News release

8 March 2017

Breedon Group plc

('Breedon Group' or 'the Group')

Annual Results 2016

Breedon Group, the UK's leading independent construction materials group, announces its audited annual results for the year ended 31 December 2016.

	2016	2015	Change
Revenue	**£454.7 million**	£318.5 million	+43%
Underlying EBIT†	**£59.6 million**	£37.8 million	+58%
Profit before tax	**£46.8 million**	£31.3 million	+50%
Underlying basic EPS†	**3.49 pence**	2.68 pence	+30%
Net debt/(cash)	**£159.3 million**	£(10.3) million	

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

11.4 million tonnes of aggregates sold (2015: 8.7 million tonnes)

1.9 million tonnes of asphalt sold (2015: 1.8 million tonnes)

1.9 million cubic metres of ready-mixed concrete sold (2015: 0.9 million cubic metres)

Highlights

- Group transformed by the acquisition of Hope Construction Materials ('Hope'), with integration well advanced and synergies accelerated
- Strong trading performances across the Group, with improved sales and profits in former Breedon Aggregates business, boosted by five-month contribution from Hope
- Acquisition of Sherburn Minerals Group completed, adding two cementitious import terminals, four quarries and five ready-mixed concrete plants to Group portfolio
- Continued planned capital investment in capacity and operational improvements
- Former Breedon Aggregates business's Lost Time Injury Frequency Rate (LTIFR) improved by 22 per cent to 2.13
- Strong platform for growth established, with encouraging outlook for 2017 on the back of expected increases in infrastructure and housing investment

Peter Tom CBE, Executive Chairman, commented:

'2016 was arguably the most eventful year in the Group's history. We completed our largest acquisition to date, invested a record amount in our business, began supplying our biggest ever contract and delivered an excellent financial performance – all against the background of an uncertain economic environment and challenging trading conditions in many of our markets.

'We are proud to be the largest independent construction materials business in the UK and the only publicly-quoted British company of any size in our sector. We have a very straightforward mission: to be the safest and most profitable company in our industry, and this ambition drives all our decision-making.

'As we look ahead, the Government appears to have finally committed to substantial investment in the UK's infrastructure and this, coupled with anticipated growth in the private housing market, is expected to bring significant medium- and long-term benefits to our business.

'We will carry on doing what we do best: running our company as efficiently as possible, delivering healthy organic growth complemented by earnings-enhancing acquisitions, and thereby continuing to generate the excellent returns our shareholders expect of us. We look to the future with considerable optimism.'

- ends -

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

Breedon will host a meeting for invited analysts at 9.00am today and there will be a simultaneous webcast of the meeting. Please use this link to join the webcast: http://webcasting.brrmedia.co.uk/broadcast/58b452220e2c472842e98f13

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

Enquiries:

Breedon Group plc Peter Tom, Executive Chairman Pat Ward, Group Chief Executive Rob Wood, Group Finance Director	Tel: 01332 694010
Stephen Jacobs, Head of Communications	Tel: 07831 764592
Cenkos Securities plc (Nomad & joint broker) Max Hartley	Tel: 020 7397 8900
Peel Hunt (joint broker) Justin Jones / Mike Bell	Tel: 020 7418 8900

Note to Editors

Breedon Group plc is the UK's largest independent construction materials group, with the country's largest cement plant, two cementitious import terminals, around 60 quarries, 26 asphalt plants, nearly 200 ready-mixed concrete plants and three concrete products plants nationwide. The Group employs around 2,300 people and has more than 750 million tonnes of mineral reserves and resources. Its strategy is to continue growing organically and through acquisition of businesses in the UK heavyside construction materials market.

Breedon Group plc
Annual results for the year ended 31 December 2016

Chairman's statement

2016 was arguably the most eventful year in the Group's history. We completed our largest acquisition to date, invested a record amount in our business, began supplying our biggest ever contract and delivered an excellent financial performance – all against the background of an uncertain economic environment and challenging trading conditions in many of our markets.

Group revenues for the year grew by 42.8 per cent to £454.7 million and underlying earnings before interest and tax (EBIT) increased by 57.8 per cent to £59.6 million, including a five-month contribution from newly-acquired Hope Construction Materials ('Hope'). This equates to an underlying EBIT margin of 13.1 per cent (2015:11.9 per cent), reflecting good progress towards our 2020 target of 15 per cent.

Profit before tax rose by 49.5 per cent to £46.8 million. Underlying profit before tax rose by 57.4 per cent to £55.1 million and underlying basic earnings per share increased by 30.2 per cent to 3.49 pence. The Group remained strongly cash-generative and, even after the increase in borrowings used to part-fund our acquisitions of Hope and Sherburn Minerals Group ('Sherburn'), our leverage remains modestly below 2x EBITDA (earnings before interest, tax, depreciation and amortisation).

We are proud to be the largest independent construction materials business in the UK and the only publicly-quoted British company of any size in our sector. We have a very straightforward mission: to be the safest and most profitable company in our industry, and this ambition drives all our decision-making.

Our success has been built on simple principles. First and foremost, we put our customers first in everything we do. Whether they are a householder ordering a couple of metres of ready-mixed concrete or a contractor ordering tens of thousands of tonnes of asphalt, we work hard to ensure that our service standards are the same – everywhere, day in, day out.

We aim to extract and add value to our precious mineral reserves as efficiently as possible, investing prudently to deliver the highest possible return from every tonne of aggregate we quarry: over the last six years the business has benefited from nearly £100 million of capital expenditure. We read our markets carefully and select our work streams prudently, maximising profitability by balancing larger high-volume jobs with a broad range of smaller higher-margin work, whilst aiming always to exceed our customers' expectations.

This organic growth has been, and will continue to be, complemented with accretive acquisitions. Since the Group was created in 2010 we have invested over £500 million in a combination of bolt-on and strategic purchases, culminating in the acquisition last year of Hope and Sherburn. Hope in particular has provided us with a significantly stronger platform for growth, with a broader geographical footprint, increased scale, an improved product mix and greater financial capacity. We were particularly proud that this acquisition was recognised as Transaction of the Year at the 2016 AIM Awards.

Following these latest acquisitions, around 2,300 colleagues now work in the Breedon Group. Our first and most important obligation to them is to ensure that they go home from work unhurt at the end of every day, which is why safety is the number one item on the agenda at every meeting of the Board and Executive Committee. Our record in this area has improved over the last six years, but it is still some way short of where we want it to be.

Our senior management team will therefore be redoubling their efforts in 2017 to make Breedon a safer place to work, leading by example and seeking to embed in our business a culture of safe behaviour which ensures that we take better care of ourselves and each other and move closer to our target of Zero Harm.

