	10.7	21.2	37.5
Other financial liabilities	185.5	185.6	183.5	2.1	-
	499.6	534.7	234.7	262.5	37.5

31 December 2018	Carrying amount £m	Contractual cash flows £m	Within one year £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities					
Multi-currency revolving credit facility					
- Sterling	125.0	135.6	3.2	132.4	-
- Euro	65.8	69.7	1.2	68.5	-
Term loan					
- Sterling	150.0	158.4	28.4	130.0	-
Prepaid bank arrangement fees	(3.9)	-	-	-	-
Lease liabilities	11.4	11.9	6.6	5.1	0.2
Other financial liabilities	184.8	184.8	184.8	-	-
	533.1	560.4	224.2	336.0	0.2

The capital element of the multi-currency revolving credit facility is repayable in April 2022.

The term loan is repayable in annual instalments between April 2020 and April 2022.

20 FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

The Group currently borrows at floating and fixed interest rates. The Group uses interest rate caps to manage its exposure to changes in floating interest rates. The Group has an interest rate cap covering £150m (2018: £150m) of debt which caps interest rates (excluding margins) at 3.0 per cent (2018: 3.0 per cent). The Group classifies interest rate caps as cash flow hedges and states them at fair value. The fair value of the cap at 31 December 2019 was £Nil (2018: £Nil).

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

	2019 £m	2018 £m
Fixed rate instruments		
Financial liabilities	(48.5)	(11.4)
Variable rate instruments		
Financial liabilities*	(265.6)	(336.9)
Financial assets	23.8	37.6
	(290.3)	(310.7)

* Variable rate financial liabilities include £150m (2018: £150m) of debt subject to an interest rate cap (see above).

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates in respect of variable rate instruments at reporting date values would decrease equity and income and expenditure for a full year by £2.4m (2018: £3.0m). A decrease of 100 basis points would have increased equity and income and expenditure on the same basis by £2.4m (2018: £3.0m). These analyses assume that all other variables remain constant.

Fair values versus carrying amounts

The directors consider that the carrying amounts recorded in the financial information in respect of financial assets and liabilities, which are carried at amortised cost, approximates to their fair values.

Derivative financial assets and liabilities are carried at fair value. The different levels have been defined as follows:

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

The fair value of the derivative financial assets and liabilities are based on bank valuations.

Capital management

The Board's policy is to maintain a strong balance sheet, providing flexibility to pursue growth opportunities. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The financial covenants associated with the Group's borrowings are a maximum Leverage ratio and a minimum interest cover. The Group complied with its covenants at 31 December 2019 and 31 December 2018.

Historically, the main focus of the Group has been on delivering capital growth for shareholders, but recognising the Group's scale, level of maturity and cash generation, the directors propose to adopt a progressive dividend policy from 2021. The directors intend to target a level of distribution, as a percentage of Underlying basic EPS, that will move the pay-out ratio into line with Breedon's peers over a three-year period.

21 LEASES

Lease liabilities are secured on the assets to which they relate and are payable as follows:

	2019 (IFRS 16)			2018 (IAS 17)		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	10.7	1.8	8.9	6.5	0.3	6.2
Between one and five years	21.2	5.9	15.3	5.2	0.2	5.0
More than five years	37.5	13.2	24.3	0.2	-	0.2
	69.4	20.9	48.5	11.9	0.5	11.4

The value of lease payments made during the year was £15.5m (2018: £7.8m in respect of finance lease liabilities, and £10.1m in respect of operating leases).

22 CAPITAL COMMITMENTS

At 31 December 2019, the Group had commitments to purchase property, plant and equipment for £10.0m (2018: £4.6m). These commitments are expected to be settled in the following financial year.

23 RELATED PARTIES

During the year, the Group supplied services and materials to, and purchased services and materials from, its associate and joint ventures on an arm's length basis. It had the following transactions with these related parties during the year:

	Sales £m	Purchases £m	Receivables £m	Payables £m
2019				
BEAR Scotland Limited	33.7	-	3.7	-
Other	3.2	1.1	5.0	-
	36.9	1.1	8.7	-
2018				
BEAR Scotland Limited	29.8	0.4	3.2	-
Other	4.8	0.6	0.6	-
	34.6	1.0	3.8	-

During the year, the Group also supplied services to, and purchased services from its 75 per cent owned subsidiary undertaking on an arm's length basis. It had the following transactions with this related party during the year which have been fully eliminated on consolidation.

