



3 March 2015

Breedon Aggregates Limited
 (“Breedon Aggregates” or “the Group”)

Annual Results 2014

Breedon Aggregates, the UK’s leading independent aggregates business, today announces its audited annual results for the year ended 31 December 2014.

	2014	2013	Change
Revenue	£269.7 million	£224.5 million	+20.1%
Underlying EBITDA [†]	£38.5 million	£28.3 million	+36.2%
Profit before tax	£21.4 million	£11.0 million	+94.0%
Underlying basic EPS [†]	1.64 pence	1.12 pence	+46.4%
Net Debt	£66.3 million	£54.4 million	+£11.9m

[†] 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.

7.7 million tonnes of aggregates sold (2013: 6.1 million tonnes)

1.5 million tonnes of asphalt sold (2013: 1.4 million tonnes)

0.8 million cubic metres of ready-mixed concrete sold (2013: 0.6 million cubic metres)

Highlights

- Steadily improving market conditions throughout 2014
- Financial results strongly ahead of 2013
- Underlying EBITDA margin up 1.7 ppt to 14.3%
- Strong organic growth from core business
- Nearly £50 million invested in acquisitions and on capital projects
- Further improvement in safety performance
- Positive industry outlook

Peter Tom, Executive Chairman, commented:

“We are pleased to report another year of significant progress, with results strongly ahead of 2013. These were driven by steadily improving market conditions, healthy contributions from acquisitions, the benefits of continuing capital investment and solid organic growth in the underlying business.

“As we enter our fifth year since the creation of Breedon Aggregates, the Group looks very different to the business we acquired in 2010. Sales revenue has nearly doubled, EBITDA has risen almost threefold, the balance sheet is strong and we have a stable, experienced management team in place.

“The economic outlook is the most favourable for our industry since the end of the recession. Construction output and demand for our products are expected to increase over the next three years and infrastructure in particular is expected to grow strongly in 2015-18 on the back of recently-announced public spending plans. We continue to see many opportunities to grow and improve our business and we are confident that we will make further progress in 2015.”

- ends -

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Breedon Aggregates Limited

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Note to Editors

Breedon Aggregates is the leading independent aggregates business in the UK after the four global majors. It operates 53 quarries, 27 asphalt plants, 60 ready-mixed concrete plants and three concrete block plants in England and Scotland and employs around 1,220 people. The Group has strong asset backing, with over 500 million tonnes of mineral reserves and resources in the UK. Breedon Aggregates' strategy is to grow through consolidation of the UK heavyside building materials sector.

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Chairman and Chief Executive Review

Introduction

We are pleased to report another year of significant progress, with results strongly ahead of 2013. These were driven by steadily improving market conditions, healthy contributions from acquisitions, the benefits of continuing capital investment and solid organic growth in the underlying business. Both England and Scotland reported improved performances.

As we enter our fifth year since the creation of Breedon Aggregates, the Group looks very different to the business we acquired in 2010. Sales revenue has nearly doubled, EBITDA has risen almost threefold, the balance sheet is strong and we have a stable, experienced management team in place.

The economic and market environment

We moved from 'self-help' to 'market-help' as conditions improved throughout the year in line with the recovery in the wider UK economy. However, we continue to adhere to the principles of self-help which served us well in the recessionary years, focusing on outstanding service, disciplined control of costs and judicious investment in our business.

Macroeconomic data for the UK in 2014 continued to be positive, with GDP growing by 2.6 per cent and unemployment and inflation falling. Construction output grew by 5.3 per cent driven primarily by housing, which increased by 18 per cent – although new orders have recently started to decline, suggesting that growth is likely to be nearer 10 per cent in 2015. Industrial and commercial building also performed well, although infrastructure declined slightly.

The Mineral Products Association (MPA) estimates that product volumes grew by 11.0 per cent for aggregates, 8.6 percent for asphalt and 1.7 per cent for ready-mixed concrete in 2014. As usual, there were significant regional differences, with the Midlands and South of England showing the highest growth.

Our trading performance

Good progress was made on all fronts: sales revenue increased by 20.1 per cent to £269.7 million, underlying EBITDA by 36.2 per cent to £38.5 million and profit before tax by 94.0 per cent to £21.4 million. The Group underlying EBITDA margin improved from 12.6 per cent to 14.3 per cent, with both England and Scotland ahead of the prior year, and it is now approaching our medium-term target of 15 per cent.

The year began and finished strongly, with favourable weather conditions allowing higher than usual activity levels in January and December. In England, the busiest day of the year for asphalt deliveries was 15 December – unheard of in our experience!