As we look ahead to the remainder of 2017, we clearly face some challenges in the wake of the UK's decision to leave the European Union, which will inevitably result in a lengthy period of uncertainty while the precise terms of our departure are agreed. However, we have demonstrated our ability to thrive in adversity and believe that uncertain conditions always create opportunities. For example, the Government appears to have finally committed to substantial investment in the UK's infrastructure and this, coupled with anticipated growth in the private housing market, is expected to bring significant medium- and long-term benefits to our business.

We keep our dividend policy continually under review. However, we have a clear strategy for growth, both organically and through earnings-enhancing acquisitions, and we continue to believe this is the best way for the foreseeable future to deploy our resources in pursuit of capital growth for our shareholders.

Similarly, we continue to consider the possibility of transferring from the Alternative Investment Market (AIM) to the main market. We have consulted over the past year with some of our major shareholders and advisers and, in light of those discussions, the Board sees no immediate urgency to do so, given that AIM currently provides us with a more than adequate platform from which to pursue our growth ambitions. Once again, we will keep this matter under regular review.

It is important, as always, to remember that we could not have delivered these excellent results without the hard work and dedication of everyone in our business, many of whom are investors in Breedon and therefore share in the benefits of our success. On behalf of the Board, I would like to thank all our colleagues for their continuing support and commitment.

We will carry on doing what we do best: running our company as efficiently as possible, delivering healthy organic growth complemented by earnings-enhancing acquisitions, and thereby continuing to generate the excellent returns our shareholders expect of us. We look to the future with considerable optimism.

Peter Tom CBE
Executive Chairman

8 March 2017

Breedon Group plc
Annual results for the year ended 31 December 2016

Group Chief Executive's review

We maintained our track record of continuous improvement in 2016. The former Breedon Aggregates business turned in a strong performance, with volumes and revenues both ahead of the prior year, boosted by a healthy five-month contribution from Hope, a transformational acquisition and the largest in our history.

Group revenues rose by 42.8 per cent to £454.7 million, generating underlying earnings before interest and tax (EBIT) of £59.6 million and an underlying EBIT margin of 13.1 per cent. This represented good progress towards our medium-term underlying EBIT margin target of 15 per cent by 2020. The Group continued to be strongly cash-generative.

We made encouraging progress in all areas of the business. Our sales improved on the back of strong market demand, particularly in Breedon Southern, reflecting a sharper focus than ever on delivering an outstanding service to our customers.

The performances of our three businesses are reviewed in more detail by their respective leaders below.

The UK construction market

Market conditions proved to be very resilient in 2016, with volumes of almost all major construction products ahead of the prior year.

This reflected a solid and accelerating contribution from residential building and civil engineering, with a marginal improvement in commercial construction.

Overall construction output grew by 1.5 per cent in 2016, a very much better outturn than anticipated by some economists in the wake of the Brexit vote. There was a solid improvement in employment levels, although input costs rose gradually, reflecting a general rise in raw material prices occasioned by the fall in sterling.

Investment and development

We continued to invest, as planned, in capacity and operational improvements across the Group, with capital expenditure, as expected, running comfortably ahead of depreciation. This meant that we exited the year with our primary assets – our mineral resources and plant and equipment – in a better condition than when we entered it.

Commissioning of two new asphalt plants in Breedon Northern took our national network to 26 plants, giving us around a 9 per cent share of the UK asphalt market. In Breedon Southern we completed a major upgrade of crushing equipment at our flagship Cloud Hill quarry, reopened a mothballed quarry in north Wales and erected a new concrete plant in Gloucestershire.

Safety

We made further progress in improving the safety of our colleagues in 2016, with the former Breedon Aggregates business reporting a 22 per cent improvement in our Lost Time Injury Frequency Rate (LTIFR, measuring the number of accidents per hours worked) from 2.72 to 2.13. However, disappointingly this fell short of our 30 per cent reduction target, signalling that too many of our colleagues are still being hurt, often as a result of careless accidents which could easily have been avoided with a little more thought and planning.

By contrast, Hope reported an appreciably better LTIFR for the full year of 0.92, resulting in a pro forma Group LTIFR for the combined businesses of 1.61.

We will be working hard in 2017 to embed a culture of safe behaviour in the business, encouraging all our colleagues to recognise the crucial importance of moving towards Zero Harm. Accordingly, we are targeting a further 40 per cent reduction in the Group's LTIFR this year.

Integration of Hope
The acquisition of Hope literally transformed the Group. It took us into cement manufacturing for the first time, added five new quarries, a national network of concrete plants and eight rail-linked distribution depots, giving us a powerful platform for future growth. In fact, our acquisition of Sherburn towards the end of the year only made strategic sense following the increased scale and broader geographical footprint we gained with Hope.

Everyone tackled the challenges of bringing our two companies together with enthusiasm, creativity and good humour, which made the integration process speedy and efficient.

We put in place a new regional business structure, with General Managers all appointed within a month of completion of the acquisition, each focused on a local market with full P&L responsibility. Key decisions on a common IT platform and on office rationalisation were quickly made and communicated and by the end of the year our attention had turned to the commercial and operational opportunities. The smoothness of the transition is reflected in the fact that we have been able to accelerate delivery of the £10 million of synergy benefits identified when we first announced the purchase of Hope.

For the purposes of our 2016 results, the Group reported as three businesses: Breedon Northern (comprising the former Breedon Aggregates Scotland business), Breedon Southern (comprising the former Breedon Aggregates England business) and Hope Cement (comprising all the operations of the former Hope Construction Materials business). By the end of 2017 all aggregates and concrete operations will be consolidated into our Northern and Southern businesses and all our cementitious operations will be housed within Hope Cement, and that is the basis on which we will report all future results.

Acquisition of Sherburn
In November we completed our second acquisition of the year, Sherburn.

Sherburn is a leading independent heavyside building materials business headquartered in County Durham, employing approximately 110 people. It operates four quarries and five ready-mixed concrete plants in County Durham, Northumberland, North Yorkshire and Cumbria. It also distributes cementitious products from two strategically-located import terminals at Blyth near Newcastle and Dundee in eastern Scotland.

Sherburn was a perfect infill acquisition for us. It gives us additional mineral reserves and access to new markets for our aggregates and concrete, as well as a first-rate workforce. It also complements our existing cement plant at Hope and will enable us to expand our cementitious business through the importation of cement and ground granulated blast-furnace slag (GGBS) through Sherburn's two terminals.

Outlook
There is no doubt that continuing uncertainty over the timing and nature of the UK's departure from the EU has the potential to create confusion in the economy. However, we believe that the need for investment in UK infrastructure and housing remains critical and it was encouraging to hear the Government committing in its Autumn Statement to prioritising

spending in these areas over the next few years, which we believe will help to stimulate corresponding investment from the private sector.