	Sales £m	Purchases £m	Receivables £m	Payables £m
2019				
Alba Traffic Management Limited	1.0	0.1	0.1	-
2018				
Alba Traffic Management Limited	1.4	0.2	-	-

23 RELATED PARTIES CONTINUED

Parent and ultimate controlling party

The Company is listed on AIM and monitors its shareholder base on a regular basis. There is no controlling party.

Transactions with directors and directors' shareholdings

Details of transactions with directors, directors' shareholdings and outstanding share options and awards are given in the Directors' Remuneration report and the Directors' Report on pages 69 to 76 and 79 to 81 respectively.

24 EARNINGS PER SHARE

	2019			2018		
	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	77.9	1,681.584	4.64	64.5	1,609.183	4.01
Effect of dilutive items						
Share-based payments	-	3.241	(0.01)	-	5.526	(0.02)
Diluted earnings per ordinary share	77.9	1,684.825	4.63	64.5	1,614.709	3.99
Underlying*						
Basic earnings per ordinary share						
Underlying earnings attributable to ordinary shareholders	85.2	1,681.584	5.08	75.7	1,609.183	4.70
Effect of dilutive items						
Share-based payments	-	3.241	(0.01)	-	5.526	(0.02)
Diluted earnings per ordinary share	85.2	1,684.825	5.07	75.7	1,614.709	4.68

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

Details of the Group's share schemes, which may become dilutive in the future, are set out in note 19.

25 CONTINGENT LIABILITIES

The Group has guaranteed its share of the banking facilities of BEAR Scotland, the Company's associated undertaking. The maximum liability at 31 December 2019 amounted to £1.8m (2018: £1.8m).

The Group has also guaranteed the performance of BEAR Scotland's contracts in respect of the maintenance of trunk roads in the North West and North East of Scotland and in respect of the M80 Operating and Maintenance contract.

26 ACQUISITIONS**Current year acquisition**

On 1 October 2019, the Group completed the acquisition of Roadway.

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

	Book value £m	Fair value adjustments £m	Fair value on acquisition £m
Intangible assets	-	4.9	4.9
Property, plant and equipment	1.5	2.1	3.6
Inventories	0.1	-	0.1
Trade and other receivables	1.5	-	1.5
Cash	4.4	-	4.4
Trade and other payables	(1.7)	-	(1.7)
Interest-bearing loans and borrowings	-	(0.4)	(0.4)
Deferred tax liabilities	(0.3)	(1.2)	(1.5)
Total	5.5	5.4	10.9
Consideration – cash			13.3
Consideration – deferred consideration			4.2
Goodwill arising			6.6

The fair value adjustments primarily comprised adjustments to:

- recognise £4.9m of acquired customer-related intangible assets;
- revalue certain items of property, plant and equipment;
- recognition of right-of-use assets and lease liabilities in line with IFRS 16 - *Leases*; and
- deferred tax balances.

The goodwill arising represents anticipated synergies, the potential for future growth, the strategic geographic location of the assets acquired and the skills of the existing workforce.

Impact of current year acquisition**Income statement**

During the year, this acquisition contributed revenues of £1.6m and Underlying EBIT of £0.1m to the Group.

If this acquisition had occurred on 1 January 2019, the results of the Group for the year ended 31 December 2019 would have shown revenue of £933.1m and Underlying EBIT of £117.7m.

Cash flow

The cash flow effect of this acquisition can be summarised as follows:

	£m
Consideration paid	13.3
Cash acquired with the business	(4.4)
Net cash consideration shown in the Consolidated Statement of Cash Flows	8.9

Acquisition costs

The Group incurred acquisition related costs of £3.3m (2018: £6.4m) in the year relating principally to external professional fees and due diligence costs in relation to the current year acquisition of Roadway, the investment in Capital Concrete (note 11), and anticipated acquisition of certain CEMEX assets and operations (note 29). These have been included as non-underlying administrative costs (note 3).

