Breedon Group plc

Initial Accounts

Registered number 14739556
For the period ended 10 June 2023

Company Information

Directors
A Bhatia (appointed 26 April 2023)
J Brotherton (appointed 17 March 2023)
C Hui (appointed 26 April 2023)
P Lafferty (appointed 26 April 2023)
H Miles (appointed 26 April 2023)
C Watson (appointed 26 April 2023)
R Wood (appointed 17 March 2023)

Secretary
J Atherton-Ham (appointed 17 March 2023)

Auditor
KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Registered Office
Pinnacle House
Breedon Quarry
Breedon On The Hill
Derby
England
DE73 8AP

Contents

Statement of directors' responsibilities in respect of the initial accounts

The directors are responsible for preparing the initial accounts in accordance with section 839 of the Companies Act 2006. Under that law they have elected to prepare the initial accounts in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under Company law the directors must not approve the initial accounts unless they are satisfied that they are properly prepared within the meaning of section 839(4) of the Companies Act 2006. In preparing these initial accounts, the directors are required to:

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

The directors are responsible for:

- keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the initial accounts comply with the Companies Act 2006;
- such internal control as they determine is necessary to enable the preparation of initial accounts that are free from material misstatement, whether due to fraud or error;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities, and;
- considering whether the company, subsequent to the balance sheet date of the initial accounts, has sufficient distributable profits to make a distribution at the time the distribution is made.

Independent auditor's report to the directors of Breedon Group Plc under section 839(5) of the Companies Act 2006

Opinion

We have audited the initial accounts of Breedon Group Plc ("the company") for the period from 17 March 2023 (date of incorporation) to 10 June 2023 which comprise the Income Statement and Statement of Other Comprehensive Income, the Balance sheet, the Statement of changes in equity, the statement of cash flows and the related notes, including the accounting policies in note 1.

In our opinion the initial accounts for the period from 17 March 2023 to 10 June 2023 have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to affect the Company's financial resources or ability to continue operations over this period was:

- The ability of the Group to comply with debt covenants

  We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

  Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the initial accounts is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to Breedon Group Plc's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a non-trading company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the initial accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the initial accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' responsibilities

The directors' responsibilities for preparing the initial accounts in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework* are set out on page 3. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of initial accounts that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for considering whether the company, subsequent to the balance sheet date, has sufficient distributable profits to make a distribution at the time the distribution is made.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the initial accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the initial accounts.

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

We are not required to form an opinion on whether the company has sufficient distributable reserves to make the distribution proposed at the time it is made.

The purpose of our work and to whom we owe our responsibilities

This report is made solely to the company's directors as a body in accordance with section 839 of the Companies Act 2006. Our work has been undertaken so that we as the company's auditor might state to the company's directors those matters we are required to state to them in a report under section 839 of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 839 of that Act, for this report, or for the opinions we have formed.

DocuSigned by:
Anna Barrell
B2CB951CE9B44DE...

Anna Barrell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill Queensway
Birmingham
B4 6GH

26 September 2023

Income Statement and Statement of Comprehensive Income

For the period from 17 March 2023 to 10 June 2023

	Period to 10 June 2023 £m
Administrative expenses	-
Operating profit	-
Interest	-
Profit before taxation	-
Tax charge	-
Profit after tax and total comprehensive income	-

The notes from page 11 form part of the initial accounts

Balance sheet
As at 10 June 2023

	Note	10 June 2023 £m
Non-current assets		
Investment in subsidiary	6	-
Current assets		
Trade & other receivables	4	507.4
Net assets		**507.4**
Capital and reserves		
Share capital	5	3.4
Merger reserve	2,5	32.6
Profit and loss account		471.4
Equity shareholder's funds		**507.4**

The notes from page 11 form part of the initial accounts

These initial accounts were approved by the board of directors on 25 September 2023 and were signed on its behalf by:

J Brotherton
Director

Company number: 14739556

Statement of changes in equity
for the period from 17 March 2023 to 10 June 2023

	Share capital £m	Merger reserve £m	Profit and loss account £m	Total equity £m
Balance on incorporation at 17 March 2023	0.1	-	-	0.1
Scheme of arrangement (note 2)	474.4	32.6	-	507.0
Capital reduction (note 3)	(471.1)	-	471.1	-
Share-based payments	-	-	0.3	0.3
Balance at 10 June 2023	**3.4**	**32.6**	**471.4**	**507.4**

The notes from page 11 form part of the initial accounts.