Our new, strengthened growth platform is in place. Our operations are now fully vertically integrated – from cement and aggregates through to a comprehensive portfolio of high-value-added downstream products – we have the best people in place to lead the business, and we have a clear route map for the further development of the Group in 2017.

We will continue to invest in improving plant performance through our Operational Improvement Programme (OIP), complemented by organic investment in projects which will extend our reach into new markets and expand our mineral reserves. We will also be taking our health and safety activity back to basics and redoubling our efforts on our journey towards Zero Harm across our business.

These actions will take us closer to our objective: to be the UK's safest and most profitable construction materials company.

We look forward to 2017 with confidence and enthusiasm and expect to make further progress both operationally and financially.

Pat Ward
Group Chief Executive

8 March 2017

Breedon Group plc
Annual results for the year ended 31 December 2016

Business review: Breedon Northern

Trading summary
Breedon Northern enjoyed a successful year. Revenues were ahead 8.0 per cent to £159.4 million and underlying EBIT (earnings before interest and taxation) was up 23.9 per cent to £19.9 million.

Market conditions
Although market conditions were challenging, with continuing modest road maintenance spending by local government, and reduced activity in the Aberdeenshire oil services sector, we delivered healthy increases in all our product volumes. This was helped by additional Scottish Government funding for BEAR Scotland in the second half of the year.

Major contract wins
We began work on two of the largest road surfacing projects currently being undertaken in Scotland, including our largest-ever contract award, won in joint venture with Whitemountain Quarries, to supply and lay asphalt on the Aberdeen Western Peripheral Route (AWPR). We also commenced work on the first phase of dualling the A9 and this continues into 2017. Supplies of aggregates and concrete to these projects helped to offset the downturn in the wider Aberdeen market.

We continued to see success in the energy industry, with aggregates and concrete supplied to a number of renewable energy projects around the country.

Hydrocarbon prices began to rise again in the second half of the year and this will be a key cost to manage and monitor in the current year.

Capital investment
We continued with our strategy of investing heavily in the business to deliver organic expansion and improved efficiency. Most notably, we completed construction of a brand-new asphalt plant to serve the Aberdeen market at our Tom's Forest quarry, which gives us greatly enhanced capacity and efficiency in this region. It is also strategically located close to the AWPR and A96 corridor, which we believe gives us a competitive advantage in respect of numerous infrastructure and A96 dualling projects over the next decade.

At our Shierglas quarry, near Pitlochry, a newly refurbished lime filler ball mill was installed, increasing our capacity to produce lime filler for our asphalt plants.

Efficient delivery of our products continues to be one of our key priorities and we again invested in our fleet of tipper and ready-mixed concrete trucks to ensure that, in conjunction with our owner drivers, we have a distribution capacity capable of delivering excellent customer service around the country.

We also continued to invest in crushing and screening equipment, mobile loaders and excavators, and washing plants, all designed to ensure we continue to improve capacity and reduce both running costs and wastage of our products.

A new team for a new business
Following completion of the Group's acquisition of Hope in August, we immediately rebranded the business 'Breedon Northern', reflecting the fact that the business will in future

incorporate the former Hope aggregates and ready-mixed concrete operations in the north of England.

A new lean and focused management structure was put in place, enabling us to enter 2017 in full control of our destiny. Breedon Northern is also leading the Group with a full IT systems integration of the Breedon/Hope business, which was achieved in time to roll out on 1 January this year. This enables us to focus collectively as one team with full commercial and cost visibility.

In November we completed the acquisition of Sherburn, adding a number of quarries and concrete plants in north-east England and a cement import business with terminals in Blyth and Dundee which will be integrated into the Hope Cement business. Sherburn's concrete and aggregates business fits extremely well into our network in the north of England and delivers many synergy opportunities, which we expect to capitalise upon in 2017.

Outlook

The A9 contract will be completed in the first half of this year, whilst the AWPR will continue to provide a significant workload for both Breedon Northern and our joint venture Breedon Whitemountain into 2018. We have also been successful in securing a large concrete order for the new Aberdeen Exhibition and Conference Centre, which will underpin ready-mixed concrete volumes in that market throughout the year.

Breedon Group plc
Annual results for the year ended 31 December 2016

Business review: Breedon Southern

Trading summary

I am pleased to report a strong performance in 2016, with revenues ahead 2.6 per cent to £175.3 million and underlying EBIT (earnings before interest and taxation) up 26.1 per cent to £34.0 million. We broadly maintained our share of our key markets, primarily by continuing to deliver our traditionally high levels of service.

Market conditions

The demand picture varied across our business, with strong markets in central and eastern England and somewhat slower demand in the west. This reflected a reduction in Highways Agency, local authority and agricultural work, offset by stronger private infrastructure and housing activity.

Aggregates volumes remained healthy during the first half of the year, with a modest slowdown in the second half. In contrast, ready-mixed concrete volumes held up well throughout the year, reflecting the strength of the housing and private infrastructure sectors.

Major contract wins

Among the significant contracts supplied in 2016 were the new MoD fulfilment centre at Donnington near Telford, the Midland Metropolitan Hospital near Birmingham and the Worcester Southern Bypass, together with a number of major new housing and warehousing developments. We also supplied substantial quantities of concrete to Amazon's new giant distribution centre at Rugeley in Staffordshire and DHL's expanded cargo hub at East Midlands Airport.

Our Breedon Bowen joint venture at Welshpool continued to trade well, supplying the Newtown Bypass and a number of large wind farms.

Continuing investment

At the beginning of the year we commissioned a new primary crusher at Cloud Hill quarry, which encountered some challenges in the first few months due to difficult weather conditions, but is now fully operational and delivering an excellent performance.

We also made a significant investment in updating our mobile plant fleet, which should flow through to lower operating costs in 2017.

A new concrete plant was commissioned at Tewkesbury to provide access to the buoyant markets of Gloucestershire and the Forest of Dean, delivering significant volumes throughout the year, and a mothballed quarry at Denbigh was reopened to expand our presence in north Wales.

A new team for a new business

Following the acquisition of Hope in August, we immediately rebranded the business 'Breedon Southern', which from 2017 will combine all Hope's former southern aggregates and concrete operations with those in the former Breedon Aggregates England in a single business.

A new management structure was quickly put in place and this is being followed later this year by a full IT systems integration of the Breedon/Hope business, on the same model as that already adopted by Breedon Northern, similarly enabling us to focus collectively as one team with full commercial and cost visibility.

Energy and environment
We continue to focus on the efficient use of energy to save costs and protect the environment. During the year we installed new solar panels at Breedon Quarry and are currently exploring the potential of new developments in electric mixer truck technology.

Outlook
We remain optimistic about the prospects for 2017, as the early benefits of the Government's infrastructure investment start to come through and a number of significant new jobs gain traction in our traditional markets.