26 ACQUISITIONS CONTINUED

Prior year acquisitions

In 2018 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 (1 June 2018)
- Asset swap with Tarmac (1 July 2018)

No adjustments have been made in respect of these acquisitions within the measurement period, and the provisional fair values reported in the prior year are now considered final.

Lagan

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.

26 ACQUISITIONS CONTINUED**Prior year acquisitions** CONTINUED**Other prior year acquisitions**

The directors consider the acquisitions made in the previous 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

27 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Accounting estimates

Discount rate used in calculating right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities arise where the Group enters into an arrangement which meets the definition of a lease set out in IFRS 16 - *Leases*.

These are calculated by discounting any future lease payments at the 'incremental borrowing rate', being the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment.

As permitted by the Standard, the Group applies a single discount rate to portfolios of leases which have similar characteristics. Judgement is required in identifying which leases have similar characteristics, and therefore how many discount rates the Group is required to calculate.

Additionally, although the Group seeks to reduce estimation risk through the use of available external market data to calculate appropriate incremental borrowing rates, the calculation is still subject to a level of estimation.

The rates used on 1 January as part of the initial application of IFRS 16 - *Leases* range from 4.4 per cent to 6.5 per cent dependent on the nature of the asset and length of the lease.

A 1.0 per cent increase or decrease in the discount rates applied on 1 January would result in a decrease of £2.8m or an increase of £3.2m respectively to the right-of-use assets and liabilities recognised, and a decrease of £0.1m or an increase of £0.1m respectively to profit before taxation for the year ended 31 December 2019.

Restoration provisions

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. This is an inherently subjective calculation.

Estimated future cash flows have been determined on a site by site basis based on the present day cost of restoration. There is significant estimation required to determine the exact cost of the restoration work.

An increase in these gross cash flow assumptions of 10 per cent would result in an increase of the restoration liability of £3.5m. These cash flows are subject to expert evaluation in order to mitigate the risk of material error.

These cash flows are then inflated to the point that the cash flow is expected to occur and discounted at a rate which reflects both the time value of money and the risk specific to the restoration liability in order to derive the net present value of the obligation as at the year-end. Restoration dates have been determined as the earlier of the date at which reserves are expected to be exhausted or planning permission on reserves is expected to expire, which fall over the next 25 years. Reasonably possible changes in assumptions around these estimates would not have a material impact on the Financial Statements, and management do not consider these to be significant estimates.

27 ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED**Accounting judgements****Mineral reserves and resources**

Mineral reserves and resources are the principal asset available to the Group. As at 31 December 2019, these had a carrying value of £199.7m. These mineral assets of the Group are spread over around 80 quarries, which equates to an average value of £2.5m per quarry (2018: £199.6m spread over around 80 quarries).

Mineral reserves and resources are acquired either in the normal course of business or through business combinations. Those which are acquired in the normal course of business are held at historic cost on initial recognition. When mineral assets arise through business combinations, these are initially recognised at fair value as part of the acquisition accounting under IFRS 3.

Subsequent to initial recognition, mineral assets are held at amortised cost and are expensed to reflect their use over time through an annual depletion charge. Mineral assets are subject to impairment testing if impairment triggers are identified, which include elements outside of the Group's control. This includes a range of factors outside of the Group's control such as changes in the planning and regulatory environment, geological and archaeological factors.

The identification of impairment triggers therefore requires the Group to exercise judgement. The most significant area of judgement is in respect of the likelihood of obtaining planning permission for those quarries where the existing permission is due to expire before all of the reserves and resources which have been recognised on balance sheet have been extracted.

28 RECONCILIATION TO NON-GAAP MEASURES

A number of non-GAAP performance measures are used throughout this Annual Report and these Financial Statements. This note provides a reconciliation between these alternative performance measures to the most directly related statutory measures.