Market conditions in England were strong, with good demand from housing, commercial, industrial and agricultural customers. Scotland was more subdued, undoubtedly affected by the independence vote in September, and there seems to be less visibility on government spending plans than there is south of the border.

Major contracts supplied

We supplied a number of major contracts in the year, although, as we have said previously, most of our business is with smaller customers with whom we have longstanding relationships developed over many years. Our priority has been and always will be to meet their requirements before considering larger one-off contracts, which tend to be supplied by larger companies at lower prices.

Key contracts supplied during the year included:

- Dualling of the A453: 65,000 tonnes of aggregates and 13,000 cubic metres of concrete
- Nottingham Tram: 51,000 tonnes of asphalt
- Birmingham Airport: 13,000 tonnes of asphalt
- Invergordon Harbour: 133,000 tonnes of aggregates
- Stornoway Harbour: 30,000 tonnes of aggregates and 3,500 tonnes of asphalt
- Dundee Waterfront: 10,000 tonnes of asphalt

Our health and safety record

We are very proud of the fact that our accident rates have fallen significantly since 2010, as this has been a major area of focus for us following a number of serious accidents in prior years. Caring for the wellbeing of our employees has always been one of Breedon's most cherished values.

Lost Time Injury Frequency Rate (LTIFR) is the industry's key measure of performance. It records those accidents which result in an employee having to take time off work, divided by the number of average hours worked. Breedon had only six lost time injuries in 2014, fortunately none of them particularly serious, and our LTIFR accordingly declined by 13 per cent over the previous year. Our key objective is to reduce the LTIFR every year, with a hard-target annual reduction of 30 per cent.

Our safety culture is based on strong leadership, backed by a strict reporting regime in which any dangerous occurrence is rigorously investigated and preventative measures put in place. The rigour of our approach is reflected in the fact that Breedon's LTIFR is now close to the MPA industry average, after having been one of the worst performers in 2010. We plan to improve further in 2015.

Investment in our business

We continued to invest significantly in the business through a combination of acquisitions, greenfield development and organic capital expenditure. In 2014 we spent cash of £33.4 million on acquisitions, £3.5 million on an investment and £11.9 million on other capital projects. This expenditure represents an investment in the future and will generate additional revenues, reduce costs and improve productivity in the years ahead.

Two sizeable acquisitions were completed in the year: Huntsmans Quarries in June, which extended our presence in the Gloucestershire and Worcestershire markets; and Barr Quarries at the end of October, which gives us a strong new market position in south-west Scotland. These both represent tremendous additions to Breedon's portfolio.

Other important investments included:

- Opening of West Deeping quarry in south Lincolnshire
- Opening of Ardchronie quarry in the Highlands
- Purchase of Clearwell concrete plant in Gloucestershire
- Construction of a new concrete plant at Cannock in Staffordshire
- Purchase of two asphalt plants from Hope Construction Materials in Suffolk and Essex
- Investment in a joint venture, Breedon Bowen, at its quarry in mid-Wales

We also continued our capital investment programme with upgrades at Craigenlow, Norton Bottoms and Astley Moss quarries and the acquisition of significant new plant for our Scottish contract surfacing business.

We anticipate continuing investment in 2015 to increase capacity, improve efficiency and further develop our business. Most notably, we have plans to replace, improve or upgrade a number of asphalt and concrete plants in 2015 and we would expect to continue with our acquisition programme.

Our people

The success we have achieved over the last four years is the result of a committed team effort and we thank every one of our employees for their contribution to Breedon's progress. More than half our employees have joined us since the formation of Breedon Aggregates in 2010, reflecting the many acquisitions we have made, but they have all quickly embraced the enthusiasm and values which we believe differentiate Breedon Aggregates from other larger companies in our sector. We look forward to continuing to work together for many years to come.

The outlook for Breedon

The economic outlook is the most favourable for our industry since the end of the recession. Construction output and demand for our products are expected to increase over the next three years and infrastructure in particular is expected to grow strongly in 2015 - 18 on the back of recently-announced public spending plans. The MPA is forecasting further increases in product volumes in 2015.

Uncertainties regarding the general election in May are likely to be temporary, as all major political parties seem to recognise that infrastructure investment and capital spending have an important part to play in delivering continued economic recovery in the UK.

Of course, there remain concerns about the size of the deficit and the future direction of the Eurozone. However, the lower oil price will continue to have a positive effect on costs and should help to accelerate the recovery of margins in our industry, which still remain below pre-recession levels and in some cases below the cost of capital.

We continue to see many opportunities to grow and improve our business and we are confident that we will make further progress in 2015.

