BREEDON

9 March 2022

BREEDON GROUP PLC

A year of outstanding delivery - record volumes, revenue and earnings
Building blocks in place for our next chapter of growth

Breedon Group plc ("Breedon" or the "Group"), a leading vertically-integrated construction materials group in Great Britain and Ireland, announces its audited annual results for the year ended 31 December 2021.

£m except where stated	2021	2020	Change % vs 2020	Change % vs 2019	LFL % vs 2020	LFL % vs 2019
Statutory Revenue	1,232.5	928.7	33%	33%	21%	15%
Statutory EBIT	127.4	61.6	107%	17%		
Underlying EBIT[1]	133.6	76.5	75%	15%	66%	6%
Underlying EBIT[1] margin	10.8%	8.2%				
Profit Before Tax	114.3	48.1	138%	21%		
Underlying Basic EPS [1]	4.96p	2.80p	77%	(2)%		
Adjusted Underlying Basic EPS[2]	5.98p	3.15p	90%	18%		
Dividend per share	1.6p					
Covenant Leverage[3]	0.8x	1.9x				
ROIC[4]	9.5%	5.5%				

HIGHLIGHTS

- Breedon delivered record volumes, revenue and earnings, supplying more material to our customers than ever before
- Like-for-like volumes and revenue rebounded strongly; long-term structural growth trends persisted
- Underlying EBIT margin recovered to 10.8%, ahead of 2020, progressing back towards 2019 levels; dynamic pricing and layered hedging policy mitigated commodity cost pressures
- Cemex acquisition fully integrated and on track to realise target synergies
- Strong free cash flow generation; covenant leverage reduced to 0.8x, one year ahead of plan, and a maiden dividend announced
- ROIC increased to 9.5%, reflecting profitable growth and disciplined capital allocation
- Strategy evolved; new financial metrics established and new sustainability framework set out with commitment to KPIs, targets and enhanced disclosure

OUTLOOK

The demand environment remains robust with long-term commitments in place from policy makers to fund infrastructure and construction. Forecasters are predicting mid-single digit growth in 2022 and, while commodity cost volatility is expected to continue, the pricing backdrop is increasingly dynamic and we expect to fully recover input cost increases. We remain confident that Breedon will deliver profitable and cash generative growth in 2022, in line with management expectations.

ROB WOOD, CHIEF EXECUTIVE OFFICER, COMMENTED:

"2021 was a record year for Breedon. We navigated the second year of the pandemic successfully, supplied our customers with more materials than at any point in our history and fully integrated the Cemex assets. This excellent outcome was achieved at a time of constant change and the response from our colleagues, adjusting to the pandemic and the volatile economic backdrop, has been outstanding.

"Breedon is maturing. There are strong demand dynamics in our markets and we have many exciting opportunities ahead of us in the current year and beyond. Our GB Surfacing business is positioned for growth, the Cemex acquisition is integrated and poised to reap the benefits of our investment, and we see a number of bolt-on opportunities to in-fill our current footprint in GB and Ireland. Further afield, we have appointed a Business Development Director in the US as we advance our plans for a third platform.

"Breedon has come a long way in the past decade and we have a consistent track record for profitable and cash generative expansion. Our experienced leadership team and committed workforce operate a well-invested portfolio of assets with significant opportunities for sustainable growth. We have a strong balance sheet and will continue to take a measured approach to deploying our capital, taking the time required to find the right businesses to extend our portfolio. The building blocks are in place for our next chapter of growth."

RESULTS PRESENTATION

Breedon will host a results presentation for analysts and investors at 08:30am today at the offices of Numis, 45 Gresham Street, London EC2V 7BF, or online via www.breedongroup.com/investors. The presentation will be followed by Q&A, and it will be possible to participate through the following dial-in details:

Event Title:	Breedon Group - Annual Results 2021
Start Time/Date:	08:30 Wednesday, March 09, 2022 - please join the event 5-10 minutes prior to scheduled start time. When prompted, provide the confirmation code or event title
Confirmation Code:	7232308
United Kingdom, Tollfree:	0800 279 6877
United Kingdom, Local:	+44 (0)330 336 9601

Notes:

1. Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles and related tax items. References to an underlying profit measure throughout this announcement are defined on this basis.
2. Underlying Adjusted Basic EPS is calculated using Underlying earnings, and adjusted to exclude the impact of deferred tax re-measurement charges of £17.3m (2020: £5.9m) recognised following legislation to increase future corporation tax rates in the UK.
3. Covenant Leverage is defined as the ratio of Underlying EBITDA to Net Debt, with both Underlying EBITDA and Net Debt adjusted to reflect the material items which are adjusted by the Group and its lenders in determining leverage for the purpose of assessing covenant compliance. In both the current and prior year, the only material adjusting item was the impact of IFRS 16.
4. ROIC: post-tax return on invested capital.

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About Breedon Group plc

Breedon Group plc, a leading vertically-integrated construction materials group in Great Britain and Ireland, delivers essential products to the construction sector. Breedon holds 1bn tonnes of mineral reserves and resources with long reserve life, supplying value-added products and services, including specialty materials, surfacing and highway maintenance operations, to a broad range of customers through its extensive local network of quarries, ready-mixed concrete and asphalt plants.
The Group's two well-invested cement plants are actively engaged in a number of carbon reduction practices, which include utilising alternative raw materials and lower carbon fuels. Breedon's c.3,500 colleagues embody our commitment to 'Make a Material Difference' as the Group continues to execute its strategy to create sustainable value for all stakeholders, delivering growth through organic improvement and acquisition in the heavyside construction materials market.

A RECORD YEAR FOR REVENUE AND EARNINGS

2021 was a year of outstanding delivery. We supplied our customers with more materials than at any point in our history, delivered record revenue and earnings and paid our first dividend. We fully integrated the acquired Cemex assets and colleagues into Breedon and accelerated our investment for organic growth. We established our sustainability strategy with a clear framework for progress and the publication of new commitments and performance metrics.

We refreshed the management and senior leadership team while successfully navigating the volatile economic backdrop brought about by the pandemic. To support the operational strides we are making, we enhanced our communications programme to all our stakeholders, including our first Capital Markets Event for our investors. Throughout 2021 Breedon made a material difference to our colleagues, customers and communities.

RECORD EARNINGS

During 2021, we built on the recovery that began in the second half of 2020, delivering full year revenue of £1,232.5m, up 33% on the prior year. Demand was resilient, bouncing back strongly from the effects of the pandemic. The market backdrop remained supportive and the long-term structural growth trends in infrastructure persisted.

Demand levels for our products remained robust. Both the UK and Irish Governments pledged their commitment to long-term investment into infrastructure and construction, with the UK publishing its most ambitious strategy to date. The integration of the Cemex acquisition adds to Breedon's strong growth track record and we have now delivered an annual 22% increase in revenue on average over the past decade, complementing acquisitions with organic investment.

Once again, our colleagues demonstrated extraordinary commitment and resilience to deliver record earnings. Underlying EBIT of £133.6m increased 75% (2020: £76.5m), benefitting from volume and price increases coupled with a successful hedging strategy which helped to mitigate the impacts of input price increases. Profit before tax was £114.3m (2020: £48.1m).

Our local delivery model, coupled with our entrepreneurial culture and decentralised commercial operations, enabled us to improve pricing, leading to an Underlying EBIT margin of 10.8% (2020: 8.2%). We invested in the Cemex assets, instilling Breedon best practices and commercial strategies, and we expect to see those actions produce results in the coming years. This outstanding outcome enabled us to reduce our covenant leverage, a year ahead of plan to 0.8x and introduce a dividend while continuing to accelerate our sustainability agenda.

PRODUCT VOLUMES

million tonnes except where stated	**2021**	2020	2019
Aggregates	**29.2**	21.7	20.2
Asphalt	**4.1**	3.3	3.0
Cement	**2.4**	2.0	2.0
Ready-mixed concrete (m^3)	**3.2m**	2.6m	3.0m

The majority of our products experienced a significant recovery in volume demand. On a like-for-like basis, compared to 2019, aggregates volumes increased 12%, asphalt volumes were up 20% and cement volumes increased 14% with a large proportion of the increase relating to cement imported through our terminals to satisfy the high levels of market demand. Like-for-like ready-mixed concrete volumes decreased by 1% as we closed a number of less profitable plants.

