



News release

20 July 2017

Breedon Group plc (“Breedon” or “the Group”)

Interim results (unaudited) for the six months to 30 June 2017

Breedon Group plc, the UK’s largest independent construction materials group, announces its unaudited interim results for the six months ended 30 June 2017.

	30 June 2017	30 June 2016	Change
Revenue	£326.3 million	£163.0 million	+100%
Underlying EBIT [†]	£35.8 million	£22.8 million	+57%
Profit before tax	£31.2 million	£20.9 million	+50%
Underlying basic EPS [†]	1.84 pence	1.50 pence	+23%
Net debt/(cash)	£146.8 million	£(17.6) 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.

7.9 million tonnes of aggregates sold (30 June 2016: 4.6 million tonnes)

0.9 million tonnes of asphalt sold (30 June 2016: 0.9 million tonnes)

1.7 million cubic metres of ready-mixed concrete sold (30 June 2016: 0.5 million cubic metres)

Highlights

- Strong profit improvement from former Breedon Aggregates business and robust contribution from former Hope Construction Materials (“Hope”)
- Underlying EBIT margin of 15.8% achieved in former Breedon Aggregates business, comfortably ahead of our 2020 target of 15%
- Further progress on safety improvement: Lost Time Injury Frequency Rate reduced from 1.87 in 2016 to 1.41 at half-year
- Net debt reduced to £146.8m (Dec 2016: £159.3m)
- Both cement kiln maintenance and upgrade shutdowns completed in first half, on time and to budget
- Integration of former Hope operations completed, with planned synergies expected to be fully delivered in 2018, ahead of schedule
- Pro Mini Mix acquired; further bolt-on acquisitions in pipeline
- Organic development underway in two new quarries in Scotland and County Durham
- Remain confident that we will meet 2017 market expectations

Peter Tom CBE, Executive Chairman, commented:

“I am pleased to report that in the first half of 2017 the former Breedon Aggregates business posted a strong profit improvement and the former Hope Construction Materials business made a robust contribution, even after taking into account the shutdowns of both our cement kilns for planned annual maintenance and upgrade during the first half, which were completed on time and to budget.

“Although the outcome of the General Election, coupled with the commencement of Brexit negotiations, have created some further uncertainty for the UK economy, the outlook for UK construction remains encouraging. It is reassuring that the Government’s direction of travel appears to be moving away from continued austerity towards fiscal stimulus, which can only be helpful to our industry.

“We have consistently demonstrated our ability to generate value for our shareholders irrespective of economic conditions, through flexible and imaginative customer service, rigorous cost control, focused investment and a culture of continuous operational improvement. These disciplines, coupled with a strong balance sheet and healthy cashflow, put us in a strong position to take advantage of future growth opportunities, both organically and through further bolt-on acquisitions.

“More immediately, our performance in the first six months and our prospects for the second half give us confidence that we will meet 2017 market expectations.”

- ends -

The full text of the Group’s interim statement is attached, together with detailed financial results.

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/595e4de7e0455d29e61eae07>

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

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Note to Editors

Breedon Group plc is the UK's largest independent construction materials group. It operates the country's largest cement plant, two cementitious import terminals, around 60 quarries, 30 asphalt plants, 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

Interim results (unaudited) for the six months to 30 June 2017

Group Results

Breedon Group, the UK's largest independent construction materials group, today announces its unaudited results for the six months to 30 June 2017.

The former Breedon Aggregates business posted a strong profit improvement and the former Hope Construction Materials business ("Hope") made a robust contribution, even after taking into account the shutdowns of both our cement kilns for planned annual maintenance and upgrade during the first half, which were completed on time and to budget.

Group revenue for the half-year was £326.3 million (2016: £163.0 million) and underlying earnings before interest and tax ("EBIT") increased by 57% to £35.8 million (2016: £22.8 million).

The underlying EBIT margin, our principal performance measure, was 11.0% (30 June 2016: 14.0%), reflecting, as anticipated, the lower margin delivered by the former Hope business and the phasing of Hope Cement's shutdowns. The former Breedon Aggregates business however, delivered an underlying EBIT margin of 15.8%, comfortably ahead of our medium-term target of 15% by 2020. Whilst it will clearly be more challenging in the wake of the Hope acquisition, we continue to target a 15% underlying EBIT margin for the Group by 2020.

Notwithstanding the seasonality of the business, the Group continued to be strongly cash-generative.

Financial Highlights

	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Variance
Revenue			
Breedon Northern	97.9	77.0	+27%
Breedon Southern	190.6	86.0	+122%
Hope Cement	71.5	-	
Eliminations	(33.7)	-	
Total	326.3	163.0	+100%
Underlying EBIT			
Breedon Northern	10.7	10.0	+7%
Breedon Southern	22.7	15.9	+43%
Hope Cement	9.3	-	
Central administration	(8.1)	(3.5)	
Share of associate and joint ventures	1.2	0.4	
Total	35.8	22.8	+57%
Underlying EBIT margin	11.0%	14.0%	

As indicated in our 2016 full-year results announcement, all aggregates, asphalt and concrete operations have been consolidated into our Breedon Northern and Breedon Southern businesses and all our cementitious operations are now housed within Hope Cement. This provides the basis on which these results are reported.