Peter Tom CBE
Executive Chairman

Simon Vivian
Group Chief Executive

3 March 2015

Breedon Aggregates Limited
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Financial Review

Revenue & underlying operating profit

During the year we delivered strong organic growth, particularly in England, and completed two sizeable acquisitions: firstly Huntsman's Quarries Limited ("Huntsmans"), a long-established aggregates company based in the North Cotswolds and secondly Barr Quarries Limited ("Barr Quarries"), the market-leader in aggregates in south-west Scotland.

For the 12 months as a whole, Group aggregates volumes were up 25.2 per cent at 7.7 million tonnes, asphalt volumes were up 12.3 per cent at 1.5 million tonnes and ready-mixed concrete volumes were up 22.9 per cent at 0.8 million cubic metres. Excluding the volume from acquisitions, aggregates, asphalt and ready-mixed concrete volumes were up 19.6 per cent, 11.4 per cent and 16.9 per cent respectively.

Revenue for the year at £269.7 million was 20.1 per cent ahead of 2013 (2013: £224.5 million). Excluding revenue from acquisitions, revenue would have been £260.3 million (2013: £224.5 million).

Underlying earnings before our share of associate and joint venture, interest, tax, depreciation and amortisation ("EBITDA") were £38.5 million and were 36.2 per cent ahead of 2013 (2013: £28.3 million). Of this, EBITDA of £1.5 million was generated by acquisitions. Underlying results are stated before acquisition related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

EBITDA margins across the business in England and Scotland were improved year-on-year. Overall the EBITDA margin for the Group increased to 14.3 per cent from 12.6 per cent in 2013. Underlying Group operating profit was £23.1 million and was 58.3 per cent ahead of 2013 (2013: £14.6 million).

Associate and joint venture

Share of profit from associate and joint venture (net of tax) included BEAR Scotland Limited and a contribution from our 50 per cent investment in Breedon Bowen ("Bowen"), the owner and operator of Tan-y-Foel Quarry near Welshpool.

Interest

Net finance costs in the year totalled £3.3 million (2013: £3.6 million) and included interest on the Group's bank facilities, amortisation of bank arrangement fees and interest on finance leases. The lower costs in 2014 reflect the level of borrowings and finance leases and the lower cost of the new bank facility put in place in July 2014 (see 'Bank facilities').

Tax

An underlying tax charge of £4.3 million (2013: £2.7 million) was recorded in the year, resulting in an underlying effective tax rate for the full year of 20.5 per cent, influenced by the effects of the beneficial impact of the reducing UK corporation tax rate, income from associates already being taxed and of costs in Jersey 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 tax payer 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.
- Any tax affairs are administered in a lawful and responsible manner.
- All of its tax liabilities arise in the subsidiary companies in the UK and in terms of the UK corporation tax position all years up to 2012 are agreed.

Non-underlying items

Non-underlying items in the year were a net pre-tax income of £0.3 million (2013: cost of £1.4 million) and included a gain on the sale of property of £2.1 million and acquisition-related costs of £1.3 million. In addition, non-underlying items include a tax credit of £0.1 million (2013: £1.1 million) in respect of the agreement of prior year items.

Earnings per share

Basic earnings per share ("EPS") for the year were 1.68 pence (2013: 1.08 pence), struck after the non-underlying items mentioned above. Underlying basic EPS for the year totalled 1.64 pence (2013: 1.12 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, for now the main focus of the Group will be on delivering capital growth for shareholders.

Statement of financial position

Net assets at 31 December 2014 were £167.2 million (2013: £149.0 million).

Assets acquired through acquisition in the year have been valued at fair value as at the date of acquisition by the Directors, guided by third party valuations where appropriate.

The net assets are underpinned by the mineral, land and building assets of the Group, which at the end of December 2014 had a book value of £136.7 million (2013: £122.1 million).

Cash flow

Cash generated from operating activities was £40.6 million (2013: £24.9 million).

In addition to delivering short-term earnings growth, 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 2014 the Group spent £33.4 million on acquisitions (2013: £54.0 million), and recorded a cash spend on capital expenditure projects of £11.9 million (2013: £12.5 million). The acquisitions included Huntsmans and Barr Quarries. In addition, the Group invested £3.5 million in a new joint venture, Breedon Bowen.

Proceeds from the sale of property, plant and equipment totalled £6.0 million in 2014 (2013 £4.6 million) and included the sale of the 60-acre Doseley site near Telford in Shropshire for £11.0 million. The land is on the site of a former concrete products plant and has outline planning consent for 460 homes. At 31 December 2014 we had received proceeds of £2.8 million in respect of Doseley and the remaining proceeds will be received over the next three years.

Net debt

Net debt at 31 December 2014 was £66.3million (2013: £54.4 million).