Breedon Group plc
Annual results for the year ended 31 December 2016

Business review: Hope Cement

Trading summary

Hope Cement traded in line with the Board's expectations in the first five months under Breedon's ownership. Total revenues were £121.3 million, generating underlying EBIT (earnings before interest and taxation) of £10.9 million.

CEMENTITIOUS PRODUCTS

Growing the portfolio
Following the summer opening of our new depot in Dagenham and the subsequent launch of our packed product range, we enjoyed a positive final five months of 2016 as part of the Breedon Group.

The new Dagenham operation gave us the opportunity not only to establish our place in the builders merchants market, but also to expand our customer base for bulk cement in south-east England.

At the same time as focusing on internal supplies to a number of Breedon concrete plants, we also reviewed our external customer base with a view to securing additional volume in 2017.

Capital investment
By the end of 2016, several major projects were completed at the Hope cement works ('Hope Works'). In the second half of the year we successfully installed new burners on both kilns, which increase the throughput of fuel to maximise the efficiency of the manufacturing process. In addition, we invested in the installation of new cyclones to speed up the rate at which raw material is fed through the pre-heater tower to the kilns.

Boosting the sustainability of our process and extending the life of our shale quarry, we were delighted to secure a significant contract with a major energy supplier for the supply of Pulverised Fly Ash (PFA). This is a waste by-product from coal-fired power stations. It is used as a complementary waste-derived raw material in the cement-making mix, enabling us to use less shale and reduce our emissions of SO_2. In the second half of 2016 we began preparations to receive increased volumes of PFA.

In addition to developing our use of PFA, we also continued our drive to increase the use of waste-derived materials as fuels to replace traditional fossil fuels. These currently include scrap tyre chips, refuse-derived material and meat and bone meal – all of which are classed as partially carbon-neutral biomass.

Logistics success
The success of our cement business relies not only on efficient production, but also a fluid supply chain to customers. In 2016 our rail-fed cement depots at Theale, Dewsbury, Walsall and Dagenham achieved their highest ever annual bulk delivery volumes to customers. We continue to invest in these important sites, which are supplied via the rail network with one million tonnes of cement each year from Hope Works, shipped in new bespoke-built aluminium rail wagons.

Towards the end of the year we embarked on a new deal with DAF to replace the existing road fleet, with the emphasis on additional safety features including on-board cameras and sensors to protect vulnerable road-users, such as cyclists.

Opportunity through acquisition

Breedon's acquisition of Sherburn towards the end of 2016 not only expanded Breedon Northern's geographical footprint in north-east England, with the addition of four quarries and five ready-mixed concrete plants, but also gave us our first two cementitous import terminals – at Blyth near Newcastle and Dundee in Scotland. These will be integrated into Hope Cement and will allow us to import cement and ground granulated blast-furnace slag (GGBS) – another industry by-product which is complementary to the raw materials used in cement-making, delivering growth opportunities for the Group's cement business. The addition of these depots enables us to provide national cement coverage for the first time.

Outlook

The ongoing plant upgrade at Hope Works, coupled with embedding the Sherburn sites in our business and gaining a stronger foothold in the packed product sector, point to a positive outlook for our cementitious business in 2017.

AGGREGATES AND READY-MIXED CONCRETE

Following completion of the purchase of Hope, Breedon acquired over 150 ready-mixed concrete plants, together with five quarries. Operational control of 25 of these plants and one quarry in the north of England was assumed by Breedon Northern from completion on 1 August, with control of the remaining sites assumed by Breedon Southern.

All these operations performed in-line with expectations in the five months under Breedon's ownership. Delivery of synergies from the acquisition was accelerated throughout the latter part of the year, as we moved quickly to restructure our management teams, standardise our IT systems and start to identify the available commercial opportunities.

The process of assimilating the former Hope units into Breedon's network, under new regional and area management teams, was largely complete by the end of the year. This paved the way for the full integration of the former Breedon and Hope operations in Breedon Northern on 1 January this year, to be followed by Breedon Southern later in 2017.

We see opportunities throughout the former Hope concrete network to improve safety, plant availability and reliability of service, by strengthening our logistics and regularising maintenance.

In the quarries, there are also opportunities to improve production per employee, diversify the products we produce and broaden routes to market. In addition, there is further potential to integrate our aggregates into the former Hope network of concrete plants.

With the business now well understood, a challenging budget and beneficial capital investment plans have been set for 2017.

Breedon Group plc
Annual results for the year ended 31 December 2016

Financial Review

Acquisitions

In August we completed the acquisition of Hope, a leading independent producer of cement, concrete and aggregates. The consideration was £251.9 million, satisfied by the payment of £55.6 million in cash and the issue of 259,120,245 new shares (valued at £196.3 million at the time of completion, compared with £134.5 million at the time of the announcement in November 2015). We also assumed net debt of £148.2 million.

At the end of November we completed the acquisition of Sherburn Minerals Group ('Sherburn'), a leading independent heavyside building materials business. The consideration was £9.8 million, largely satisfied by payment in cash. We also assumed net debt of £6.3 million.

Revenue and underlying profit from operations

During the year we again delivered strong organic growth in both Breedon Northern and Breedon Southern, and Hope made a healthy contribution. Group aggregates volumes for the year were up 31 per cent at 11.4 million tonnes, asphalt volumes were up 3 per cent at 1.9 million tonnes and ready-mixed concrete volumes were up 121 per cent at 1.9 million cubic metres. Excluding acquisitions, these increases were 7 per cent, 3 per cent and 10 per cent respectively. In accordance with the Cement Market Data Order 2016, cement volumes are not disclosed.

Revenue for the year at £454.7 million was 42.8 per cent ahead of 2015 (£318.5 million). Excluding acquisitions this increase was 5.1 per cent. Underlying earnings before interest and tax (EBIT) were £59.6 million, 57.8 per cent ahead of 2015 (£37.8 million). Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

Underlying EBIT margins in both Breedon Northern and Breedon Southern improved year-on-year and the overall underlying EBIT margin for the Group increased to 13.1 per cent from 11.9 per cent in 2015. As expected, the underlying EBIT margin was diluted by the impact of the acquisition of Hope, where historic EBIT margins were single digit. This dilution will continue to impact EBIT margins in 2017. Having said this, we are making good progress towards our 2020 underlying EBIT margin target of 15 per cent.

EBIT includes our share of profit from associate and joint ventures (net of tax). We have three such entities: BEAR Scotland Limited, Breedon Bowen Limited and Breedon Whitemountain Ltd – the latter being our 50/50 joint venture with the Lagan Group to supply and lay asphalt on the £745 million Aberdeen Western Peripheral Route.

Non-underlying items

Non-underlying items in the year amounted to a net pre-tax cost of £8.4 million (2015: £3.8 million), consisting mainly of expenses related to Hope, which totalled £7.8 million in 2016 (2015: £3.7 million) and comprised acquisition-related and subsequent integration costs.