Operating performance

Breedon Northern continued to benefit from the significant opportunities in Scotland created by the Aberdeen Western Peripheral Route and the widening of the A9, against the backdrop of a generally subdued market. The aggregates and concrete operations of Sherburn Minerals Group (“Sherburn”), acquired in November 2016, were smoothly integrated into the Division and a new regional office was opened on our own land at Raisby quarry in County Durham. Major supply contracts won in the period included the new Aberdeen Conference Centre and Macallan Distillery in the Highlands.

Breedon Southern supplied a number of major projects, including Jaguar Land Rover, the M1 widening scheme at junctions 23a-25 and phase one of the East Midlands Gateway. We also opened our first sales office in north-west England, which was quickly followed by winning our first significant ready-mixed concrete order in central Manchester. Major improvements were made to the former Hope quarries, notably at Dowlow, our rail-linked quarry in Derbyshire, where new machinery and crushing equipment delivered increased production and product flexibility.

Hope Cement’s performance reflected two factors: our decision this year to carry out both annual maintenance and upgrade shutdowns at our cement plant in the first six months, which accordingly softened its first-half contribution; and the integration of Sherburn’s cementitious import terminals which, as we expected, have proved highly complementary.

These performances were delivered against a background of continuing growth in construction, with the Office for National Statistics reporting a 1.1% increase in output in the first quarter compared with the previous quarter. The Mineral Products Association correspondingly reported seasonally-adjusted market volume increases of 2.1% for aggregates and 0.7% for ready-mixed concrete, with asphalt down 0.8%, over the same period.

In light of the fact that our cementitious activities have expanded and broadened with the acquisition of the Sherburn importation business, meaning they are no longer exclusively focused on the Hope Cement Works, we have decided to bring the Division under the umbrella of the Group brand. Accordingly, from 1 August 2017 Hope Cement will be renamed Breedon Cement, which will give us greater flexibility as we further develop this business in the future.

Integration of Hope

The integration of the former Hope operations is now complete, with all three Divisions on a common IT platform. We now expect to deliver the full £10 million of planned synergies in 2018, comfortably ahead of our original schedule.

Safety of colleagues

We made good progress in improving the key measure of our safety performance, reporting a 25% reduction in our Lost Time Injury Frequency Rate (LTIFR) from 1.87 at the end of 2016 to 1.41 at the end of the first half, moving us closer to our goal of a 40% LTIFR reduction over the full year.

Safety remains at the top of the Board agenda and we continue to push hard towards our goal of Zero Harm. We are focused on developing a strong culture of safe behaviour, driven by a reinvigorated Visible Felt Leadership programme which commits our senior executive team to spending more time in the field, encouraging greater engagement among our colleagues.

At the heart of our drive for safer behaviour is a set of non-negotiable Safety Commitments which we introduced at the beginning of this year and which every one of our colleagues is expected to sign up to. These Commitments are providing a sharpened focus for all our health & safety activities and it has been encouraging to see them enthusiastically embraced by our workforce.

Organic development

Our programme of investment in improving operational efficiency and expanding our capacity and mineral reserves continued through the first six months. Most notably, we commenced investment in two strategically important new quarries, at North Drumbois in the Central Belt of Scotland and Low Harperley in County Durham, for which planning consents were recently secured.

North Drumbois is a hard rock quarry situated approximately 10 miles from the buoyant Glasgow market and will enable us further to internalise supply of stone to our network of concrete plants in the region. Low Harperley, near Bishop Auckland, is the only active source of sand & gravel in County Durham and will provide us with an additional source of material for our network of concrete plants in the north-east of England. Both quarries are expected to be fully operational in the second half of this year.

The acquisition of Hope has also made possible a key strategic investment in additional asphalt capacity for Breedon Southern, with a proposal for a new plant at Dowlow quarry which we expect to be operational in early 2018.

Acquisition

In May we acquired Pro Mini Mix, a small mini mix concrete operator based in the Black Country, which complements our 1stMix business and extends our reach into the West Midlands, also providing another valuable route to market for our aggregates and cement.

We continue to review a number of other potential bolt-on acquisitions.

Balance sheet and cash flow

Net assets at 30 June 2017 were £494.1 million, compared to £467.5 million at 31 December 2016 and £251.2 million at 30 June 2016.

Cash generated from operating activities was £30.2 million, after an increase in working capital of £23.6 million as a result of the seasonal requirements of the business. Group capital expenditure totalled £12.3 million and was all spent in cash.