Reconciliation of earnings based alternative performance measures

	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
2019						
Profit from operations						108.6
Non-underlying items (note 3)						8.0
Underlying EBIT	62.8	26.8	36.3	(10.9)	1.6	116.6
Underlying EBIT margin*	10.2%	13.3%	19.5%			12.5%
Underlying EBIT	62.8	26.8	36.3	(10.9)	1.6	116.6
Share of profit of associate and joint ventures	-	-	-	-	(1.6)	(1.6)
Depreciation and depletion	35.6	7.0	22.5	0.1	-	65.2
Underlying EBITDA	98.4	33.8	58.8	(10.8)	-	180.2
2018						
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 of associate and joint ventures	-	-	-	-	(1.7)	(1.7)
Depreciation and depletion	30.8	4.5	17.2	0.1	-	52.6
Underlying EBITDA	92.2	25.4	48.6	(11.8)	-	154.4

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

28 RECONCILIATION TO NON-GAAP MEASURES CONTINUED

Free cash flow

	2019 £m	2018 £m
Underlying EBIT	116.6	103.5
Depreciation	65.2	52.6
(Increase)/decrease in trade and other receivables	(0.8)	13.5
Increase in inventories	(5.7)	(0.6)
Decrease in trade and other payables	(1.8)	(0.2)
Decrease in provisions	(2.0)	(1.3)
Share of profit of associate and joint ventures	(1.6)	(1.7)
Share-based payments	1.6	2.9
Dividends from associate and joint ventures	0.8	0.4
Dividend paid to non-controlling interests	(0.2)	(0.1)
Income taxes paid	(18.1)	(16.5)
Interest paid	(8.4)	(8.9)
Interest element of lease payments	(2.6)	(0.4)
Purchase of property, plant and equipment	(56.3)	(48.6)
Proceeds from the sale of property, plant and equipment	3.3	4.9
Free cash flow	90.0	99.5

Return on invested capital

	2019 £m	2018 £m
Underlying EBIT	116.6	103.5
Underlying effective tax rate	16.9%	17.3%
Taxation at the Group's underlying effective rate	(19.7)	(17.9)
Underlying earnings before interest	96.9	85.6
Net assets	839.1	773.3
Net debt (note 15)	290.3	310.7
Invested capital at 31 December	1,129.4	1,084.0
Average invested capital*	1,106.7	860.9
Return on invested capital**	8.8%	9.9%

* Average invested capital is calculated by taking the average of the opening invested capital at 1 January and the closing invested capital at 31 December. Opening invested capital at 1 January 2018 was £637.9m.

** Return on invested capital is calculated as Underlying earnings before interest, divided by average invested capital for the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED**28 RECONCILIATION TO NON-GAAP MEASURES** CONTINUED**Leverage**

	2019 £m	2018 £m
Underlying EBITDA	180.2	154.4
Net debt (note 15)	290.3	310.7
Leverage*	1.6x	2.0x

* Leverage is calculated as the ratio of Underlying EBITDA to net debt.

29 SUBSEQUENT EVENTS

On 8 January 2020 the Group entered into a conditional agreement with CEMEX to acquire certain assets and operations in the UK for a total consideration of £178m on a cash and debt free basis. Completion of the transaction is anticipated in the second quarter of 2020. The cash consideration is due on completion and will be financed by the Group's existing £350m revolving credit facility and a drawdown of £80m through exercise of an accordion option.

SHAREHOLDER INFORMATION

REGISTRAR

All administrative enquiries relating to shareholdings, such as lost certificates, changes of address, change of ownership or dividend payments and requests to receive corporate documents by email should, in the first instance, be directed to the Company's Registrar and clearly state the shareholder's registered address and, if available, the full shareholder reference number:

By post: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

By telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email: shareholderenquiries@linkgroup.co.uk

Online: www.linkassetservices.com

Registering on the Registrar's share portal enables you to view your shareholding, including an indicative share price and valuation, check your holding balance and transactions, change your address or bank details and view dividend payments. To register for Signal Shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate.