GREAT BRITAIN

£m except where stated	2021	2020	Change % vs 2020	LFL % vs 2020	2019	Change % vs 2019	LFL % vs 2019
Revenue	**845.2**	602.8	40%	23%	597.9	41%	15%
Underlying EBIT	**74.3**	33.5	122%	105%	61.7	20%	6%
Underlying EBIT margin	***8.8%***	*5.6%*	*+3.2ppt*		*10.3%*	*-1.5ppt*	

Our core strengths came to the fore during 2021, particularly our local operating model and entrepreneurial culture. Our proximity to our customers and close commercial engagement with them enabled us to take timely actions to maximise the value of our products and services while maintaining our high service levels, leading to exceptional year-on-year earnings growth.

GB benefited from the gradual easing of Covid-19 restrictions and the release of pent-up demand, leading to a strong start to 2021. Growth remained robust through the year; positive structural trends in housebuilding and infrastructure spending supported demand. Our Surfacing business benefited from large infrastructure projects and increased Transport Scotland spend on the Scottish trunk road network where our partner, BEAR Scotland, operates three of the four regional frameworks.

Volumes grew strongly, supported by the Cemex acquisition, and we supplied 35% more aggregates, 37% more asphalt, and 29% more ready-mixed concrete than in 2020. Robust market conditions enabled dynamic price increases, leading to reported revenue of £845.2m (2020: £602.8m) which was an increase of 40% compared to the prior year.

The integration of the well-located Cemex assets was completed during the year. The dormant quarry at Shap was re-opened, extending our rail network, and additional reserves were accessed at Wickwar. Capital was invested strategically and is expected to improve productivity, efficiency and safety across the acquired portfolio. The acquisition of Express Minimix expanded the distribution network of our ready-mixed concrete small loads business.

Like-for-like revenue increased 23% in 2021 compared to 2020. Looking through the impact from both the pandemic and acquisitions, like-for-like revenue increased by 15% compared to 2019, demonstrating the positive underlying growth in demand for our extensive portfolio of scarce mineral resources.

The commitment from our production and commercial teams was outstanding during 2021. They navigated input cost increases and supply chain bottlenecks to deliver profitable volume growth, achieving an Underlying EBIT margin of 8.8%, 3.2 ppt higher year-on-year but behind 10.3% reported in 2019. The difference reflected the near-term dilutive impact of the Cemex acquisition together with input cost recovery lags.

With our sites working hard to fulfil elevated demand, we experienced a small increase in total injuries, although the severity was reduced. We took action to re-invigorate our health and safety campaign and prioritise our Visible Felt Leadership safety visits.

Our customers increasingly need to meet their own sustainability goals and seek help from their suppliers to do so. We are adding recycled asphalt handling facilities and reducing fuel emissions through the use of cleaner fuels while our land restoration activities are adding biodiversity objectives and alternative natural uses.

When our new rail head at Llandudno Junction is completed, it will enable us to bring our Welsh Slate secondary aggregates to new markets, extending the sustainability of this product and site. Our extensive Group rail haulage infrastructure complements our mineral reserves and resources, enabling the transport of cement and aggregates across our network, feeding our asphalt and ready-mixed concrete plants for use in downstream products. We employ over 650 drivers across the Group, adding talent through training and apprentice schemes, and we engage a comparable size of fleet of owner-drivers. Our GB rail infrastructure will enable us to take more than 96,000 truck journeys off the road in 2022, reducing fuel emissions and road congestion.

GREAT BRITAIN OUTLOOK

We expect that a robust construction market will continue to drive volume growth, underpinned by the structural growth trends in infrastructure. In our Surfacing business, preparations are well-advanced for the National Highways Pavement Framework tender process and we are well positioned to benefit from the Transport Scotland Network Management Contract tendering process. Our progressive hedging policy provides cost visibility for our commercial teams, allowing them to manage pricing discussions dynamically, facilitating full cost recovery. The synergies from the Cemex acquisition are expected to further enhance Underlying EBIT margins in 2022.

IRELAND

£m except where stated	2021	2020	Change % vs 2020	LFL % vs 2020	2019	Change % vs 2019	LFL % vs 2019
Revenue	**225.4**	189.3	19%	19%	202.0	12%	12%
Underlying EBIT	**28.2**	20.5	38%	38%	26.8	5%	5%
Underlying EBIT margin	***12.5%***	*10.8%*	*+1.7ppt*		*13.3%*	*-0.8ppt*	

Our business in Ireland had a great year. We worked on some excellent projects that showcased our quality and reliability and we have more good projects in the pipeline.

The Ireland business benefits from a bedrock of long-term relationships with repeat customers, many of which are public authorities and multi-national civils contractors. RoI is preparing to accommodate the additional one million people expected to live there by 2040, with policies addressing infrastructure needs and the structural under-investment in the residential housing market. Together, these dynamics created the conditions for a healthy market in 2021.

Our operations in Ireland delivered record revenue and earnings in 2021. We produced materially more aggregates, increasing volumes 31% to 3.5m tonnes. During 2021, our ongoing commitment to expand our mineral reserves and resources led to the acquisition of a new quarry in County Kerry. We internally supplied more of our downstream operations, adding c.10m tonnes to our reserves and resources as we reopened dormant quarries or extended existing quarries. Asphalt volumes were steady as surfacing contracts remained resilient and public authority customers shifted their budgets to focus on replacing street lighting with more efficient LED technology.

Consequently, reported revenue in Ireland increased 19% during 2021 to £225.4m (2020: £189.3m) and was predominantly delivered during the nine months that were unaffected by lockdowns, testament to the commitment of our teams.

A significant proportion of our work is for public authorities where we have good long-term working relationships, often through a framework structure. During the year we were pleased to be reappointed to the NI Central Procurement Directorate until March 2025. Our customers' budgets are frequently underpinned by Government spending programmes and many are index-linked to inflation and, therefore, protected from input price increases. Where we deliver large long-term contracts such as the Dunkettle Interchange in Cork, we utilise our layered hedging policy to fix margins. As a result, we were able to fully recover costs during the year, leading to Underlying EBIT of £28.2m (2020: £20.5m), an increase of 38%, increasing the Underlying EBIT margin by 1.7 ppt to 12.5%.

We have an enviable track record for delivering complex projects on time and on budget. This enables us to secure high quality, risk managed services contracts with strong commercial partners. In the fourth quarter we completed the runway resurfacing works at Cork Airport, requiring the complex logistical co-ordination of plant, personnel and materials.

Increasingly, tenders come to market with a growing emphasis on quality and sustainability. With many of our projects involving the interaction of people and plant, a relentless focus on health and safety is required to sustain our licence to operate. Our safety record was maintained in 2021 and we continue to press for further improvements through training and investment in plant with additional safety features.

During the year we increased our focus on sustainability projects, installing additional recycled asphalt capacity with plans to extend our capability further in 2022. We maximised the recovery of waste materials for conversion to saleable products and have developed the use of a low energy bound surface material, 'Foamix'.

IRELAND OUTLOOK

In 2022, we expect growth rates to normalise. End market demand remains resilient, supported by a rapidly growing population and a fundamental shortage of residential housing. We remain close to our customers, and are encouraged to see contracts coming to market earlier, leading to a healthy pipeline of tenders.

We will continue to replenish our reserves and resources and increase the self-sufficiency of our downstream operations. We will retain our focus on recovering input costs through carefully structured contracts and layered forward hedges to maximise cost visibility, and maintain margins.

CEMENT

£m except where stated	2021	2020	Change % vs 2020	LFL % vs 2020	2019	Change % vs 2019	LFL % vs 2019
Revenue	**245.6**	197.2	25%	21%	203.6	21%	15%
Underlying EBIT	**41.6**	31.7	31%	28%	37.4	11%	7%
Underlying EBIT margin	***16.9%***	*16.1%*	*+0.8ppt*		*18.4%*	*-1.5ppt*	

2021 was an exceptional year for our Cement business. Structural growth dynamics and pandemic-related disruption led to significant pent-up demand.

End markets, from housebuilding and infrastructure to repair and maintenance, experienced elevated demand throughout the year while Government restrictions and pandemic-related measures challenged the production and delivery process. As a consequence, disrupted build schedules and a tight supply chain, coupled with increasing traction in major schemes such as HS2, provided the conditions for strong and profitable revenue growth.

Our two cement plants delivered an outstanding performance, producing and distributing 2.4m tonnes of cement (2020: 2.0m tonnes). A significant proportion of the 22% increase in volumes was attributed to cement imported through our cement terminals to satisfy the high levels of demand. Buoyant trading conditions in 2021 enabled the Cement division to grow revenue by 25% to £245.6m (2020: £197.2m). Tight supply conditions existed across the industry, leading to robust price increases. In 2021, the cost of carbon emissions permits was offset by increasingly dynamic pricing.