Statement of cash flows
For the period from 17 March 2023 to 10 June 2023

Breedon Group plc had no cash or cashflows during the period, and consequently no statement of cash flows has been prepared.

Notes

(forming part of the initial accounts)

1 General information and accounting policies

These initial accounts have been prepared for the period from 17 March 2023 to 10 June 2023.

Principal accounting policies applied consistently throughout the period are:

Basis of accounting

The initial accounts are prepared under the historical cost convention. They have been drawn up to comply with applicable accounting standards. These accounts are for Breedon Group Plc (the 'Company' and 'New Breedon') and are not consolidated initial accounts. The first set of consolidated financial statements for Breedon Group plc will be prepared to the accounting reference date of 31 December 2023.

The Company is a public limited company, limited by shares, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The registered number is 14739556 and the address of the registered office Pinnacle House, Main Street, Breedon on the Hill, DE73 8AP.

In preparing these initial accounts, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The initial accounts are presented in Pounds Sterling (£), which is the Company's presentational currency, and are shown in £millions to one decimal place.

Newly effective standards

There were no newly effective standards in the period from 17 March to 10 June which had a material impact on the Company, nor are any standards published but not yet effective which are expected to have a material impact on the Company.

Going Concern

The initial accounts have been prepared on a Going Concern basis. The Company has a significant net current asset position, but as the parent company of the Group the Directors believe it is appropriate to consider the use of the Going Concern assumption at a Group level.

The Group meets day-to-day working capital and other funding requirements through banking facilities, which include an overdraft facility. Longer term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350m multi-currency Revolving Credit Facility ('RCF') to June 2026 and £250m of USPP loan notes with maturities between 2028 and 2036.

The Group comfortably met all covenants and other terms of its borrowing agreements in the period, and in its most recent financial results, being Interim Financial Statements for the six months to 30 June 2023, maintained its track record of profitability, with an overall profit before taxation for the period of £56.5m. The Group has prepared cash flow forecasts for a period of more than 12 months from the date of signing these Initial Accounts, which show a sustained trend of profitability and cash generation. At 30 June 2023, the Group had cash of £76.9m and undrawn banking facilities of £350.0m, and at the date of this report, retains similar levels of liquidity which it is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and retain covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

Consequently, the directors are confident that the Group, and therefore also the Company, will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these Initial Accounts and therefore have prepared the initial accounts on a going concern basis.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any diminution in value.

Trade and other receivables

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

Notes
continued

1 General information and accounting policies *(continued)*

Share based payments

Equity-settled share-based payments to directors, key employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is recharged to the subsidiary entities which receive services from those individuals who have been granted awards on a straight-line basis over the period that the employees become unconditionally entitled to the awards.

Estimates and judgements

No significant estimates or judgements have been used by the Directors in preparing the Initial Accounts.

Directors' remuneration and staff numbers

The Company has no employees other than the Directors, who did not receive any remuneration for their services directly from the Company the current period.

External Auditor's remuneration

The fees for the audit of the Company's initial accounts are borne by a subsidiary of the Company and are not recharged.

2 Scheme of arrangement

Breedon Group plc ('New Breedon') is a public company domiciled in England & Wales with registration number 14739556 which was incorporated on 17 March 2023 to act as the new holding company for the Breedon group of companies (together the 'Group'). New Breedon replaced Breedon Group plc, a company incorporated in Jersey with registration number 98465 ('Old Breedon'), as the Group's holding company in connection with the Group's move from AIM to the Premium Segment of the Main Market of the London Stock Exchange during the first half of2023.