GROUP WEBSITE AND ELECTRONIC COMMUNICATIONS

The 2019 Annual Report and other information about the Company are available on its website. The Company operates a service whereby you can register to receive notice by email of all announcements released by the Company.

The Company's share price (15 minutes delay) is displayed on the Company's website.

Shareholder documents are now, following changes in company law and shareholder approval, primarily made available via the Company's website, unless a shareholder has requested to continue to receive hard copies of such documents. If a shareholder has registered their up-to-date email address, an email will be sent to that address when such documents are available on the website. If shareholders have not provided an up-to-date email address and have not elected to receive documents in hard copy, a letter will be posted to their address that is recorded on the Register of Members notifying them that the documents are available on the website. Shareholders can continue to receive hard copies of shareholder documents by contacting the Registrar.

If you have not already registered your current email address, you can do so at www.signalshares.com.

Investors who hold their shares via an intermediary should contact the intermediary regarding the receipt of shareholder documents from the Company.

The Group has a wide range of information that is available on our website including:

- finance information – annual reports and half year results, financial news and events;
- share price information;
- shareholder services information; and
- press releases – both current and historical.

MULTIPLE ACCOUNTS

Shareholders who receive more than one copy of communications from the Company may have more than one account in their name on the Company's Register of Members. Any shareholder wishing to amalgamate such holdings should write to the Registrar giving details of the accounts concerned and instructions on how they should be amalgamated.

SHAREHOLDER INFORMATION CONTINUED**UNSOLICITED MAIL, INVESTMENT ADVICE AND FRAUD**

The Company is obliged by law to make its share register publicly available and, as a consequence, some shareholders may receive unsolicited mail. In addition, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence, typically from overseas 'brokers', concerning investment matters.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. It is not just the novice investor that has been deceived in this way; many victims have been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.

If you receive any unsolicited mail or investment advice:

- Make sure you get the correct name of the person and organisation.
- Check the Financial Services Register at www.fca.org.uk.
- Use the details on the Financial Services Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call them back.
- Search the list of unauthorised firms and individuals to avoid doing business with at www.fca.org.uk/scams.
- Report a share scam by telling the FCA using the share fraud reporting form in the Consumers section of the FCA website.
- If the unsolicited phone calls persist, hang up.
- If you wish to limit the number of unsolicited calls you receive, contact the Telephone Preference Service (TPS) at www.tpsonline.org.uk and follow the link, or from your mobile phone register your mobile number, free of charge, by texting "TPS" together with your email address to 85095.
- If you wish to limit the amount of unsolicited mail you receive, contact the Mailing Preference Service on 020 7291 3310 or visit the website at www.mpsonline.org.uk.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

SHARE DEALING SERVICES

You can buy shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

A simple and competitively priced service to buy and sell shares is provided by Link Asset Services. There is no need to pre-register and there are no complicated application forms to fill in and by visiting www.linksharedeal.com you can also access a wealth of stock market news and information free of charge.

For further information on this service, or to buy and sell shares visit www.linksharedeal.com or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am – 4.30pm, Monday to Friday excluding public holidays in England and Wales.

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply. Link Asset Services is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Link Asset Services is a trading name of Link Market Services Limited and Link Market Services Trustees Limited. Share registration and associated services are provided by Link Market Services Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Link Market Services Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

The registered office of each of these companies is The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

ELECTRONIC VOTING

Shareholders can submit proxies for the 2020 AGM electronically by logging on to www.signalshares.com. Electronic proxy appointments must be received by the Company's Registrar no later than 2.00pm on 19 April 2020 (or not less than 48 hours before the time fixed for any adjourned meeting).