While both our plants continue to maximise the use of alternative fuels and our fossil fuel requirements are reducing, coal and electricity remain a core input. In 2021, our forward hedging policy materially offset energy cost inflation enabling Cement to generate Underlying EBIT of £41.6m (2020: £31.7m) and increase the margin by 0.8 ppt to 16.9%.

Our two well-invested plants delivered world class performance. Both benefited from the diligent application of a rigorous safety and maintenance philosophy and the careful application of strategic investment, enabling both sites to drive continuous improvement in process and production. Three planned kiln maintenance shutdowns were completed in the first half of 2021, on time and on budget (H1 2020: two, H1 2019: two). The normal schedule will resume in 2022 with two planned maintenance shutdowns in January and a third during the autumn.

The Hope plant marked 2021 as the third consecutive year where reliability exceeded 97%, with more than a month between kiln outages. Our Kinnegad plant, which operates on a lowest cost production strategy, replaced an average 75% of fossil fuels with lower carbon renewable alternative fuels, an improvement of 4 ppt during the year, to extend its world-class performance.

Health and safety outcomes across both sites were exemplary and the team at Kinnegad were recognised at the 30th National Irish Safety Organisation/ Northern Ireland Safety Group annual safety awards. Both sites continued to promote health, safety and welfare, introducing innovative safety measures alongside wellbeing and healthy living initiatives.

We have been able to reduce carbon emissions through increasing the usage of alternative fuels. We will increase our use of alternative fuels still further to reduce our carbon intensity by 30% by 2030 (based on the 2005 baseline), while increasing the procurement of decarbonised energy. Addressing the process emissions from production, where possible we will reduce the clinker element in our cementitious products. In 2021, we utilised over 120,000 tonnes of alternative raw materials and work continued on the Hope Alternative Raw Material system project, progressing planning permission and securing material reserves. We are fully engaged in the development of Carbon Capture Use and Storage and are collaborating with the HyNet project in GB. We continue to evaluate new carbon reduction technology and are recruiting an innovation and development manager.

CEMENT OUTLOOK

Demand from infrastructure is encouraging and supply conditions remain tight, supporting a robust and increasingly dynamic pricing strategy. Our strategy is to hedge substantially all energy and carbon costs for at least one year in advance, with layered purchases extending up to three years, maximising the visibility for our commercial operations and providing near-term cost certainty to our business.

EVOLVING OUR VISION AND STRATEGY

Through a wide ranging and collaborative process conducted in 2019 we identified our purpose and core values; keep it simple, make it happen, strive to improve and show we care, in order to make a material difference. This purpose and these values bind us together as we integrate acquisitions and guide how we evolve and implement our strategy.

Following a decade of significant growth where we integrated over 20 acquisitions, we have established two platforms in GB and Ireland and increased revenue over six times. While our existing platforms offer opportunities for further bolt-on transactions, we believe that the Breedon operating model is replicable in other jurisdictions. Therefore, our vision is now to be a leading, vertically-integrated international construction materials group.

Our strategy is designed to create sustainable value for all our stakeholders over the long-term and that has not changed. How we go about that is subtly evolving. We have three strategic priorities; embed a culture of sustainability, to optimise our assets and processes, and expand our geographic footprint and product portfolio. All our strategic decisions are now viewed through the lens of sustainability and governed by our disciplined financial framework to ensure our capital continues to be deployed appropriately.

To reflect this stage in our lifecycle, we updated our financial and sustainability KPIs at our Capital Markets Event in November 2021 to reflect how we will measure our progress against our strategy.

ACCELERATING OUR SUSTAINABILITY AGENDA

Sustainability is not new to Breedon and has always been close to our hearts. It is one of our highest priorities and we have a long history of taking positive actions, from restoring land and promoting biodiversity to operating cement plants with world-leading use of fossil fuel replacements and supporting local community projects.

We take our responsibility as custodians of the scarce resources under our stewardship very seriously and during 2021 we established our sustainability framework with strong links to our purpose and values. We identified three key themes that were of importance to all of our stakeholders: Planet, People, and Places.

These focus areas tackle how we will address the carbon intensive nature of our business and the responsible use of natural resources. They describe how we will develop and empower a diverse and talented workforce and engage with the communities which we operate alongside. They set out how we will develop products and services with improved sustainability attributes.

We will do all of this while behaving ethically, complying with laws and regulations and, above all, keeping our people safe and well. Our leaders are committed to our sustainability goals, a number of which are linked to remuneration, with working groups and division-specific targets in place to drive progress. They have carved out operational budgets to promote sustainable strategies, an approach we believe will accelerate widespread adoption of sustainable actions.

These actions resulted in the publication of a new set of commitments in November 2021 to ensure we measure performance and drive progress. They are grounded in reality and have clear roadmaps to ensure success. We have materially increased disclosure and transparency in this area and this will continue as we embed our approach to sustainability.

SUSTAIN

Operating a sustainable business is our highest priority and the lens through which all strategic decisions must pass. During the year we developed a sustainability framework intrinsically linked to our company vision, purpose and strategy. This framework is built on the materiality assessment conducted in 2020. It recognised three key themes that encompass the topics shown by the materiality assessment to be of importance to our stakeholders and now constitute the sustainability framework: Planet, People, and Places, underpinned by our fundamental operating principles.

We committed to credible new targets and KPIs, grounded in reality, with clear steps to drive improvements and ensure we achieve our aim of making a material difference to our colleagues, customers and communities. We are collaborating with the industry by building on our membership of the Global Cement and Concrete Association, increasing the transparency of our metrics and enhancing our disclosures and reporting.

Now we have established the base lines for our sustainability framework and set credible new targets, our focus will be on capturing and analysing high quality data from across the business to ensure the framework delivers value. For more detail on our sustainability strategy, targets and achievements, visit our Annual Report on our investor website.

OPTIMISE

We are a trusted and credible custodian of scarce reserves and resources, delivering continuous improvement to drive efficiencies of scale and increase utilisation of our assets. Continuous improvement is embedded in our culture and we increasingly seek innovations and technological advancements to deliver progress. Our practices, processes and systems are geared towards generating value as efficiently as possible, with particular regard to our responsibility as stewards of the land we operate.

Following the Cemex acquisition, we implemented Breedon best practices where appropriate and increased targeted capital investment to promote productivity and asset utilisation. During the year we reopened dormant quarries in both GB and Ireland, including the Shap quarry in Cumbria which is rail linked and provides high quality materials to regions where upcoming projects will generate incremental demand.

Groundworks commenced at Llandudno Junction, allowing Welsh Slate by-product to be shipped by rail to other GB locations, creating a saleable product from an otherwise redundant resource. In Ireland a number of quarries were reactivated and additional reserves were secured on lands adjoining active quarries, increasing the self-sufficiency of our downstream operations.

EXPAND

We have a variety of routes to grow the business. Our strong free cash flow generation and responsible balance sheet management provides the financial flexibility to pursue organic investment opportunities, bolt-on acquisitions and larger platform transactions. As we scan the horizon, our primary focus will be on aggregates-led opportunities and downstream targets that enhance the pull-through of our aggregates and cementitious assets, growing volumes and enhancing margins at every stage of the process.

Over the past decade Breedon has complemented acquisitions with organic growth and opportunities still remain to extend the reach of our assets further in GB and Ireland. In 2021 we increased reserves and resources in Ireland by reactivating dormant quarries, extending existing assets and acquiring a new quarry in County Kerry. Our ambitious capital expenditure plans increased to £170m for the two year period 2021 to 2022 to facilitate organic growth and take advantage of the UK Government's superdeduction capital allowance. Our Surfacing business is positioned to target strategic highways and local road maintenance frameworks coming to market in England and Scotland in 2022, increasing the pull through of our aggregate materials and maximising asphalt plant utilisation.

Following the Cemex acquisition in 2020, the focus was on integrating those assets into the Breedon model and investing appropriately to ensure maximum productivity. The integration of Cemex, which brought in approximately 170m tonnes of mineral reserves and resources and over 600 colleagues, is completed and on track to achieve targeted synergies of approximately £2m per annum. In June 2021, we acquired Express Minimix, specialising in small loads of ready-mixed concrete, extending the reach of this service. We are always in conversation with independent quarry operators about assets which would enable us to in-fill our current geographic footprint or add product or capability. We see a number of assets comparable in scale to the Cemex acquisition, which would now be considered a bolt-on transaction.