Key movements in net debt include EBITDA of £38.5 million (2013: £28.3 million); purchase of property, plant and equipment of £16.1 million (2013: £13.2 million) which includes £4.2 million (2013: £0.7 million) financed by way of new finance leases; and £40.1 million (2013: £ 54.0 million) spent on acquisitions and investments which includes £3.2 million (2013: £nil) of loans and finance leases acquired with subsidiaries.

The ratio of net debt to EBITDA reduced to 1.7x at 31 December 2014, down from 1.9x at the end of 2013.

Bank facilities

In July we signed a new four-year £100 million committed revolving credit facility, which includes an additional £50 million accordion option. The agreement refinanced the Group's existing facility, which was due to mature in September 2015. The new facility is at a lower cost with greater flexibility to support our bolt-on acquisition strategy.

The Group's facility is subject to a floating interest rate based on LIBOR plus margin. At 31 December 2014, the total undrawn facility available to the Group amounted to £29.0 million. The Group's new bank facility is subject to covenants which are tested half-yearly. These covenants are: Group leverage and Group interest cover. At 31 December 2014, the Group comfortably complied with the two covenants. Based on our current estimates, we expect to comply with all our covenants for the foreseeable future.

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

Rob Wood

Group Finance Director

3 March 2015

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Consolidated Income Statement
for the year ended 31 December 2014

	Underlying	2014 Non- underlying* (note 3)	Total	Underlying	2013 Non- underlying* (note 3)	Total
	£000	£000	£000	£000	£000	£000
Revenue	269,657	-	269,657	224,546	-	224,546
Cost of sales	(189,098)	-	(189,098)	(163,808)	-	(163,808)
Gross profit	80,559	-	80,559	60,738	-	60,738
Distribution expenses	(35,584)	-	(35,584)	(30,234)	-	(30,234)
Administrative expenses	(21,827)	347	(21,480)	(15,883)	(1,386)	(17,269)
Group operating profit	23,148	347	23,495	14,621	(1,386)	13,235
Share of profit of associate and joint venture (net of tax)	1,147	-	1,147	1,383	-	1,383
Profit from operations	24,295	347	24,642	16,004	(1,386)	14,618
Financial income	39	-	39	43	-	43
Financial expense	(3,319)	-	(3,319)	(3,649)	-	(3,649)
Profit before taxation	21,015	347	21,362	12,398	(1,386)	11,012
Taxation	(4,312)	100	(4,212)	(2,705)	1,083	(1,622)
Profit for the year	16,703	447	17,150	9,693	(303)	9,390
Attributable to:						
Equity holders of the parent	16,622	447	17,069	9,651	(303)	9,348
Non-controlling interests	81	-	81	42	-	42
Profit for the year	16,703	447	17,150	9,693	(303)	9,390
Basic earnings per ordinary share	1.64p		1.68p	1.12p		1.08p
Diluted earnings per ordinary share	1.52p		1.56p	1.02p		0.99p

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

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Annual results for the year ended 31 December 2014

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the year	17,150	9,390
Other comprehensive income		
Items which may be reclassified subsequently to profit and loss:		
Effective portion of changes in fair value of cash flow hedges	135	(1)
Taxation on items taken directly to other comprehensive income	(14)	-
Other comprehensive income for the year	121	(1)
Total comprehensive income for the year	17,271	9,389
Total comprehensive income for the year is attributable to:		
Equity holders of the parent	17,190	9,347
Non-controlling interests	81	42
	17,271	9,389

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Consolidated Statement of Financial Position
at 31 December 2014

	2014 £000	2013 £000
Non-current assets		
Property, plant and equipment	207,604	183,542
Intangible assets	22,583	15,076
Trade and other receivables	2,750	-
Investment in associate and joint venture	4,825	1,332
Total non-current assets	237,762	199,950
Current assets		
Inventories	13,027	11,231
Trade and other receivables	62,907	49,233
Cash and cash equivalents	15,785	17,450
Total current assets	91,719	77,914
Total assets	329,481	277,864
Current liabilities		
Interest-bearing loans and borrowings	(5,317)	(4,330)
Trade and other payables	(59,066)	(43,400)
Current tax payable	(2,636)	(215)
Provisions	(210)	(103)
Total current liabilities	(67,229)	(48,048)
Non-current liabilities		
Interest-bearing loans and borrowings	(76,814)	(67,534)
Provisions	(11,050)	(9,316)
Deferred tax liabilities	(7,216)	(3,973)
Total non-current liabilities	(95,080)	(80,823)
Total liabilities	(162,309)	(128,871)
Net assets	167,172	148,993
Equity attributable to equity holders of the parent		
Stated Capital	139,139	138,005
Cash flow hedging reserve	(51)	(172)
Capital reserve	1,516	1,516
Retained earnings	26,406	9,513
Total equity attributable to equity holders of the parent	167,010	148,862
Non-controlling interests	162	131
Total equity	167,172	148,993