The Group received £1.8 million from asset disposals and repaid £4.5 million of loans and finance leases. The net cash inflow for the period was £8.5 million and the Group had net debt at 30 June 2017 of £146.8 million, compared to net debt of £159.3 million at 31 December 2016 and net cash of £17.6 million at 30 June 2016.

Breedon Southern leadership

It is nearly seven years since Tim Hall took on the role of Chief Executive of Breedon Aggregates England, during which time he has made an outstanding contribution to the Group, leading his business through a period of exceptional growth and change, including numerous bolt-on purchases and the integration of our largest and most transformative acquisition to date, which is now complete.

As we look now to the long-term development of Breedon Southern, it is appropriate that we plan for his succession. We are therefore in the process of identifying a new Chief Executive for the Division, with a view to completing an orderly handover of Tim's responsibilities in due course. He has been an integral part of the Breedon success story and when he departs will leave a powerful legacy for his successor.

Outlook

Although the outcome of the General Election, coupled with the commencement of Brexit negotiations, have created some further uncertainty for the UK economy, the outlook for UK construction remains encouraging. The Construction Products Association (CPA) is forecasting construction output growth of 1.3% in 2017 and 1.2% in 2018, before accelerating to 2.3% growth in 2019.

Overall, the CPA expects construction output to be 4.9% higher in 2019 compared with 2016, underpinned by a 35% increase in infrastructure new work and increased housing activity, which end-uses together account for approximately two-thirds of our revenues. The Mineral Products Association is similarly optimistic, forecasting a 5% growth in ready-mixed concrete volumes and 4% growth in aggregates and cement volumes over 2017-2019, with asphalt sales expected to hold at roughly current levels over the same period.

It is reassuring that the Government's direction of travel appears to be moving away from continued austerity towards fiscal stimulus, which can only be helpful to our industry. Recent examples include the Chancellor's decision to extend the UK Guarantees Scheme to include construction guarantees for the first time, bringing greater certainty to the funding of large-scale infrastructure projects; the announcement of an additional £1 billion for trunk road upgrades; and a further £2.3 billion investment in infrastructure for new housing.

We have consistently demonstrated our ability to generate value for our shareholders irrespective of economic conditions, through flexible and imaginative customer service, rigorous cost control, focused investment and a culture of continuous operational improvement. These disciplines, coupled with a strong balance sheet and healthy cashflow, put us in a strong position to take advantage of future growth opportunities, both organically and through further bolt-on acquisitions.

More immediately, our performance in the first six months and our prospects for the second half give us confidence that we will meet 2017 market expectations.

Finally, we would like once again to thank everyone at Breedon, colleagues old and new, for their contributions to our results.

Peter Tom CBE
Executive Chairman

Pat Ward
Group Chief Executive

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Condensed Consolidated Income Statement
for the six months ended 30 June 2017

	Six months ended 30 June 2017			Six months ended 30 June 2016			Year ended 31 December 2016		
	Underlying	Non-underlying* (note 5)	Total	Underlying	Non-underlying* (note 5)	Total	Underlying	Non-underlying* (note 5)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	326,289	-	326,289	162,957	-	162,957	454,688	-	454,688
Cost of sales	(207,206)	-	(207,206)	(102,778)	-	(102,778)	(278,746)	-	(278,746)
Gross profit	119,083	-	119,083	60,179	-	60,179	175,942	-	175,942
Distribution expenses	(60,812)	-	(60,812)	(23,598)	-	(23,598)	(78,517)	-	(78,517)
Administrative expenses	(23,671)	(1,305)	(24,976)	(14,174)	(788)	(14,962)	(39,188)	(8,372)	(47,560)
Group operating profit	34,600	(1,305)	33,295	22,407	(788)	21,619	58,237	(8,372)	49,865
Share of profit of associate and joint ventures (net of tax)	1,196	-	1,196	434	-	434	1,374	-	1,374
Profit from operations	35,796	(1,305)	34,491	22,841	(788)	22,053	59,611	(8,372)	51,239
Financial income	-	-	-	35	-	35	63	-	63
Financial expense	(3,264)	-	(3,264)	(1,231)	-	(1,231)	(4,540)	-	(4,540)
Profit before taxation	32,532	(1,305)	31,227	21,645	(788)	20,857	55,134	(8,372)	46,762
Taxation	(6,475)	260	(6,215)	(4,395)	16	(4,379)	(11,198)	1,206	(9,992)
Profit for the period	26,057	(1,045)	25,012	17,250	(772)	16,478	43,936	(7,166)	36,770
Attributable to:									
Equity holders of the parent	26,033	(1,045)	24,988	17,234	(772)	16,462	43,885	(7,166)	36,719
Non-controlling interests	24	-	24	16	-	16	51	-	51
Profit for the period	26,057	(1,045)	25,012	17,250	(772)	16,478	43,936	(7,166)	36,770
Basic earnings per ordinary share	1.84p		1.77p	1.50p		1.43p	3.49p		2.92p
Diluted earnings per ordinary share	1.79p		1.72p	1.45p		1.38p	3.38p		2.83p