When considering larger, transformational transactions, any move to add a third platform will be measured and subject to clear criteria as we seek to replicate the Breedon model internationally. We are progressing these plans with the appointment, in January 2022, of a Business Development Director for North America, which we see as the most likely location for a third platform. We will focus on markets with good long-term growth prospects, robust legal systems, reliable planning regimes and benign local cultures with minimal political risk. We intend to take our time to find the right business to build on and that will enable Breedon to be as successful in the next decade as it was in the last.

FINANCIAL FRAMEWORK

Our financial framework governs how we connect our strategy to investment and capital allocation. Investment is a differentiator at Breedon and our disciplined approach enables us to drive profitable growth, converting a high proportion of our earnings to cash. This supports rapid debt reduction following an acquisition and facilitates the payment of a progressive dividend. During 2021, our capital structure was optimised for strategic optionality and balanced growth through the refinancing which is addressed in detail in the finance review.

READY FOR THE NEXT CHAPTER OF GROWTH

Breedon has a long and established track record of growing through disciplined capital allocation. We have a capable and proven leadership team supported by an experienced and committed workforce, operating a well-invested portfolio of assets. The building blocks for our next chapter of growth are in place.

Breedon is maturing. Our people, processes and systems have been tested during the pandemic and have barely missed a beat. This commendable team effort has delivered record revenue of over £1.2bn and our balance sheet is in a strong position to support our expansion plans.

We are successfully navigating the supply chain pressures and effectively recovering input cost increases, benefiting from our established hedging policy and local business model. The demand environment is supportive with long-term commitments from policy makers to fund infrastructure and construction, and forecasters predicting mid-single digit volume growth in 2022. We are confident that Breedon will continue to deliver profitable, cash generative growth in the coming years.

FINANCE REVIEW

RECORD PERFORMANCE

In 2021 we delivered a record performance, advancing Revenue and Underlying EBIT to levels comfortably ahead of 2019, with strong organic growth and sustained cash generation taking our Covenant Leverage below 1.0x; around a year ahead of our expectations. We achieved this record performance in spite of the restrictions in place in certain locations in the first half of the year, and input cost inflation which steadily increased through the year.

Revenue for the year at £1,232.5m increased by 33% compared to 2019 (£929.6m), with the like-for-like increase of 15% attributable to both strong product volumes over 2019 and sales pricing actions.

We delivered a record earnings performance, with Underlying EBIT of £133.6m, up £17.0m or 15% on 2019 (£116.6m). On a like-for-like basis, Underlying EBIT increased by £6.9m or 6% on 2019 with each Division contributing to the improved performance. Underlying EBIT margins recovered to 10.8%, significantly ahead of 8.2% reported in 2020 but behind 12.5% reported in 2019. This margin differential to 2019 is attributable to the near term dilutive impact of the Cemex acquisition and input cost recovery lags.

As outlined at the Capital Markets Event in November 2021, over the medium term we expect to generate an Underlying EBIT margin of between 12% and 15%, achieved through the delivery of improved operating performance and cost synergies from the Cemex acquisition, alongside the organic returns from our capital investment programme.

INPUT COSTS AND HEDGING STRATEGY

Input cost inflation had a significant impact on our results, with energy (gas and electricity), fuels, bitumen and the cost of carbon emission permits under both UK and EU ETS schemes all increasing materially during the year. This cost price volatility is expected to continue into 2022. Our strategy is to hedge substantially all energy and carbon requirements for at least one year in advance, with further layered purchases extending up to three years, to deliver near-term cost certainty. A proportion of our bitumen requirements are hedged in the short-term, typically for larger contracts where pricing is agreed in advance. Remaining purchases are at spot; the market for asphalt, in which bitumen is the primary purchased raw material, has historically responded quickly to bitumen price changes. Other fuels are purchased at spot and passed on.

Although elements of cost volatility are mitigated in the near term through this layered hedging policy, the general cost environment has required a correspondingly more dynamic approach to pricing, which has progressed across all our core products, albeit with a lag, to recover these additional costs.

NON-UNDERLYING ITEMS, INTEREST AND PROFIT BEFORE TAX

Non-underlying items in the year amounted to a pre-tax cost of £6.2m (2020: £14.9m), the major items being amortisation of acquired intangible assets and integration costs relating to the Cemex acquisition.

Finance costs in the year totalled £13.1m (2020: £13.5m) and included interest on the Group's debt facilities and lease liabilities, amortisation of bank arrangement fees, and the unwinding of discounting on provisions. Following the successful refinancing in 2021, approximately 40% of the Group's available facilities are at fixed rates of interest, with the remainder floating relative to SONIA or EURIBOR as appropriate.

Profit before tax was £114.3m, 21% above 2019 (£94.6m). Underlying profit before tax was £120.5m, 17% above 2019 (£102.6m).

TAX

The Group recorded an Underlying tax charge at an effective rate of 16.1% (2019: 16.9%), which in absolute terms equated to £19.4m (2019: £17.3m). We recognised a non-cash deferred tax charge of £17.3m to re-measure our deferred tax liability at a higher tax rate, following the UK Government substantively enacting legislation to increase the future rate of corporation tax to 25% from 19%. This charge has been presented within the Underlying column of the Consolidated Income Statement as a separate line. The statutory reported tax charge was £35.7m (2019: £16.6m).

The Group complied effectively with its stated tax strategy, and continues to make a significant contribution to the economies in which we operate through taxation, either borne by the Group or collected on behalf of, and paid to the tax authorities. In 2021 the total taxes borne and collected by the Group amounted to c. £210m (2020: c. £160m and 2019: c. £175m). This included the planned repayment of £12.6m of VAT which had been automatically deferred by HMRC in 2020, following which no pandemic related tax deferrals remained outstanding.

EARNINGS PER SHARE

Statutory Basic EPS was 4.65p (2019: 4.64p), while Underlying basic EPS, for the year totalled 4.96p (2019: 5.08p). Adjusted Underlying Basic EPS, calculated using Underlying earnings and adjusted to exclude the impact of the £17.3m charge recognised in respect of deferred tax rate changes, was 5.98p (2019: 5.08p). There are no significant dilutive instruments held by Breedon, with the only adjustments made in calculating diluted EPS metrics relating to employee share option schemes.

STATEMENT OF FINANCIAL POSITION AND ROIC

Net assets at 31 December 2021 were £949.8m (2020: £888.4m). Total non-current assets of £1,317.7m (2020: £1,339.2m) were broadly in line with the prior year with no indications of impairment identified in our review by CGU of Goodwill held on the balance sheet. In 2021 we formally included considerations of the impact of climate change on the carrying value of goodwill and further details of this are set out in note 9 to the accounts. Current assets were higher than December 2020 as a consequence of the elevated levels of trading in the year. Total liabilities decreased year on year, principally due to the lower level of interest-bearing loans and borrowings at the 2021 year end, partially offset by the increase in our deferred tax liability (as detailed in the Tax section above) and increases in provision balances due to refined assumptions around the likely future cost of restoration activities.

Using average invested capital, ROIC strengthened through the year to end 2021 at 9.5% (2019: 8.8%), and we expect to see further improvements as we work towards delivering our medium term target of consistently delivering ROIC in excess of 10%.

FREE CASH FLOW AND CONVERSION

We generated £127.3m Free Cash Flow (2020: £140.0m) while significantly increasing capital investment and carefully managing working capital during a period of elevated trading activity. Net capital expenditure of £71.3m (2020: £36.4m) comprised capital investment of £76.9m offset by £5.6m of proceeds from specific asset disposals. Our intention remains to invest an incremental £30m over and above our pre-existing plan, across 2021 and 2022, essentially self-financed over the two years through the beneficial cash flow impact of the superdeduction available on UK capital investment in this period.

Free Cash Flow conversion for the year, defined as the ratio of Free Cash Flow to Underlying EBITDA, was 59% (2020: 94%). This is in line with historic cash conversion rates and exceeds our average cash conversion target of 50%.

ACQUISITIONS AND DIVESTMENTS

Spend on acquisitions was £6.1m (2020: £169.6m, primarily relating to the Cemex acquisition). This comprised a net £2.1m to acquire Express Minimix with the remaining £4.0m being the settlement of deferred consideration from previous acquisitions.

NET DEBT, REFINANCING AND BORROWING FACILITIES

At 31 December 2021, Net Debt (excluding IFRS 16) was £161.5m (2020: £265.2m) and our Covenant Leverage was 0.8x (2020: 1.9x). Net Debt (including IFRS 16) was £212.5m (2020: £318.3m). This de-leveraging demonstrates the highly-cash generative nature of the Group combined with the sustained recovery in earnings.