Interest

Net finance costs in the year totalled £4.5 million (2015: £2.8 million) and included interest on the Group's bank facilities, amortisation of bank arrangement fees, interest on finance leases and the unwinding of discounting on provisions. The higher costs in 2016 reflect the level of borrowings following the acquisitions during the year.

Profit before taxation
Profit before taxation was £46.8 million, 49.5 per cent ahead of 2015 (£31.3 million).

Underlying profit before taxation was £55.1 million, 57.4 per cent ahead of 2015 (£35.0 million).

Tax
The tax charge was £10.0 million (2015: £6.3 million). An underlying tax charge of £11.2 million (2015: £6.3 million) was recorded in the year, resulting in an underlying effective tax rate for the full year of 20.3 per cent, reflecting the beneficial effect of the reduced future UK corporation tax rate on deferred tax liabilities being more than offset by costs for which no tax relief can be obtained.

The Group's tax strategy is to comply with all relevant regulations, whilst managing the total tax burden and seeking to maintain a stable effective tax rate. The Group seeks to achieve this through operating a simple 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. This takes into account utilisation of capital allowances and any historic losses in the business which can be offset against current-year profits. The Group seeks to ensure that its actions do not adversely impact its reputation as a responsible taxpayer in the following ways:

- it takes appropriate tax advice and support from reputable professional firms and the parameters which govern its approach are set by the Board, which regularly reviews the Group's tax strategy;
- it is open and transparent in its dealings with HM Revenue & Customs and deals with any queries in a timely and open manner and, in particular, responds to any tax queries quickly and on a full-disclosure basis;
- all tax affairs are administered in a lawful and responsible manner; and
- all its tax liabilities arise in the subsidiary companies in the UK and in terms of the UK corporation tax position, all years up to 2014 are agreed in respect of companies acquired prior to 2016.

The Group makes a significant contribution to the economy through taxation, either borne by the Group or collected on behalf of, and paid to, HM Revenue & Customs. In 2016, the total taxes borne and collected by the Group amounted to over £90 million (2015: over £50 million).

Earnings per share
Basic earnings per share (EPS) for the year were 2.92 pence (2015: 2.33 pence), reported after the non-underlying items mentioned above. Underlying basic EPS for the year totalled 3.49 pence (2015: 2.68 pence).

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

Statement of financial position
Net assets at 31 December 2016 were £467.5 million (2015: £233.2 million).

The net assets continue to be underpinned by the mineral reserves and resources of the Group, which at the end of December 2016 totalled over 750 million tonnes.

Cash flow
Cash generated from operating activities was £80.8 million (2015: £62.1 million).

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

During 2016 the Group spent £57.1 million cash on two acquisitions, Hope and Sherburn (2015: Nil), and incurred a cash spend on capital expenditure projects of £23.7 million (2015: £14.4 million).

Proceeds from the sale of property, plant and equipment totalled £10.1 million in 2016 (2015: £4.5 million) and included a further instalment of £2.8 million (2015: £2.8 million) from the 2014 sale of the 60-acre former concrete products plant site at Doseley near Telford in Shropshire. Also included are the Hope divestments that were required to be made by the Competition and Markets Authority.

At the time of announcement of the Hope acquisition in November 2015, we also raised a net £39.1 million through the issue of shares to part-fund the consideration. In addition, we raised £0.4 million (2015: £0.1 million) through the issue of shares in 2016 in connection with the exercise of certain savings-related share options.

Net debt
Net debt at 31 December 2016 was £159.3 million (2015: net cash £10.3 million).

Key movements included: underlying earnings before our share of associate and joint ventures, interest, tax, depreciation and amortisation (EBITDA) of £83.7 million (2015: £54.9 million); purchase of property, plant and equipment of £30.7 million (2015: £21.5 million), including £7.0 million (2015: £7.1 million) financed by way of new finance leases, and spend on acquisitions of £219.9 million.

Leverage (the ratio of net debt to EBITDA) at 31 December 2016 was 1.9 times.

Bank facilities
At the time of completing the acquisition of Hope, we entered into a new £300 million committed revolving credit facility agreement with Barclays Bank PLC, HSBC Bank plc, The Royal Bank of Scotland plc and Santander UK plc. This replaced the previous £100 million committed revolving credit facility. The new facility expires in November 2019 and contains a £100 million accordion option. The pricing of the new facility is in line with our previous facility, as are the covenants and testing regime.

The new facility is subject to a floating interest rate based on LIBOR plus margin. At 31 December 2016, the total undrawn facility available to the Group amounted to £148.0 million (2015: £98.5 million in respect of the old facility). The facility is subject to Group leverage and Group interest cover covenants which are tested half-yearly. At 31 December 2016, the Group comfortably complied with these two covenants. Based on our current estimates, we expect to comply with all our covenants for the foreseeable future.

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

Rob Wood
Group Finance Director

8 March 2017

Breedon Group plc
Annual results for the year ended 31 December 2016

Consolidated Income Statement
for the year ended 31 December 2016

	Underlying £000	2016 Non-underlying* (note 3) £000	Total £000	Underlying £000	2015 Non-underlying* (note 3) £000	Total £000
Revenue	**454,688**	**–**	**454,688**	318,452	–	318,452
Cost of sales	**(278,746)**	**–**	**(278,746)**	(211,395)	–	(211,395)
Gross profit	**175,942**	**–**	**175,942**	107,057	–	107,057
Distribution expenses	**(78,517)**	**–**	**(78,517)**	(43,737)	–	(43,737)
Administrative expenses	**(39,188)**	**(8,372)**	**(47,560)**	(26,266)	(3,754)	(30,020)
Group operating profit	**58,237**	**(8,372)**	**49,865**	37,054	(3,754)	33,300
Share of profit of associate and joint ventures (net of tax)	**1,374**	**–**	**1,374**	728	–	728
Profit from operations	**59,611**	**(8,372)**	**51,239**	37,782	(3,754)	34,028
Financial income	**63**	**–**	**63**	25	–	25
Financial expense	**(4,540)**	**–**	**(4,540)**	(2,776)	–	(2,776)
Profit before taxation	**55,134**	**(8,372)**	**46,762**	35,031	(3,754)	31,277
Taxation	**(11,198)**	**1,206**	**(9,992)**	(6,347)	33	(6,314)
Profit for the year	**43,936**	**(7,166)**	**36,770**	28,684	(3,721)	24,963
Attributable to:						
Equity holders of the parent	**43,885**	**(7,166)**	**36,719**	28,629	(3,721)	24,908
Non-controlling interests	**51**	**–**	**51**	55	–	55
Profit for the year	**43,936**	**(7,166)**	**36,770**	28,684	(3,721)	24,963
Basic earnings per ordinary share	**3.49p**		**2.92p**	2.68p		2.33p
Diluted earnings per ordinary share	**3.38p**		**2.83p**	2.59p		2.25p