New Breedon obtained control of the Group on 17 May 2023 via a court approved scheme of arrangement. Under the scheme of arrangement, shares with a nominal value of £1.40 were issued in exchange for all the shares in Old Breedon at a ratio of one share in New Breedon for every five shares in Old Breedon. There were no changes in rights or proportion of control exercised as a result of the transaction.

The difference between the nominal value of the shares issued under the scheme of arrangement of £474.4m and the net assets of Old Breedon of £507.0m has been recognised within a Merger Reserve.

3 Capital reduction

On 9 June 2023 New Breedon undertook a capital reduction to convert £471.1m of share capital to distributable reserves, resulting in Share Capital of 338.9 million shares with a nominal value of £0.01 per share.

4 Trade & other receivables

Trade & other receivables comprise amounts due from Group companies. The balances do not attract interest and are payable on demand.

Notes
continued

5 Capital and reserves

Share capital

Allotted, called up and fully paid as at 10 June 2023:	**Number (millions)**	**£m**
Ordinary shares of £0.01 each	338,902	3.4

The Company had 50,000 ordinary shares with a nominal value of £1.00 on incorporation on 17 March 2023. As further detailed in note two, the Company issued 338,902,000 ordinary shares with a nominal value of £1.40 as part of the Scheme of Arrangement. Subsequently, the Company undertook a capital reduction effective 9th June 2023 which cancelled the original 50,000 ordinary shares with a nominal value of £1.00 and reduced the nominal value of the remaining ordinary shares from £1.40 to £0.01.

Merger reserve

The Merger Reserve was created as a result of the Scheme of Arrangement. See note two.

6 Investments

The company holds an investment of £1 comprising 100% of the ordinary share capital of Breedon Midco Limited, a holding company within the Group registered in England & Wales with a company number of 14777332 and a registered address at Pinnacle House, Breedon Quarry, Breedon On The Hill, Derby, England, DE73 8AP.

Details of the significant subsidiaries within the Group, which are now all indirectly owned by the Company are unchanged from those provided in the Consolidated Financial Statements for Old Breedon which are available from the Company Secretary, Breedon Group plc, Pinnacle House, Breedon Quarry, Breedon On The Hill, Derby, England, DE73 8AP.

7 Share based payments

Share-based payments to employees include PSP awards made to senior executives and voluntary participation in savings-related share option schemes ('Sharesave') for the wider Group workforce. The costs of the share schemes are recharged to the subsidiary entities which receive services from those individuals who have been granted awards.

Under the PSP, awards may be granted to key senior employees as either a conditional award or as a nil paid (or nominal) cost award. Awards will normally vest three years after grant subject to satisfaction of the relevant performance conditions; for certain employees these may be subject to an additional two-year holding period. The Group operates Sharesave schemes open to all employees both in the UK and RoI. These schemes have a term of either three or five years.

Movements in outstanding awards

(million shares)	**On incorporation**	**Replacement schemes**	**Granted**	**Exercised**	**Outstanding at 10 June**
PSP – non-market based performance conditions	-	2.0	-	-	2.0
PSP – market based performance conditions	-	1.2	-	-	1.2
Sharesave	-	5.0	-	-	5.0
	-	**8.2**	-	-	**8.2**

All PSP share awards have an exercise price of nil. The exercise price for outstanding Sharesave options at the period end is between 275p and 390p.

Notes
continued

7 Share based payments (continued)

Replacement schemes relate to the share schemes previously operated by Old Breedon, for which New Breedon became the scheme sponsor on 16 May 2023. With the exception of an adjustment to the number of options to reflect the impact of the five to one share consolidation undertaken alongside the scheme of arrangement, there were no other adjustments to the terms of the schemes and consequently the fair value of the replacement schemes were equal to the fair value of the scheme operated by Old Breedon immediately prior to the transfer.

8 Guarantees

The Company acceded as guarantor to the Group's debt facilities during the period, which comprise a £350m Revolving Credit Facility and £250m US Private Placement.