During the year, we successfully completed the refinancing of our business, allowing us to move to unsecured lending facilities, diversifying our sources of credit and extending the maturity profile of our borrowings; all at competitive rates. This gives Breedon significantly greater financial flexibility and provides us with a strong platform to continue to invest and deliver future growth. The Group's borrowing facilities now comprise a £350m RCF and a £250m USPP. The RCF is a multi-currency facility with an accordion option of up to £70m.

The RCF is available to the Group until June 2024 with an option to extend for up to a further two years, with initial interest rates at a margin of 2% plus SONIA or EURIBOR according to the currency of debt drawn. The USPP is the first issued by the Group, and comprises £170m Sterling and £80m drawn in Euro, with an average fixed coupon of approximately 2% and a maturity profile of between 7 and 15 years. The USPP was significantly oversubscribed by prospective investors, reflecting the Group's strong credit profile. The borrowing facilities are subject to Group leverage and interest cover covenants which are tested half-yearly. The Group maintains a strong liquidity position and at 31 December 2021, total undrawn borrowing facilities available to the Group amounted to £350m.

DIVIDEND

Reflecting the Group's scale, level of maturity and cash generation, we intend to pay a dividend of 1.6p per share in respect of the 2021 financial year, equating to a total cash return to shareholders of approximately £27m. This equates to a payout ratio of 27% of Adjusted Underlying EPS. An interim dividend of 0.5p was paid on 10 September 2021 and, subject to shareholder approval, the remaining 1.1p will be paid as a final dividend on 20 May 2022.

In starting to pay a dividend, we remain confident that this will not compromise the Group's ability to execute on our strategic objectives and Breedon's capital allocation priorities remain unchanged. We will continue to prioritise the strong balance sheet that allows us to invest in our asset base such that our business is able to take advantage of market opportunities and will pursue selective acquisitions in order to accelerate our strategic development. Assuming continued positive trading conditions and cash generation, the Group intends to adopt a progressive dividend policy that targets a pay-out ratio of 40% of underlying earnings per share over time.

CAPITAL ALLOCATION

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

2022 TECHNICAL GUIDANCE

In 2022, we are on track to realise our synergy target of £2m on the Cemex acquisition, alongside organic improvements. Net interest expense will be c.£13m and we expect an effective tax rate of c.16% with cash tax payments slightly lower than the effective rate as a result of the UK superdeduction scheme.

We expect working capital to experience the normal seasonal outflow in the first half of 2022, with an overall modest outflow of £10m - £20m for the full year. In line with our commitment to accelerate investment in the business, capital expenditure will be £170m over the two years to 2022. The cash cost of the 2021 final dividend will be £18m and will be paid in the first half of 2022.

RISK

The Group's principal risks are:

STRATEGIC

- Acquisitions
- Climate change
- Digitalisation
- Market conditions
- Mineral reserves
- People

OPERATIONAL

- Environmental impact
- Failure of a critical asset
- Health, safety and wellbeing
- Input costs
- IT and cyber security
- Legal and regulatory
- Product specification

FINANCIAL

- Credit risk
- Currency risk
- Financing and interest rate risk

Further details of the principal risks facing the Group are set out in the Group's Annual Report for the year ended 31 December 2021. The Board consider that these are the risks that could impact the performance of the Group in the current financial year. The Board continues to manage these risks and to mitigate their expected impact.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

Under Jersey 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 Group and of the profit or loss of the Group 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 Group'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 Group 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 the Group and to prevent and detect fraud and other irregularities.

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021			2020		
	Underlying	**Non-underlying* (note 3)**	**Total**	Underlying	Non-underlying* (note 3)	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**1,232.5**	**-**	**1,232.5**	928.7	–	928.7
Cost of sales	**(804.1)**	**-**	**(804.1)**	(630.8)	–	(630.8)
Gross profit	**428.4**	**-**	**428.4**	297.9	–	297.9
Distribution expenses	**(210.6)**	**-**	**(210.6)**	(158.1)	–	(158.1)
Administrative expenses	**(87.1)**	**(6.2)**	**(93.3)**	(65.0)	(14.9)	(79.9)
Group operating profit	**130.7**	**(6.2)**	**124.5**	74.8	(14.9)	59.9
Share of profit of associate and joint ventures	**2.9**	**-**	**2.9**	1.7	–	1.7
Profit from operations	**133.6**	**(6.2)**	**127.4**	76.5	(14.9)	61.6
Financial expense	**(13.1)**	**-**	**(13.1)**	(13.5)	–	(13.5)
Profit before taxation	**120.5**	**(6.2)**	**114.3**	63.0	(14.9)	48.1
Tax at effective rate	**(19.4)**	**1.0**	**(18.4)**	(9.8)	1.3	(8.5)
Changes in deferred tax rate	**(17.3)**	**-**	**(17.3)**	(5.9)	–	(5.9)
Taxation	**(36.7)**	**1.0**	**(35.7)**	(15.7)	1.3	(14.4)
Profit for the year	**83.8**	**(5.2)**	**78.6**	47.3	(13.6)	33.7
Attributable to:						
Equity holders of the parent	**83.7**	**(5.2)**	**78.5**	47.2	(13.6)	33.6
Non-controlling interests	**0.1**	**-**	**0.1**	0.1	–	0.1
Profit for the year	**83.8**	**(5.2)**	**78.6**	47.3	(13.6)	33.7

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

	2021	2020
Earnings per share		
Basic	**4.65p**	1.99p
Diluted	**4.62p**	1.99p

Underlying earnings per share are shown in note 7.

	2021	2020
Dividends in respect of the year		
Dividend per share	**1.60p**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £m	2020 £m
Profit for the year	**78.6**	33.7
Other comprehensive income		
Items which may be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations, net of hedging	**(14.7)**	11.6
Effective portion of changes in fair value of cash flow hedges	**1.2**	1.7
Taxation on items taken directly to other comprehensive income	**(0.2)**	(0.2)
Other comprehensive (expense)/income for the year	**(13.7)**	13.1
Total comprehensive income for the year	**64.9**	46.8
Total comprehensive income for the year is attributable to:		
Equity holders of the parent	**64.8**	46.7
Non-controlling interests	**0.1**	0.1
	64.9	46.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	2021 **£m**	2020 (restated*) £m
Non-current assets		
Property, plant and equipment	**799.5**	812.2
Intangible assets	**501.5**	512.6
Investment in associate and joint ventures	**12.2**	11.2
Trade and other receivables	**4.5**	3.2
Total non-current assets	**1,317.7**	1,339.2
Current assets		
Inventories	**62.0**	59.4
Trade and other receivables	**205.9**	189.7
Current tax receivable	**–**	0.9
Cash and cash equivalents	**83.9**	31.7
Total current assets	**351.8**	281.7
Total assets	**1,669.5**	1,620.9
Current liabilities		
Interest-bearing loans and borrowings	**(7.2)**	(64.7)
Trade and other payables	**(257.7)**	(245.5)
Current tax payable	**(4.7)**	–
Provisions	**(9.5)**	(5.0)
Total current liabilities	**(279.1)**	(315.2)
Non-current liabilities		
Interest-bearing loans and borrowings	**(289.2)**	(285.3)
Provisions	**(63.9)**	(60.3)
Deferred tax liabilities	**(87.5)**	(71.7)
Total non-current liabilities	**(440.6)**	(417.3)
Total liabilities	**(719.7)**	(732.5)
Net assets	**949.8**	888.4
Equity attributable to equity holders of the parent		
Stated capital	**553.0**	551.6
Hedging reserve	**1.2**	0.2
Translation reserve	**(9.8)**	4.9
Retained earnings	**405.2**	331.6
Total equity attributable to equity holders of the parent	**949.6**	888.3
Non-controlling interests	**0.2**	0.1
Total equity	**949.8**	888.4

*Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period and classification of trade and other receivables. See note 1 for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	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 2020	550.0	(1.3)	(6.7)	297.0	839.0	0.1	839.1
Shares issued	1.6	–	–	–	1.6	–	1.6
Dividend to non-controlling interests	–	–	–	–	–	(0.1)	(0.1)
Total comprehensive income for the year	–	1.5	11.6	33.6	46.7	0.1	46.8
Share-based payments (inclusive of deferred tax recognised in equity)	–	–	–	1.0	1.0	–	1.0
Balance at 31 December 2020	551.6	0.2	4.9	331.6	888.3	0.1	888.4
Shares issued	**1.4**	**-**	**-**	**-**	**1.4**	**-**	**1.4**
Dividends paid	**-**	**-**	**-**	**(8.4)**	**(8.4)**	**-**	**(8.4)**
Total comprehensive income for the year	**-**	**1.0**	**(14.7)**	**78.5**	**64.8**	**0.1**	**64.9**
Share-based payments (inclusive of deferred tax recognised in equity)	**-**	**-**	**-**	**3.5**	**3.5**	**-**	**3.5**
Balance at 31 December 2021	**553.0**	**1.2**	**(9.8)**	**405.2**	**949.6**	**0.2**	**949.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £m	2020 £m
Cash flows from operating activities		
Profit for the year	**78.6**	33.7
Adjustments for:		
Depreciation and mineral depletion	**83.3**	74.4
Amortisation	**3.6**	3.6
Financial expense	**13.1**	13.5
Share of profit of associate and joint ventures	**(2.9)**	(1.7)
Net (gain)/loss on sale of property, plant and equipment	**-**	4.6
Share-based payments	**2.9**	1.0
Taxation	**35.7**	14.4
Operating cash flow before changes in working capital and provisions	**214.3**	143.5
(Increase) in trade and other receivables	**(17.6)**	(26.4)
(Increase)/decrease in inventories	**(3.5)**	10.4
Increase in trade and other payables	**17.2**	64.6
Increase in provisions	**6.7**	7.4
Cash generated from operating activities	**217.1**	199.5
Interest paid	**(6.8)**	(7.7)
Interest element of lease payments	**(2.6)**	(2.6)
Dividend paid to non-controlling interests	**-**	(0.1)
Income taxes paid	**(13.6)**	(20.7)
Net cash from operating activities	**194.1**	168.4
Cash flows used in investing activities		
Acquisition of businesses	**(6.1)**	(151.7)
Divestment of businesses	**-**	9.0
Dividends from associate and joint ventures	**1.9**	1.3
Purchase of property, plant and equipment	**(76.9)**	(38.1)
Proceeds from sale of property, plant and equipment	**5.6**	1.7
Net cash used in investing activities	**(75.5)**	(177.8)
Cash flows (used in)/from financing activities		
Dividends paid	**(8.4)**	-
Proceeds from the issue of shares (net of costs)	**1.4**	1.6
Proceeds from new interest-bearing loans (net of costs)	**513.9**	79.5
Repayment of interest-bearing loans	**(563.1)**	(53.4)
Repayment of lease obligations	**(9.7)**	(10.8)
Net cash (used in)/from financing activities	**(65.9)**	16.9
Net increase in cash and cash equivalents	**52.7**	7.5
Cash and cash equivalents at 1 January	**31.7**	23.8
Foreign exchange differences	**(0.5)**	0.4
Cash and cash equivalents at 31 December	**83.9**	31.7

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

Breedon Group plc is a company domiciled in Jersey. The financial information (note 11) consolidates the results of the Company and its subsidiary undertakings, and equity account for the Group's interest in its associate and its joint ventures (collectively the 'Group').

The financial information has been prepared in accordance with IFRS as adopted by the UK, and under the historical cost convention except for the revaluation to fair value of certain financial instruments.

Restatement of 2020 Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position has been restated for the following:

- Finalisation of provisional fair values of the assets and liabilities recognised in respect of the Cemex acquisition in 2020, following a review during the IFRS 3 hindsight period. See note 9 for further details.
- Classification of £3.2m of trade and other receivables between current and non-current.

The table below reconciles the Consolidated Statement of Financial Position originally reported in the 2020 Annual Report to the restated position.

	2020	2021	
	Previously reported	**Adjustment**	**Restated Values**
	£m	**£m**	**£m**
Property, plant and equipment	816.3	**(4.1)**	**812.2**
Intangible assets	506.9	**5.7**	**512.6**
Trade and other receivables	–	**3.2**	**3.2**
Total non-current assets	1,334.4	**4.8**	**1,339.2**
Trade and other receivables	192.9	**(3.2)**	**189.7**
Total current assets	284.9	**(3.2)**	**281.7**
Total assets	1,619.3	**1.6**	**1,620.9**
Trade and other payables	(245.1)	**(0.4)**	**(245.5)**
Total current liabilities	(314.8)	**(0.4)**	**(315.2)**
Deferred tax liabilities	(70.5)	**(1.2)**	**(71.7)**
Total non-current liabilities	(416.1)	**(1.2)**	**(417.3)**
Total liabilities	(730.9)	**(1.6)**	**(732.5)**
Net assets	888.4	**–**	**888.4**

There is no cash implication to this adjustment. The impact on the Consolidated Income Statement is not significant and this has therefore not been restated.

Alternative performance measures

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

- Underlying EBIT
- Underlying EBIT margin
- Underlying EBITDA
- Like-for-like Underlying EBIT
- Like-for-like revenue
- Underlying basic earnings per share
- Free Cash Flow
- Free Cash Flow conversion
- Return on invested capital
- Covenant Leverage

Management uses these terms as they believe these measures allow a better understanding of the Group's underlying business performance. These alternative performance measures are well understood by investors and analysts, are consistent with the Group's historic communication with investors and reflects the way in which the business is managed.

A reconciliation between these alternative performance measures to the most directly related statutory measures is included within note 10.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segmental analysis

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

The Group's activities comprise the following reportable segments:

Great Britain: our construction materials and surfacing businesses in Great Britain.

Ireland: our construction materials and surfacing businesses on the Island of Ireland.

Cement: our cementitious operations in Great Britain and Ireland.

As a result of the Cemex acquisition, certain cement related activities which formed part of Great Britain in 2020 are now reported within the Cement segment. Comparative values in this note have been restated accordingly. The reallocated activities contributed £20.0m of revenue, £2.5m of EBITDA, and £1.3m of EBIT for the year ended 31 December 2020.

		2021		2020 (restated)
	Revenue	Underlying EBITDA*	Revenue	Underlying EBITDA*
Income statement	**£m**	**£m**	£m	£m
Great Britain	**845.2**	**124.2**	602.8	74.5
Ireland	**225.4**	**35.4**	189.3	27.9
Cement	**245.6**	**67.7**	197.2	57.5
Central administration	**-**	**(13.3)**	–	(10.7)
Eliminations	**(83.7)**	**-**	(60.6)	–
Group	**1,232.5**	**214.0**	928.7	149.2
Reconciliation to statutory profit				
Group Underlying EBITDA as above		**214.0**		149.2
Depreciation and mineral depletion		**(83.3)**		(74.4)
Great Britain		**74.3**		33.5
Ireland		**28.2**		20.5
Cement		**41.6**		31.7
Central administration		**(13.4)**		(10.9)
Underlying Group operating profit		**130.7**		74.8
Share of profit of associate and joint ventures		**2.9**		1.7
Underlying profit from operations (EBIT)		**133.6**		76.5
Non-underlying items (note 3)		**(6.2)**		(14.9)
Profit from operations		**127.4**		61.6
Financial expense		**(13.1)**		(13.5)
Profit before taxation		**114.3**		48.1
Taxation at effective rate		**(18.4)**		(8.5)
Changes in deferred tax rate		**(17.3)**		(5.9)
Taxation		**(35.7)**		(14.4)
Profit for the year		**78.6**		33.7

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segmental analysis *(continued)*

Disaggregation of revenue from contracts with customers

Analysis of revenue by geographic location of end market

The primary geographic market for all Group revenues for the purpose of IFRS 15 is the UK and RoI. In line with the requirements of IFRS 8, this is analysed by individual countries as follows:

	2021	2020
	£m	£m
United Kingdom	**1,088.2**	799.5
Republic of Ireland	**141.1**	126.0
Other	**3.2**	3.2
	1,232.5	928.7

Analysis of revenue by major products and service lines by segment

	2021	2020 (restated)
Sale of goods	**£m**	£m
Great Britain	**740.2**	525.5
Ireland	**66.4**	51.9
Cement	**245.6**	197.2
Eliminations	**(83.7)**	(60.6)
	968.5	714.0
Surfacing		
Great Britain	**105.0**	77.3
Ireland	**159.0**	137.4
	264.0	214.7
Total	**1,232.5**	928.7

Timing of revenue recognition

Sale of goods revenue relates to products for which revenue is recognised at a point in time as the product is transferred to the customer. Surfacing revenues are accounted for as products and services for which revenue is recognised over time.