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

Breedon Group plc
Annual results for the year ended 31 December 2016

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

	2016 £000	2015 £000
Profit for the year	**36,770**	24,963
Other comprehensive income		
Items which may be reclassified subsequently to profit and loss:		
Effective portion of changes in fair value of cash flow hedges	**44**	19
Taxation on items taken directly to other comprehensive income	**–**	(4)
Other comprehensive income for the year	**44**	15
Total comprehensive income for the year	**36,814**	24,978
Total comprehensive income for the year is attributable to:		
Equity holders of the parent	**36,763**	24,923
Non-controlling interests	**51**	55
	36,814	24,978

Breedon Group plc
Annual results for the year ended 31 December 2016

Consolidated Statement of Financial Position
as at 31 December 2016

	2016 **£000**	2015 £000
Non-current assets		
Property, plant and equipment	**467,514**	210,858
Intangible assets	**193,784**	22,546
Investment in associate and joint ventures	**5,502**	5,078
Total non-current assets	**666,800**	238,482
Current assets		
Inventories	**29,331**	12,569
Trade and other receivables	**110,772**	58,779
Cash and cash equivalents	**4,628**	23,522
Total current assets	**144,731**	94,870
Total assets	**811,531**	333,352
Current liabilities		
Interest-bearing loans and borrowings	**(6,893)**	(5,338)
Trade and other payables	**(116,783)**	(65,110)
Current tax payable	**(5,114)**	(3,391)
Provisions	**(6,478)**	(184)
Total current liabilities	**(135,268)**	(74,023)
Non-current liabilities		
Interest-bearing loans and borrowings	**(157,073)**	(7,934)
Provisions	**(24,429)**	(11,141)
Deferred tax liabilities	**(27,217)**	(7,012)
Total non-current liabilities	**(208,719)**	(26,087)
Total liabilities	**(343,987)**	(100,110)
Net assets	**467,544**	233,242
Equity attributable to equity holders of the parent		
Stated capital	**375,495**	178,637
Cash flow hedging reserve	**8**	(36)
Capital reserve	**1,516**	1,516
Retained earnings	**90,307**	52,958
Total equity attributable to equity holders of the parent	**467,326**	233,075
Non-controlling interests	**218**	167
Total equity	**467,544**	233,242

Breedon Group plc
Annual results for the year ended 31 December 2016

Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2015	139,139	(51)	1,516	26,406	167,010	162	167,172
Shares issued	41,194	–	–	(252)	40,942	–	40,942
Expenses of share issue	(1,696)	–	–	–	(1,696)	–	(1,696)
Dividend to non-controlling interests	–	–	–	–	–	(50)	(50)
Total comprehensive income for the year	–	15	–	24,908	24,923	55	24,978
Credit to equity of share-based payments	–	–	–	1,896	1,896	–	1,896
Balance at 31 December 2015	178,637	(36)	1,516	52,958	233,075	167	233,242
Shares issued	196,858	–	–	(177)	196,681	–	196,681
Total comprehensive income for the year	–	44	–	36,719	36,763	51	36,814
Credit to equity of share-based payments	–	–	–	807	807	–	807
Balance at 31 December 2016	**375,495**	**8**	**1,516**	**90,307**	**467,326**	**218**	**467,544**

Breedon Group plc
Annual results for the year ended 31 December 2016

Consolidated Statement of Cash Flows
for the year ended 31 December 2016

	2016 **£000**	2015 £000
Cash flows from operating activities		
Profit for the year	**36,770**	24,963
Adjustments for:		
Depreciation and amortisation	**25,530**	17,898
Financial income	**(63)**	(25)
Financial expense	**4,540**	2,776
Share of profit of associate and joint ventures (net of tax)	**(1,374)**	(728)
Net gain on sale of property, plant and equipment	**(1,007)**	(1,320)
Equity-settled share-based payment expenses	**807**	1,896
Taxation	**9,992**	6,314
Operating cash flow before changes in working capital and provisions	**75,195**	51,774
Decrease in trade and other receivables	**6,862**	4,187
(Increase)/Decrease in inventories	**(1,887)**	458
(Decrease)/Increase in trade and other payables	**(801)**	5,959
Increase/(Decrease) in provisions	**1,429**	(264)
Cash generated from operating activities	**80,798**	62,114
Interest paid	**(4,315)**	(1,463)
Interest element of finance lease payments	**(466)**	(624)
Dividend paid to non-controlling interest	**–**	(50)
Income taxes paid	**(8,307)**	(5,767)
Net cash from operating activities	**67,710**	54,210
Cash flows used in investing activities		
Acquisition of businesses	**(57,062)**	–
Purchase of property, plant and equipment	**(23,729)**	(14,447)
Proceeds from sale of property, plant and equipment	**10,070**	4,501
Repayment of loan to joint venture	**200**	100
Interest received	**63**	25
Dividend from associate	**750**	375
Net cash used in investing activities	**(69,708)**	(9,446)
Cash flows used in financing activities		
Proceeds from the issue of shares (net)	**397**	39,246
Proceeds from new loans raised	**195,000**	–
Repayment of loans	**(205,090)**	(69,000)
Repayment of finance lease obligations	**(7,191)**	(7,214)
Purchase of financial instrument - derivative	**(12)**	(59)
Net cash used in financing activities	**(16,896)**	(37,027)
Net (decrease)/increase in cash and cash equivalents	**(18,894)**	7,737
Cash and cash equivalents at 1 January	**23,522**	15,785
Cash and cash equivalents at 31 December	**4,628**	23,522

Notes to the Financial Statements

1 Basis of preparation

Breedon Group plc is a company domiciled in Jersey.

The Financial information (see note 9) consolidates the results of the Company and its subsidiary undertakings and equity accounts for the Group's interest in its associate and its joint ventures (collectively the 'Group').

These consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). The consolidated Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required.

New IFRS standards and interpretations
The following standards have been adopted by the Group during the year:

- Amendments to IFRS 2 – Share-based Payment
- Amendments to IFRS 3 – Business Combinations
- Amendments to IFRS 8 – Operating Segments
- Amendments to IFRS 13 – Fair Value Measurement
- Amendments to IAS 16 – Property, Plant and Equipment
- Amendments to IAS 24 – Related Party Disclosures
- Amendments to IAS 38 – Intangible Assets

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

New IFRS standards and interpretations not adopted
The IASB and IFRIC have issued additional standards and amendments which are effective for periods starting after the date of these Financial Statements. The following standards and amendments have not yet been adopted by the Group:

- Effective for periods beginning on or after 1 January 2017:
- Amendments to IAS 7 – Cash Flows
- Amendments to IAS 12 – Income Taxes
- Effective for periods beginning on or after 1 January 2018:
- Amendments to IFRS 2 – Share-based Payment
- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Effective for periods beginning on or after 1 January 2019:
- IFRS 16 – Leases

Implementation of IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leases) may have an impact on the Group Financial Statements and an assessment of the impact of them is being carried out. The Group is presently unable to quantify the potential impact until this assessment has been concluded.