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Stated capital	Cash flow hedging reserve	Capital reserve	Retained earnings	Attributable to equity holders of parent	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2013	77,586	(171)	1,945	(150)	79,210	139	79,349
Shares issued	62,699	-	(429)	(63)	62,207	-	62,207
Expenses of share issue	(2,280)	-	-	-	(2,280)	-	(2,280)
Dividend to non-controlling interest	-	-	-	-	-	(50)	(50)
Total comprehensive income for the year	-	(1)	-	9,348	9,347	42	9,389
Credit to equity of share based payments	-	-	-	378	378	-	378
Balance at 31 December 2013	138,005	(172)	1,516	9,513	148,862	131	148,993
Shares issued	1,134	-	-	(803)	331	-	331
Expenses of share issue	-	-	-	-	-	-	-
Dividend to non-controlling interest	-	-	-	-	-	(50)	(50)
Total comprehensive income for the year	-	121	-	17,069	17,190	81	17,271
Credit to equity of share based payments	-	-	-	627	627	-	627
Balance at 31 December 2014	139,139	(51)	1,516	26,406	167,010	162	167,172

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Consolidated Cash Flow Statement
for the year ended 31 December 2014

	2014 £000	2013 £000
Cash flows from operating activities		
Profit for the year	17,150	9,390
<i>Adjustments for:</i>		
Depreciation and amortisation	15,395	13,679
Financial income	(39)	(43)
Financial expense	3,319	3,649
Share of profit of associate and joint venture(net of tax)	(1,147)	(1,383)
Net gain on sale of property, plant and equipment	(2,779)	(1,647)
Equity settled share based payment expenses	627	378
Taxation	4,212	1,622
Operating cash flow before changes in working capital and provisions	36,738	25,645
Increase in trade and other receivables	(4,708)	(12,478)
Decrease in inventories	71	309
Increase in trade and other payables	9,031	12,479
Decrease in provisions	(537)	(1,020)
Cash generated from operating activities	40,595	24,935
Interest paid	(1,688)	(2,476)
Interest element of finance lease payments	(694)	(939)
Dividend paid to non-controlling interest	(50)	(50)
Income taxes paid	(1,171)	-
Net cash from operating activities	36,992	21,470
Cash flows used in investing activities		
Acquisition of businesses	(33,429)	(53,990)
Purchase of interest in joint venture	(3,471)	-
Purchase of property, plant and equipment	(11,851)	(12,542)
Proceeds on sale of property, plant and equipment	6,027	4,644
Interest received	39	43
Dividend from associated undertaking	1,125	938
Net cash used in investing activities	(41,560)	(60,907)
Cash flows from financing activities		
Proceeds from the issue of shares (net)	331	59,927
Proceeds from new loans raised	79,675	-
Repayment of loans	(71,024)	(3,089)
Repayment of finance lease obligations	(6,079)	(4,999)
Net cash from financing activities	2,903	51,839
Net (decrease)/increase in cash and cash equivalents	(1,665)	12,402
Cash and cash equivalents at 1 January	17,450	5,048
Cash and cash equivalents at 31 December	15,785	17,450
Cash and cash equivalents	15,785	17,450
Bank overdraft	-	-
Cash and cash equivalents at 31 December	15,785	17,450

Breedon Aggregates Limited
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Notes to the financial statements

1 Basis of preparation

Breedon Aggregates Limited is a company domiciled in Jersey.

This 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 joint venture (collectively the "Group").

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

New IFRS standards and interpretations adopted during 2014

In 2014, the following standards and amendments have been endorsed by the EU, became effective and therefore were adopted by the Group:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 28 – Investments in Associates and Joint Ventures
- Amendments to IAS 36 – Impairments of Assets
- Amendments to IFRS 2 – Share Based Payments
- Amendments to IFRS 3 – Business Combinations

The annual improvement project to IFRS's provides a vehicle for making non-urgent but necessary amendments to IFRS's. Amendments to a number of standards have been adopted.

The adoption of the above standards, amendments and interpretations has not had a material impact on the Group's financial statements, other than certain additional disclosures.

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 date 1 February 2015

- Amendments to IFRS 2 – Share Based Payments
- 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 38 - Intangible Assets
- Amendments to IAS 24 – Related Party Disclosures

The Group does not anticipate that the adoption of the above standards and amendments will have a material effect on its financial statements on initial adoption.

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. The Group's Board of Directors, considered as the Group's "Chief Operating Decision Maker", views the business on a geographical basis. As such, two operating segments (England and Scotland) have been identified as reportable segments. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, related products and services.