Statement of financial position

	2021		2020 (restated*)	
	Total assets £m	**Total liabilities £m**	Total assets £m	Total liabilities £m
Great Britain	**841.8**	**(203.0)**	838.2	(187.0)
Ireland	**254.4**	**(45.8)**	252.3	(46.0)
Cement	**487.2**	**(65.0)**	496.9	(56.4)
Central administration	**2.2**	**(17.3)**	0.9	(21.4)
Total operations	**1,585.6**	**(331.1)**	1,588.3	(310.8)
Current tax	**-**	**(4.7)**	0.9	-
Deferred tax	**-**	**(87.5)**	-	(71.7)
Net Debt	**83.9**	**(296.4)**	31.7	(350.0)
Total Group	**1,669.5**	**(719.7)**	1,620.9	(732.5)
Net assets		**949.8**		888.4

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period in addition to changes to the composition of segments. See note 1.

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.

	2021 £m	2020 £m
Included in administrative expenses:		
Redundancy and reorganisation costs	**1.2**	0.9
Acquisition costs	**0.7**	7.5
Property losses	**0.7**	2.9
Amortisation of acquired intangible assets	**3.6**	3.6
Total non-underlying items (before tax)	**6.2**	14.9
Non-underlying taxation	**(1.0)**	(1.3)
Total non-underlying items (after tax)	**5.2**	13.6

4 Financial expense

	2021 £m	2020 £m
Interest charged on bank loans, private placement notes and overdrafts	**6.8**	7.7
Amortisation of loan arrangement fees	**2.3**	1.4
Lease liabilities	**2.6**	2.6
Unwinding of discount on provisions	**1.4**	1.8
	13.1	13.5

Amortisation of loan arrangement fees for 2021 includes a charge of £1.2m to expense fees previously capitalised in respect of the Group's old facilities. See note 6.

5 Taxation

Recognised in the Consolidated Income Statement

	2021 £m	2020 £m
Current tax expense		
Current year	**19.1**	12.9
Prior year	**(0.1)**	(0.7)
Total current tax	**19.0**	12.2
Deferred tax expense		
Current year	**(1.1)**	(3.6)
Change in deferred tax rate	**17.3**	5.9
Prior year	**0.5**	(0.1)
Total deferred tax	**16.7**	2.2
Total tax in the Consolidated Income Statement	**35.7**	14.4

Recognised in Other Comprehensive Income

	2021 £m	2020 £m
Deferred tax (income)/expense		
Cash flow hedges	**0.2**	0.2
Share based payments	**(0.6)**	–
Total tax in Other Comprehensive Income	**(0.4)**	0.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 Taxation *(continued)*

Reconciliation of effective tax rate

	2021 £m	2020 £m
Profit before taxation	**114.3**	48.1
Tax at the Company's domestic rate of 19%	**21.7**	9.1
Difference between Company and subsidiary statutory tax rates	**(2.0)**	(1.4)
Expenses not deductible for tax purposes	**0.7**	2.0
Enhanced capital allowances	**(1.5)**	–
Share-based payments	**-**	(0.2)
Utilisation of unrecognised deferred tax assets	**(0.4)**	–
Income from associate and joint ventures already taxed	**(0.5)**	(0.2)
Change in deferred tax rate	**17.3**	5.9
Adjustment in respect of prior years	**0.4**	(0.8)
Total tax charge	**35.7**	14.4

Although the Company is registered in Jersey, it is tax resident in the United Kingdom, with a 19% tax rate. The Group's subsidiary operations pay tax at a rate of 19% (2020: 19%) in the United Kingdom and 12.5% (2020: 12.5%) in the Republic of Ireland.

On 24 May 2021 legislation was passed which substantively enacted an increase in the UK corporation tax rate from 19% to 25% from April 2023. This will result in higher tax charges in future years, and a deferred tax charge of £17.3m has been recognised to remeasure the Group's UK deferred tax liabilities at 31 December 2021 at this higher rate.

Excluding the impact of non-underlying items and the change in deferred tax rate, the Group's Underlying effective tax rate is 16.1% (2020: 15.6%). Including these items, the Group's reported tax rate for the year is 31.2% (2020: 29.9%).

6 Interest-bearing loans and borrowings

Net Debt

	2021 £m	2020 £m
Cash and cash equivalents	**83.9**	31.7
Current borrowings	**(7.2)**	(64.7)
Non-current borrowings	**(289.2)**	(285.3)
Net Debt (including IFRS 16)	**(212.5)**	(318.3)
IFRS 16 lease liabilities	**51.0**	53.1
Net Debt (excluding IFRS 16)	**(161.5)**	(265.2)

Analysis of borrowings between current and non-current

	2021 £m	2020 £m
Bank and USPP debt	**-**	55.0
Lease liabilities	**7.2**	9.7
Current borrowings	**7.2**	64.7
Bank and USPP debt	**245.4**	240.6
Lease liabilities	**43.8**	44.7
Non-current borrowings	**289.2**	285.3

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

The Group refinanced its debt facilities in 2021, with the new facilities comprising a £350m multi-currency revolving credit facility and £250m of USPP loan notes.

The multi-currency revolving credit facility has an opening margin approximately 2% above SONIA or EURIBOR according to the currency of borrowings. The revolving credit facility is unsecured and repayable in June 2024, with two one-year extension options through to June 2026.

The USPP loan notes comprises £170m Sterling and £80m Euro loan notes, and matures in tranches between 7 and 15 years. Interest is payable at a fixed rate of approximately 2%.

The refinancing was treated as an extinguishment of the previous facility under IFRS 9, with the Consolidated Statement of Cash Flows showing the repayment of the liability and a charge of £1.2m recognised in the Consolidated Income Statement to expense the remaining capitalised loan arrangement fees on the old facility. See note 4.

7 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

Calculations of these measures and reconciliations to related alternative performance measures, are as follows:

Basic EPS to Adjusted Underlying EPS

	2021			2020		
	Earnings £m	**Shares millions**	**EPS pence**	Earnings £m	Shares millions	EPS pence
Basic EPS	**78.5**	**1,688.243**	**4.65**	33.6	1,685.428	1.99
Adjustments to earnings						
Earnings impact of change in deferred tax rate (note 5)	**17.3**	**-**	**1.02**	5.9	–	0.35
Non-underlying items (note 3)	**5.2**	**-**	**0.31**	13.6	–	0.81
Adjusted Underlying Basic EPS	**101.0**	**1,688.243**	**5.98**	53.1	1,685.428	3.15

Basic EPS to Underlying EPS

	2021			2020		
	Earnings £m	**Shares millions**	**EPS pence**	Earnings £m	Shares millions	EPS pence
Basic EPS	**78.5**	**1,688.243**	**4.65**	33.6	1,685.428	1.99
Adjustments to earnings						
Non-underlying items (note 3)	**5.2**	**-**	**0.31**	13.6	–	0.81
Underlying Basic EPS	**83.7**	**1,688.243**	**4.96**	47.2	1,685.428	2.80

Diluted EPS to Diluted Underlying EPS

	2021			2020		
	Earnings £m	**Shares millions**	**EPS pence**	Earnings £m	Shares millions	EPS pence
Diluted EPS	**78.5**	**1,698.462**	**4.62**	33.6	1,688.962	1.99
Adjustments to earnings						
Non-underlying items (note 3)	**5.2**	**-**	**0.31**	13.6	–	0.81
Underlying Diluted EPS	**83.7**	**1,698.462**	**4.93**	47.2	1,688.962	2.80

Dilutive items in both the current and prior year related to share-based payments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8 Stated capital

All shares issued by Breedon are ordinary shares which have no par value and are fully paid. The Company has no limit to the number of shares which may be issued.

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.

	Number of ordinary shares (m)	
	2021	2020
Issued ordinary shares at the beginning of year	**1,687.6**	1,682.9
Issued in connection with:		
Exercise of savings-related share options	**2.1**	2.9
Vesting of Performance Share Plan awards	**–**	1.8
	1,689.7	1,687.6

Movements during 2021:
The Company issued 2.1m shares raising £1.4m in connection with the exercise of certain savings-related share options.

Movements during 2020:
The Company issued 2.9m shares raising £1.6m in connection with the exercise of certain savings-related share options and issued 1.8m shares for nil consideration in connection with the vesting of awards under the Performance Share Plans.

9 Acquisitions

Current year acquisition

On 1 June 2021, the Group acquired the entire share capital of Micromix (Northern) Limited (trading as Express Minimix) for consideration of £2.6m. The fair value of the assets and liabilities acquired is set out as follows:

	Fair value on acquisition £m
Property, plant and equipment - owned	**0.4**
Trade and other receivables	**0.7**
Cash	**0.5**
Trade and other payables	**(0.8)**
Deferred tax liabilities	**(0.1)**
Total	**0.7**
Consideration – cash	**2.6**
Goodwill arising	**1.9**

The goodwill arising represents expected synergies, the potential for future growth, the strategic location of the assets acquired and the skills of the existing workforce.