Notes to the Financial Statements *(continued)*

2 Segmental analysis

Segmental information is presented in respect of the Group's business segments in line with IFRS 8 – Operating Segments which requires segmental information to be presented on the same basis as it is viewed internally. For the purposes of our 2016 results the Group reported as three businesses: Breedon Northern (comprising the former Breedon Aggregates Scotland business), Breedon Southern (comprising the former Breedon Aggregates England business) and Hope Cement (comprising all of the operations of the former Hope Construction Materials business). By the end of 2017 all aggregates and concrete operations will be consolidated into our Northern and Southern businesses and all our cementitious operations will be housed within Hope Cement and that is the basis on which we will report all future results. The majority of revenues are earned from the sale of aggregates, cement, related products and services.

Income Statement

	2016		2015	
	Revenue £000	**EBITDA* £000**	Revenue £000	EBITDA* £000
Breedon Northern	**159,433**	**29,692**	147,611	25,092
Breedon Southern	**175,264**	**42,463**	170,841	35,837
Hope Cement	**121,271**	**18,152**	–	–
Central administration	**–**	**(6,657)**	–	(6,014)
Eliminations	**(1,280)**	**–**	–	–
Group	**454,688**	**83,650**	318,452	54,915

*EBITDA represents underlying EBITDA before share of profit from associate and joint ventures.

	2016	2015
Reconciliation to reported profit		
Group EBITDA as above	**83,650**	54,915
Depreciation and mineral depletion	**(25,413)**	(17,861)
Underlying operating profit		
Breedon Northern	**19,927**	16,088
Breedon Southern	**34,047**	26,997
Hope Cement	**10,940**	–
Central administration	**(6,677)**	(6,031)
	58,237	37,054
Share of profit of associate and joint ventures	**1,374**	728
Underlying profit from operations (EBIT)	**59,611**	37,782
Non-underlying items (note 3)	**(8,372)**	(3,754)
Profit from operations	**51,239**	34,028
Net financial expense	**(4,477)**	(2,751)
Profit before taxation	**46,762**	31,277
Taxation	**(9,992)**	(6,314)
Profit for the year	**36,770**	24,963

2 Segmental analysis *(continued)*

Statement of Financial Position

	2016		2015	
	Total assets £000	**Total liabilities £000**	Total assets £000	Total liabilities £000
Breedon Northern	**184,175**	**(40,825)**	154,026	(28,993)
Breedon Southern	**154,714**	**(39,238)**	152,685	(36,731)
Hope Cement	**466,118**	**(58,945)**	–	–
Central administration	**1,896**	**(8,682)**	3,119	(10,711)
Total operations	**806,903**	**(147,690)**	309,830	(76,435)
Current tax	**–**	**(5,114)**	–	(3,391)
Deferred tax	**–**	**(27,217)**	–	(7,012)
Net (debt)/cash	**4,628**	**(163,966)**	23,522	(13,272)
Total Group	**811,531**	**(343,987)**	333,352	(100,110)
Net assets		**467,544**		233,242

Breedon Northern total assets include £2,103,000 (2015: £1,576,000) in respect of investments in a joint venture and an associate and Breedon Southern total assets include £3,399,000 (2015: £3,502,000) in respect of an investment in a joint venture.

Analysis of depletion, depreciation, amortisation and capital expenditure

	Mineral depletion £000	**Depreciation £000**	**Amortisation of intangible assets £000**	**Additions to property, plant and equipment £000**
2016				
Breedon Northern	**1,570**	**8,195**	**35**	**14,596**
Breedon Southern	**2,760**	**5,656**	**2**	**9,804**
Hope Cement	**149**	**7,063**	**80**	**6,267**
Central administration	**–**	**20**	**–**	**35**
Total	**4,479**	**20,934**	**117**	**30,702**
2015				
Breedon Northern	1,461	7,543	35	13,228
Breedon Southern	2,803	6,037	2	8,716
Central administration	–	17	–	37
Total	4,264	13,597	37	21,981

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

Notes to the Financial Statements *(continued)*

3 Non-underlying items

As required by IFRS 3 – Business Combinations, acquisition costs have been expensed as incurred. Additionally, the Group incurred redundancy costs in respect of the reorganisation of parts of the business. Non-underlying items also include property items, the amortisation of acquisition intangible assets and related tax items.

	2016 £000	2015 £000
Included in administrative expenses:		
Redundancy and reorganisation costs	**(5,326)**	(306)
Acquisition costs	**(3,119)**	(3,837)
Gain on property disposals	**185**	426
Amortisation of acquisition intangible assets	**(112)**	(37)
Total non-underlying items (pre-tax)	**(8,372)**	(3,754)
Non-underlying taxation	**1,206**	33
Total non-underlying items (after tax)	**(7,166)**	(3,721)

Acquisition costs include costs relating to the acquisition and integration of Hope Cement Limited (formerly Hope Construction Materials Limited) and Sherburn Minerals Limited.

4 Financial income and expense

	2016 £000	2015 £000
Interest income - bank deposits	**63**	25
Financial income	**63**	25
Interest expense – bank loans and overdrafts	**(2,748)**	(1,567)
Amortisation of prepaid bank arrangement fee	**(497)**	(256)
Interest expense – finance leases	**(466)**	(624)
Unwinding of discount on provisions	**(829)**	(329)
Financial expense	**(4,540)**	(2,776)

5 Taxation

	2016 £000	2015 £000
Recognised in the Consolidated Income Statement		
Current tax expense	**9,996**	6,894
Adjustments in respect of prior years	**(104)**	(372)
Total current tax	**9,892**	6,522
Deferred tax expense		
Origination and reversal of temporary differences		
Current year	**(193)**	(149)
Prior year	**293**	(59)
Total deferred tax	**100**	(208)
Total tax charge in the Consolidated Income Statement	**9,992**	6,314

Notes to the Financial Statements *(continued)*

5 Taxation *(continued)*

	2016	2015
	£000	£000
Taxation on items taken directly to Other Comprehensive Income		
Deferred tax expense		
Relating to cash flow hedges	**–**	4

	2016	2015
	£000	£000
Reconciliation of effective tax rate		
Profit before taxation	**46,762**	31,277
Tax at the Company's domestic rate of 0%*	**–**	–
Effect of tax in UK at UK rate*	**10,061**	7,307
Expenses not deductible for tax purposes	**1,835**	466
Property sales	**(25)**	–
Unrecognised temporary differences utilised	**(222)**	(51)
Income from associate and joint ventures already taxed	**(275)**	(147)
Effect of change in rate	**(1,571)**	(830)
Adjustment in respect of prior years	**189**	(431)
Total tax charge	**9,992**	6,314

* The Company is resident in Jersey and has a zero per cent tax rate. The Group has subsidiary operations in the UK which pay tax at a higher rate of 20.00 per cent (2015: 20.25 per cent).