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Notes to the financial statements (continued)

2 Segmental analysis (continued)

Income statement	2014		2013	
	Revenue £000	EBITDA* £000	Revenue £000	EBITDA* £000
England	144,949	23,714	114,886	15,760
Scotland	124,708	19,213	109,660	15,868
Central administration and Group properties	-	(4,422)	-	(3,361)
Group	269,657	38,505	224,546	28,267

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

	£000	£000
<i>Reconciliation to reported profit</i>		
Group profit as above	38,505	28,267
Depreciation	(15,357)	(13,646)
Underlying Operating Profit		
England	16,022	8,969
Scotland	11,552	9,013
Central administration and Group properties	(4,426)	(3,361)
	23,148	14,621
Non-underlying items (note 3)	347	(1,386)
Group operating profit	23,495	13,235
Share of profit of associate and joint venture	1,147	1,383
Net financial expense	(3,280)	(3,606)
Profit before taxation	21,362	11,012
Taxation	(4,212)	(1,622)
Profit for the year	17,150	9,390

Statement of Financial Position	2014		2013	
	Total assets £000	Total liabilities £000	Total assets £000	Total liabilities £000
England	154,183	(32,964)	124,482	(24,150)
Scotland	153,889	(31,144)	127,850	(23,322)
Central administration and Group properties	5,624	(6,218)	7,777	(5,347)
Total operations	313,696	(70,326)	260,109	(52,819)
Current tax	-	(2,636)	305	(215)
Deferred tax	-	(7,216)	-	(3,973)
Net debt	15,785	(82,131)	17,450	(71,864)
Total Group	329,481	(162,309)	277,864	(128,871)
Net assets		167,172		148,993

England total assets include £3,483,000 (2013: £nil) and Scotland total assets include £1,342,000 (2013: £1,332,000) in respect of investments in a joint venture and an associate respectively.

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Notes to the financial statements (continued)

2 Segmental analysis (continued)

Analysis of depletion, depreciation, amortisation and capital expenditure

	Mineral depletion	Depreciation	Amortisation of intangible assets	Additions to property, plant and equipment £000
	£000	£000	£000	
2014				
England	2,663	5,029	2	9,026
Scotland	998	6,663	36	7,006
Central administration and Group properties	-	4	-	40
Total	3,661	11,696	38	16,072
2013				
England	2,375	4,416	2	5,865
Scotland	891	5,964	31	7,423
Central administration and Group properties	-	-	-	-
Total	3,266	10,380	33	13,288

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

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.

	2014 £000	2013 £000
<i>Included in administrative expenses:</i>		
Redundancy costs	(455)	(275)
Acquisition costs	(1,271)	(1,251)
Competition authority referral	-	(1,148)
Gain on property disposals	2,085	524
Net refinancing cost	26	-
Release of provision for environmental and planning	-	797
Amortisation of other intangible assets	(38)	(33)
Total non-underlying items (pre-tax)	347	(1,386)
Non-underlying taxation	100	1,083
Total non-underlying items (after tax)	447	(303)

The 2014 and 2013 credit in respect of non-underlying taxation principally comprises adjustments in respect of the agreement of prior year items.

4 Financial income and expense

	2014 £000	2013 £000
Interest income – bank deposits	39	22
Interest income – other	-	21
Financial income	39	43
Interest expense – bank loans and overdrafts	(2,112)	(2,315)
Amortisation of prepaid bank arrangement fee	(203)	(129)
Interest expense – other	-	(18)
Interest expense – finance leases	(694)	(939)
Unwinding of discount on provisions	(310)	(248)
Financial expense	(3,319)	(3,649)

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Notes to the financial statements (continued)

5 Taxation

Recognised in the Consolidated Income Statement

	2014	2013
	£000	£000
Current tax expense	3,365	215
Adjustment in respect of prior years	(322)	(305)
Total current tax	3,043	(90)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences		
Current year	1,050	2,579
Prior year	119	(867)
Total deferred tax	1,169	1,712
Total tax charge in the Consolidated Income Statement	4,212	1,622

Taxation on items taken directly to Other Comprehensive Income

	2014	2013
	£000	£000
<i>Deferred tax expense</i>		
Relating to cash flow hedges	14	-

Reconciliation of effective tax rate

	2014	2013
	£000	£000
Profit before taxation	21,362	11,012
Tax at the Company's domestic rate of 0%*	-	-
Effect of tax in UK at UK rate*	4,868	2,814
Expenses not deductible for tax purposes	743	814
Property sales	(133)	-
Unrecognised temporary differences utilised	(757)	-
Income from associate and joint venture already taxed	(246)	(321)
Effect of change in rate	(60)	(513)
Adjustment in respect of prior years	(203)	(1,172)
Tax charge	4,212	1,622

* The Company is resident in Jersey and has a zero percent tax rate. The Group has subsidiary operations in the UK which pay tax at a higher rate of 21.5 per cent (2013: 23.25 per cent).