There were no fair value adjustments relating to the acquisition.

Impact of current year acquisitions

Income statement

During the year, this acquisition contributed revenues of £2.3m and Underlying EBIT of £0.2m to the Group. If this acquisition had occurred on 1 January 2021, the results of the Group for the year ended 31 December 2021 would have shown revenue of £1,234.1m and Underlying EBIT of £133.7m.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Acquisitions *(continued)*

Impact of current year acquisitions *(continued)*

Cash flow

The cash flow impact of acquisitions in the year can be summarised as follows:

	£m
Consideration paid for the current year acquisition (net of cash received)	**2.1**
Settlement of deferred consideration from prior year acquisitions	**4.0**
Net cash consideration shown in the Consolidated Statement of Cash Flows	**6.1**

Acquisition costs

The Group incurred acquisition related costs of £0.7m (2020: £7.5m) which are primarily external professional fees. These have been included as non-underlying administrative costs (note 3).

Prior year acquisition

On 31 July 2020, the Group completed the Cemex acquisition, although was not able to begin the process of integration and fair value accounting until December 2020 when CMA restrictions were lifted.

The provisional fair values of the assets and liabilities acquired have been reconsidered in the hindsight period under IFRS 3 and changes to fair values have been made to the extent that these reflect facts and circumstances which existed at the point of acquisition.

The provisional and final fair values of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition are set out below:

	2020	**2021**	
	Provisional fair value on acquisition £m	**Hindsight period adjustments £m**	**Final fair value on acquisition £m**
Intangible assets	0.1	**-**	**0.1**
Property, plant and equipment - owned	136.9	**(4.1)**	**132.8**
Property, plant and equipment - leased	17.9	**-**	**17.9**
Inventories	11.9	**-**	**11.9**
Trade and other receivables	0.3	**-**	**0.3**
Cash	(17.9)	**-**	**(17.9)**
Trade and other payables	(0.4)	**(0.4)**	**(0.8)**
Interest-bearing loans and borrowings	(14.3)	**-**	**(14.3)**
Deferred tax liabilities	(7.2)	**(1.2)**	**(8.4)**
Total	127.3	**(5.7)**	**121.6**
Consideration – cash	151.1	**-**	**151.1**
Consideration – deferred consideration	3.0	**-**	**3.0**
Goodwill arising	26.8	**5.7**	**32.5**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Acquisitions *(continued)*

Prior year acquisition (continued)

Reassessment of the fair values during the period resulted in an increase of £5.7m in the value of goodwill arising. The significant changes were as follows:

- adjustment to specific items of property, plant and equipment following a detailed review of the acquired operations. These included attributing increased value to mineral assets at Shap, a dormant quarry which was re-commissioned in 2021, and a reduction in the value of assets, including capitalised IFRS 16 assets, at a small number of loss making sites which were closed in the year;
- the Group commissioned a third-party report on the discount rate applicable to the Cemex acquisition as a standalone business. Application of this more accurate discount rate leads to a reduction in the value of owned property, plant and equipment; and
- deferred tax on the above and the derecognition of certain deferred tax assets following a review by the Group's external tax adviser.

Following these adjustments, the fair value exercise is now final.

10 Reconciliation to non-GAAP measures

Non-GAAP performance measures are used throughout the Annual Report and the 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

2021	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	**845.2**	**225.4**	**245.6**	**(83.7)**	**-**	**1,232.5**
Profit from operations						**127.4**
Non-underlying items (note 3)						**6.2**
Underlying EBIT	**74.3**	**28.2**	**41.6**	**(13.4)**	**2.9**	**133.6**
Underlying EBIT margin	**8.8%**	**12.5%**	**16.9%**			**10.8%**
Underlying EBIT	**74.3**	**28.2**	**41.6**	**(13.4)**	**2.9**	**133.6**
Share of profit of associate and joint ventures	**-**	**-**	**-**	**-**	**(2.9)**	**(2.9)**
Depreciation and mineral depletion	**49.9**	**7.2**	**26.1**	**0.1**	**-**	**83.3**
Underlying EBITDA	**124.2**	**35.4**	**67.7**	**(13.3)**	**-**	**214.0**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 Reconciliation to non-GAAP measures (continued)

Reconciliation of earnings based alternative performance measures (continued)

2020 (restated*)	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	602.8	189.3	197.2	(60.6)	–	928.7
Profit from operations						61.6
Non-underlying items (note 3)						14.9
Underlying EBIT	**33.5**	**20.5**	**31.7**	**(10.9)**	**1.7**	**76.5**
Underlying EBIT margin	**5.6%**	**10.8%**	**16.1%**			**8.2%**
Underlying EBIT	33.5	20.5	31.7	(10.9)	1.7	76.5
Share of profit of associate and joint ventures	–	–	–	–	(1.7)	(1.7)
Depreciation and mineral depletion	41.0	7.4	25.8	0.2	–	74.4
Underlying EBITDA	**74.5**	**27.9**	**57.5**	**(10.7)**	–	**149.2**

*Restated for changes to composition of operating segments. See note 2.

Like-for-like alternative performance measures

There are a number of references throughout this report to like-for-like revenue, earnings and volumes. Like-for-like numbers exclude the impact of acquisitions and disposals, and have been used alongside non like-for-like measures to help the Group better communicate performance in the year when compared to previous reporting periods. This is especially relevant in the current year since the Cemex acquisition contributed only five months of trading in 2020 but a full 12 months in 2021, and this has a material impact on the reported numbers.

Covenant Leverage

Covenant Leverage is defined as the ratio of Underlying EBITDA to Net Debt, with both Underlying EBITDA and Net Debt adjusted to reflect the material items which are adjusted by the Group and its lenders in determining Leverage for the purpose of assessing covenant compliance and, in the case of our bank facilities, the margin payable on debt. In both the current and prior year, the only material adjusting item was the impact of IFRS 16.

	2021 £m	2020 £m
Underlying EBITDA	**214.0**	149.2
Impact of IFRS 16	**(10.7)**	(9.3)
Underlying EBITDA for covenants	**203.3**	139.9
Net Debt excluding the impact of IFRS 16 (note 6)	**161.5**	265.2
Covenant Leverage	**0.8x**	1.9x

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

Free Cash Flow conversion

	2021 £m	2020 £m
Underlying EBIT	**133.6**	76.5
Depreciation and mineral depletion	**83.3**	74.4
(Increase) in trade and other receivables	**(17.6)**	(26.4)
(Increase)/decrease in inventories	**(3.5)**	10.4
Increase in trade and other payables	**17.2**	64.6
Increase in provisions	**6.7**	7.4
Share of profit of associate and joint ventures	**(2.9)**	(1.7)
Share-based payments	**2.9**	1.0
Dividends from associate and joint ventures	**1.9**	1.3
Dividend paid to non-controlling interests	**-**	(0.1)
Income taxes paid	**(13.6)**	(20.7)
Interest paid	**(6.8)**	(7.7)
Interest element of lease payments	**(2.6)**	(2.6)
Purchase of property, plant and equipment	**(76.9)**	(38.1)
Proceeds from the sale of property, plant and equipment	**5.6**	1.7
Free Cash Flow	**127.3**	140.0
Underlying EBITDA	**214.0**	149.2
Free Cash Flow conversion	**59%**	94%

Return on invested capital

	2021 £m	2020 £m
Underlying EBIT	**133.6**	76.5
Underlying effective tax rate (note 5)	**16.1%**	15.6%
Taxation at the Group's underlying effective rate	**(21.5)**	(11.9)
Underlying earnings before interest	**112.1**	64.6
Net assets	**949.8**	888.4
Net Debt (note 6)	**212.5**	318.3
Invested capital at 31 December	**1,162.3**	1,206.7
Average invested capital*	**1,184.5**	1,168.1
Return on invested capital**	**9.5%**	5.5%

* 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 2020 was £1,129.4m.

** 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

11 Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Jersey Companies Registry, and those for 2021 will be delivered in due course. The Auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Article 113B(3) or Article 113B(6) of the Companies (Jersey) Law 1991.

The Annual Report will be made available to shareholders on or before 22 March 2022 and will be displayed on the Company's website, www.breedongroup.com. Copies of the Annual Report and Accounts will be available from the Company's Registered Office, 28 Esplanade, St Helier, Jersey, JE2 3QA.

This Announcement of results for the year ended 31 December 2021 was approved by the Directors on 9 March 2022.

Cautionary Statement

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