A reduction in the UK corporation tax rate from 21 per cent to 20 per cent (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19 per cent (effective from 1 April 2017) and to 18 per cent (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17 per cent (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Notes to the Financial Statements *(continued)*

6 Interest-bearing loans and borrowings

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

	2016 £000	2015 £000
Non-current liabilities		
Secured bank loans	**147,779**	359
Finance lease liabilities	**9,294**	7,575
	157,073	7,934
Current liabilities		
Unsecured bank loans	**1,336**	–
Current portion of finance lease liabilities	**5,557**	5,338
	6,893	5,338

In November 2015, the Group entered into a new four year £300 million facility agreement which became effective on completion of the acquisition of Hope Cement Limited (formerly Hope Construction Materials Limited) and which replaced the facilities previously in place. The new facility carried a rate of interest of 1.9 per cent above LIBOR, compared to a rate of interest of between 1.35 per cent and 1.7 per cent above LIBOR on the previous facility. The loan is secured by a floating charge over the assets of the Company and its subsidiary undertakings and has a final repayment date of 17 November 2019.

Net (debt)/cash

	2016 £000	2015 £000
Net (debt)/cash comprises the following items:		
Cash and cash equivalents	**4,628**	23,522
Current borrowings	**(6,893)**	(5,338)
Non-current borrowings	**(157,073)**	(7,934)
	(159,338)	10,250

7 Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders of £36,719,000 (2015: £24,908,000) and on the weighted average number of ordinary shares in issue during the year of 1,257,812,971 (2015: 1,069,794,307).

The calculation of underlying earnings per share is based on the profit for the year attributable to ordinary shareholders, adjusted to add back the non-underlying items, of £43,885,000 (2015: £28,629,000) and on the weighted average number of ordinary shares in issue during the year as above.

Diluted earnings per ordinary share is based on 1,299,537,417 (2015: 1,106,582,360) shares and reflects the effect of all dilutive potential ordinary shares.

Notes to the Financial Statements *(continued)*

8 Acquisitions

Current year acquisitions

Hope Cement Limited (formerly Hope Construction Materials Limited)

On 1 August 2016, the Group acquired the entire issued share capital of Hope Cement Limited (formerly Hope Construction Materials Limited). This transaction was accounted for as a business combination.

The fair value of the consideration paid and the consolidated net assets acquired, together with the provisional goodwill arising in respect of this business combination, were as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Intangible assets	2,157	5,511	7,668
Mineral reserves and resources	21,650	1	21,651
Property, plant and equipment	231,188	(4,170)	227,018
Inventories	11,921	1,731	13,652
Trade and other receivables	58,199	(720)	57,479
Cash	8,022	–	8,022
Trade and other payables	(48,938)	–	(48,938)
Current tax	84	–	84
Interest-bearing loans and borrowings	(153,897)	(2,353)	(156,250)
Provisions	(13,808)	(2,306)	(16,114)
Deferred tax liabilities	(20,634)	580	(20,054)
Total	95,944	(1,726)	94,218
Consideration – shares			196,284
Consideration – cash			55,626
Goodwill arising			157,692

The fair value adjustments comprised adjustments to:

- revalue acquired intangible assets and recognise intangibles on acquisition;
- revalue certain mineral reserves and resources to reflect fair value at the date of acquisition;
- property, plant and equipment to reflect fair value;
- inventories to reflect fair value;
- revalue loans and borrowings to reflect fair value at the date of acquisition; and
- provisions to reflect fair value, including deferred tax.

The goodwill arising represents the geographic location of the assets acquired and the skills of the existing workforce.

During the year, this business contributed revenues of £121,271,000 and underlying EBIT of £10,940,000 to the Group's results.

Notes to the Financial Statements *(continued)*

8 Acquisitions *(continued)*

Sherburn Minerals Limited

On 30 November 2016, the Group acquired the entire share capital of Sherburn Minerals Limited. This transaction was accounted for as a business combination.

The fair value of the consideration paid and the consolidated net assets acquired, together with the provisional goodwill arising in respect of this business combination, were as follows:

	Book value £000	Fair value adjustments £000	Fair value on acquisition £000
Mineral reserves and resources	936	(104)	832
Property, plant and equipment	8,179	-	8,179
Inventories	1,375	(152)	1,223
Trade and other receivables	4,311	–	4,311
Cash	67	–	67
Trade and other payables	(3,040)	–	(3,040)
Current tax payable	(222)	–	(222)
Interest-bearing loans and borrowings	(6,332)	–	(6,332)
Provisions	–	(1,212)	(1,212)
Deferred tax liabilities	(330)	279	(51)
Total	4,944	(1,189)	3,755
Consideration – cash			9,525
Consideration – deferred consideration			225
Goodwill arising			5,995

The fair value adjustments comprised adjustments to:

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

The goodwill arising represents the geographic location of the assets acquired and the skills of the existing workforce. Following careful consideration, in the view of the Directors, no intangible assets arose in respect of this acquisition.

During the year, this business contributed revenues of £1,078,000 and underlying EBIT loss of £205,000 to the Group's results.

If both the Sherburn Minerals Limited acquisition and the acquisition of Hope Cement Limited (formerly Hope Construction Materials Limited) had occurred on 1 January 2016, the results of the Group for the year ended 31 December 2016 would have shown revenue of £640,998,000 and underlying EBIT of £70,698,000 for the year.

In total the Group incurred acquisition related costs of £3,119,000 in the year relating principally to external professional fees and due diligence costs in respect of the acquisitions which were included as non-underlying administrative costs (see note 3).

Cash flow effect

The cash flow effect of the above two acquisitions can be summarised as follows:

	£000
Hope Cement Limited (formerly Hope Construction Materials Limited) consideration	55,626
Sherburn Minerals Limited consideration	9,525
Cash acquired with the businesses	(8,089)
Net cash consideration shown in the Consolidated Statement of Cash Flows	57,062

Notes to the financial statements *(continued)*

9 Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Jersey Companies Registry, and those for 2016 will be delivered in due course. The Auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Article 113B(3) or Article 113B(6) of the Companies (Jersey) Law 1991.

The Annual Report and Accounts will be posted to shareholders on or before 22 March 2017 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, Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT.

This Announcement of results for the year ended 31 December 2016 was approved by the Directors on 8 March 2017.

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.