A reductions in the UK corporation tax rate from 24 per cent to 23 per cent (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21 per cent (effective from 1 April 2014) and 20 per cent (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2014 and 31 December 2013 has been calculated based on the rate of 20 per cent substantively enacted at the balance sheet date.

6 Interest-bearing loans and borrowings

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

	2014	2013
	£000	£000
Non-current liabilities		
Secured bank loans	69,103	59,833
Finance lease liabilities	7,711	7,701
	76,814	67,534
Current liabilities		
Secured overdrafts	-	-
Current portion of finance lease liabilities	5,317	4,330
	5,317	4,330

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Notes to the financial statements (continued)

6 Interest-bearing loans and borrowings (continued)

During the year the Group refinanced its bank loans and overdrafts. The bank loans and overdrafts carried a rate of interest of 3.0 per cent above LIBOR prior to refinancing. Since July 2014 they have carried a rate of interest of 1.7 per cent above LIBOR and are secured by a floating charge over the assets of the Company and its subsidiary undertakings and have a final repayment date of 11 July 2018.

Net debt

Net debt comprises the following items:

	2014	2013
	£000	£000
Cash and cash equivalents	15,785	17,450
Current borrowings	(5,317)	(4,330)
Non-current borrowings	(76,814)	(67,534)
	(66,346)	(54,414)

7 Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders of £17,069,000 (2013: £9,348,000) and on the weighted average number of ordinary shares in issue during the year of 1,013,408,839 (2013: 865,119,988)

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 £16,622,000 (2013: £9,651,000) and on the weighted average number of ordinary shares in issue during the year as above.

Diluted earnings per ordinary share is based on 1,090,713,882 (2013: 944,453,198) shares and reflects the effect of all dilutive potential ordinary shares.

8 Acquisitions

Huntsman's Quarries Limited

On 1 June 2014, the Group acquired the entire issued share capital of Huntsman's Quarries Limited. This transaction has been accounted for as a business combination.

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

	Book value	Fair value adjustments	Fair value on acquisition
	£'000	£'000	£'000
Mineral reserves and resources	2,661	6,620	9,281
Land and buildings	518	-	518
Plant and equipment	2,472	-	2,472
Investments	2	(2)	-
Inventories	105	14	119
Trade and other receivables	1,653	-	1,653
Cash	707	-	707
Trade and other payables	(1,584)	-	(1,584)
Current tax payable	(381)	(127)	(508)
Current interest bearing loans and borrowings	(652)	-	(652)
Non-current interest bearing loans and borrowings	(1,117)	-	(1,117)
Provisions – restoration	(408)	(375)	(783)
Deferred tax liabilities	(250)	(1,344)	(1,594)
Total	3,726	4,786	8,512
Consideration – cash			15,246
Goodwill arising			6,734

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Notes to the financial statements (continued)

8 Acquisitions (continued)

Huntsman's Quarries Limited (continued)

The provisional fair value adjustments comprise adjustments to:

- Revalue certain mineral reserves and resources to reflect fair value at the date of acquisition;
- Inventories to reflect fair/net realisable value;
- Current tax payable to reflect tax liabilities at acquisition
- Provisions to reflect costs to comply with environmental, planning and other legislation;
- 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.

The Group incurred acquisition related costs of £213,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs.

During the year, this business has contributed revenues of £6,609,000 and underlying EBITDA of £1,440,000 to the Group's results.

Barr Quarries Limited

On 31 October 2014, the Group acquired the entire share capital of Barr Quarries Limited. This transaction has been accounted for as a business combination.

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

	Book value	Fair value	Fair value on
	£'000	adjustments	acquisition
		£'000	£'000
Mineral reserves and resources	17,999	(1,789)	16,210
Land and buildings	1,003	(642)	361
Plant and equipment	3,260	(197)	3,063
Inventories	1,802	(54)	1,748
Trade and other receivables	5,557	(273)	5,284
Cash	483	-	483
Trade and other payables	(4,767)	(421)	(5,188)
Current tax payable	(286)	(60)	(346)
Current interest bearing loans and borrowings	(1,409)	-	(1,409)
Provisions – restoration	(126)	(682)	(808)
– other	(346)	(24)	(370)
Deferred tax liabilities	-	(466)	(466)
Total	23,170	(4,608)	18,562
Consideration – cash			19,373
Goodwill arising			811

The provisional fair value adjustments comprise adjustments to:

- Revalue certain mineral reserves and resources, land and buildings and plant and equipment to reflect fair value at the date of acquisition;
- Inventories to reflect fair/net realisable value;
- Trade and other receivables to reflect recoverable amounts
- Trade and other payables to reflect contractual liabilities
- Current tax payable to reflect tax liabilities at acquisition
- Provisions to reflect costs to comply with environmental, planning and other legislation;
- Deferred tax balances.