Analysis of shareholdings at 31 December 2019

	Number of accounts	Percentage of total accounts	Number of shares	Percentage of total shares
Up to 500	966	41.12	301,353	0.02
Up to 5,000	515	21.92	904,346	0.05
Up to 10,000	211	8.98	1,584,606	0.09
Up to 50,000	331	14.09	7,282,011	0.43
Up to 100,000	62	2.64	4,361,753	0.26
Up to 500,000	100	4.26	24,940,618	1.48
Up to 99,999,999,999	164	6.99	1,643,583,122	97.67
	2,349	100.00	1,682,957,809	100.00

SHAREHOLDER COMMUNICATION

Email: shareholderenquiries@linkgroup.co.uk

Telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am - 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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GLOSSARY

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

Adopted IFRS	International Financial Reporting Standards as adopted by the EU	Group	Breedon and its subsidiary companies
AGM	Annual General Meeting	HGV	Heavy goods vehicle
AIM	Alternative Investment Market of the London Stock Exchange	HMRC	Her Majesty's Revenue & Customs in the UK
Alpha Resource Management	Alpha Resource Management Limited	HS2	High Speed 2
BEAR Scotland	BEAR Scotland Limited	IAS	International Accounting Standards
Blinkbonny	Blinkbonny Quarry (Borders) Limited	IDC	International Data Corporation
BMDP	Breedon Management Development Programme	IFRS	International Financial Reporting Standard
Breedon	Breedon Group plc	IMF	International Monetary Fund
Breedon Whitemountain	Breedon Whitemountain Ltd	Invested Capital	Net assets plus net debt
Brett	Robert Brett & Sons Limited	Ireland	The Island of Ireland
Capital Concrete	Capital Concrete Limited	ISO	International Organization for Standardisation
CDP	Commercial Development Programme	IT	Information Technology
CEMEX	CEMEX UK Operations Limited	KPI	Key Performance Indicator
CITB	Construction Industry Training Board	Lagan	Refers to both Lagan Group (Holdings) Limited and the construction materials and contracting services brand under which Breedon trades in the Republic of Ireland
CLP	Commercial Leaders Programme	Leverage	Net debt expressed as a multiple of Underlying EBITDA
CPA	Construction Products Association	LIBOR	London Inter-bank Offered Rate
Division	One of the Group's three operating segments: GB, Ireland and Cement	LGV	Light goods vehicle
EBIT	Earnings before interest and tax	LSE	London Stock Exchange
EPS	Earnings per share	LTIFR	Lost Time Injury Frequency Rate
ESG	Environment, Sustainability & Governance	M&A	Mergers & acquisitions
ESOS	Energy Savings Opportunity Scheme	MPA	Mineral Products Association
EURIBOR	Euro Inter-bank Offered Rate	MWh	Megawatt hour
FCA	Financial Conduct Authority	NI	Northern Ireland
FCF	Free Cash Flow	NISO	National Irish Safety Organisation
FRC	Financial Reporting Council	NISG	Northern Ireland Safety Group
GAAP	Generally Accepted Accounting Principles	PCA	Privately-owned, dry powder carrying wagon with air brakes
GB	Great Britain	PSV	Polished Stone Value
GCCA	Global Cement and Concrete Association	QCA	Quoted Companies Alliance
GHG	Greenhouse gas (emissions)	R&D	Research and development

GLOSSARY CONTINUED

RAP	Reclaimed asphalt pavement
the Revenue	Office of the Revenue Commissioners in Rol
Roadway	Roadway Civil Engineering & Surfacing Ltd
Rol	Republic of Ireland
ROIC	Post-tax Return on Invested Capital
RoSPA	Royal Society for the Prevention of Accidents
SCQF	Scottish Credit and Qualifications Framework
SECR	Streamlined Energy and Carbon Reporting
SHE	Safety, health and environment
SRF	solid recovered fuel
Staffs Concrete	Staffs Concrete Limited
STEM	Science, Technology, Engineering and Mathematics
Sterling	Pounds sterling
TCFD	Task Force on Climate-related Financial Disclosures
tCO ₂ e	Total CO ₂ emissions
TIFR	Total Injury Frequency Rate
TUPE	Transfer of Undertakings (Protection of Employment Regulations 2006)
UK	United Kingdom (GB & NI)
Underlying	Stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation, non-underlying items and before our share of profit from associate and joint ventures
VFL	Visible Felt Leadership
Whitemountain	Whitemountain Quarries Limited. The construction materials and contracting services brand under which Breedon now trades in NI
WISHNI	Waste Industry Safety and Health Forum Northern Ireland
WTO	World Trade Organisation

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