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Notes to the financial statements (continued)

8 Acquisitions (continued)

Barr Quarries Limited (continued)

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.

The Group incurred acquisition related costs of £458,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs. During the year, this business has contributed revenues of £2,752,000 and underlying EBITDA of £90,000 to the Group's results.

If both this acquisition and the acquisition of Huntsman's Quarries Limited had occurred on 1 January 2014, the results of the Group would have shown revenue of £300,383,000, underlying EBITDA, before share of associated undertaking, of £42,845,000 and underlying operating profit for the year of £26,070,000.

Cash flow effect

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

	£000
Huntsman's Quarries Limited consideration	15,246
Barr Quarries Limited consideration	19,373
Cash acquired with the businesses	(1,190)
<hr/>	
Net cash consideration shown in the Consolidated Statement of Cash Flows	33,429

Prior year acquisitions

Marshalls' quarrying assets

On 30 April 2013, the Group acquired certain trade and quarrying assets from Marshalls Mono Limited. This transaction has been accounted for as a business combination.

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

	Book Value	Fair Value adjustments	Fair value on acquisition
	£'000	£'000	£'000
Mineral reserves and resources	10,147	(117)	10,030
Land and buildings	289	100	389
Plant and equipment	2,810	1,282	4,092
Inventories	1,534	(771)	763
Provisions – Restoration	(2,088)	-	(2,088)
Deferred tax liabilities	-	(253)	(253)
<hr/>			
Total	12,692	241	12,933
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Consideration - Cash			19,392
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Goodwill arising			6,459

The fair value adjustments comprise adjustments to:

- Revalue certain minerals, land and buildings and plant and equipment to reflect fair value at the date of acquisition;
- Inventories to reflect fair/net realisable value;
- Deferred tax balances.

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

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

Notes to the financial statements (continued)

8 Acquisitions (continued)

Marshalls' quarrying assets (continued)

The Group incurred acquisition related costs of £171,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs.

During the prior year, this business contributed revenues of £7,696,000 and underlying EBITDA of £1,681,000 to the Group's results.

Scottish trade and assets

On 30 April 2013, the Group acquired certain Scottish trade and assets from Aggregate Industries UK Limited. This transaction has been accounted for as a business combination.

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

	Book Value £'000	Fair Value adjustments £'000	Fair value on acquisition £'000
Mineral reserves and resources	15,925	(425)	15,500
Land and buildings	4,810	2,054	6,864
Plant and equipment	5,300	(173)	5,127
Intangibles	-	305	305
Inventories	3,333	(604)	2,729
Provisions – Restoration	(1,509)	-	(1,509)
Deferred tax liabilities	-	(468)	(468)
Total	27,859	689	28,548
Consideration - Cash			34,598
Goodwill arising			6,050

The fair value adjustments comprise adjustments to:

- Revalue certain minerals, land and buildings and plant and equipment to reflect fair value at the date of acquisition;
- Intangibles to reflect fair value;
- Inventories to reflect fair/net realisable value;
- Deferred tax balances.

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

The Group incurred acquisition related costs of £319,000 relating principally to external professional fees and due diligence costs which have been included as non-underlying administrative costs.

During the prior year, this business contributed revenues of £16,585,000 and underlying EBITDA of £3,660,000 to the Group's results.

If both this acquisition and the acquisition of Marshalls quarrying assets had occurred on 1 January 2013, the results of the Group would have shown revenue of £234,780,000, underlying EBITDA, before share of associated undertaking, of £30,442,000 and underlying operating profit for the year of £15,636,000.

Cash flow effect

The cash flow effect of the above two acquisitions, excluding acquisition costs, can be summarised as follows:

	£'000
Marshalls quarrying assets	19,392
Scottish trade and assets	34,598
Cash consideration shown in the Consolidated Statement of Cash Flows	53,990

Breedon Aggregates Limited
Annual results for the year ended 31 December 2014

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 2014 or 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The Auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Article 113B(3) or Article 113B(6) of the Companies (Jersey) Law 1991.

The Annual Report and Accounts will be posted to shareholders on or before 16 March 2015 and will be displayed on the Company's website, www.breedonaggregates.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 2014 was approved by the Directors on 3 March 2015.

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.