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

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2017

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Profit for the period	25,012	16,478	36,770
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Effective portion of changes in fair value of cash flow hedges	(146)	(10)	44
Taxation on items taken directly to other comprehensive income	-	1	-
Other comprehensive income for the period	(146)	(9)	44
Total comprehensive income for the period	24,866	16,469	36,814
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	24,842	16,453	36,763
Non-controlling interests	24	16	51
	24,866	16,469	36,814

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Condensed Consolidated Statement of Financial Position
at 30 June 2017

	30 June 2017 £000	30 June 2016 £000	31 December 2016 £000
Non-current assets			
Property, plant and equipment	458,935	213,108	467,514
Intangible assets	194,633	22,529	193,784
Investment in associate and joint ventures	5,702	5,037	5,502
Total non-current assets	659,270	240,674	666,800
Current assets			
Inventories	27,863	11,790	29,331
Trade and other receivables	142,835	71,264	110,772
Cash and cash equivalents	13,174	33,019	4,628
Total current assets	183,872	116,073	144,731
Total assets	843,142	356,747	811,531
Current liabilities			
Interest-bearing loans and borrowings	(4,716)	(5,666)	(6,893)
Trade and other payables	(123,370)	(67,072)	(116,783)
Current tax payable	(6,350)	(4,224)	(5,114)
Provisions	(6,803)	(184)	(6,478)
Total current liabilities	(141,239)	(77,146)	(135,268)
Non-current liabilities			
Interest-bearing loans and borrowings	(155,236)	(9,719)	(157,073)
Provisions	(25,416)	(11,717)	(24,429)
Deferred tax liabilities	(27,198)	(7,011)	(27,217)
Total non-current liabilities	(207,850)	(28,447)	(208,719)
Total liabilities	(349,089)	(105,593)	(343,987)
Net assets	494,053	251,154	467,544
Equity attributable to equity holders of the parent			
Stated capital	377,755	179,139	375,495
Cash flow hedging reserve	(138)	(45)	8
Capital reserve	1,516	1,516	1,516
Retained earnings	114,728	70,361	90,307
Total equity attributable to equity holders of the parent	493,861	250,971	467,326
Non-controlling interests	192	183	218
Total equity	494,053	251,154	467,544

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2017

For the six months ended 30 June 2017							
	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 31 December 2016	375,495	8	1,516	90,307	467,326	218	467,544
Shares issued	2,260	-	-	(1,551)	709	-	709
Dividend to non-controlling interests	-	-	-	-	-	(50)	(50)
Total comprehensive income for the period	-	(146)	-	24,988	24,842	24	24,866
Credit to equity of share-based payments	-	-	-	984	984	-	984
Balance at 30 June 2017	377,755	(138)	1,516	114,728	493,861	192	494,053
For the six months ended 30 June 2016							
	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 31 December 2015	178,637	(36)	1,516	52,958	233,075	167	233,242
Shares issued	502	-	-	(154)	348	-	348
Total comprehensive income for the period	-	(9)	-	16,462	16,453	16	16,469
Credit to equity of share-based payments	-	-	-	1,095	1,095	-	1,095
Balance at 30 June 2016	179,139	(45)	1,516	70,361	250,971	183	251,154
For the year ended 31 December 2016							
	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 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
Interim results (unaudited) for the six months to 30 June 2017

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2017

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Cash flows from operating activities			
Profit for the period	25,012	16,478	36,770
<i>Adjustments for:</i>			
Depreciation and amortisation	19,457	9,028	25,530
Financial income	-	(35)	(63)
Financial expense	3,264	1,231	4,540
Share of profit of associate and joint ventures (net of tax)	(1,196)	(434)	(1,374)
Net loss/(gain) on sale of property, plant and equipment	55	(494)	(1,007)
Equity-settled share-based payment expenses	984	1,095	807
Taxation	6,215	4,379	9,992
Operating cash flow before changes in working capital and provisions	53,791	31,248	75,195
(Increase)/decrease in trade and other receivables	(31,893)	(12,493)	6,862
Decrease/(increase) in inventories	1,469	779	(1,887)
Increase/(decrease) in trade and other payables	6,225	1,948	(801)
Increase in provisions	605	404	1,429
Cash generated from operating activities	30,197	21,886	80,798
Interest paid	(1,970)	(660)	(4,315)
Interest element of finance lease payments	(192)	(246)	(466)
Dividend paid to non-controlling interest	(50)	-	-
Income taxes paid	(5,003)	(3,547)	(8,307)
Net cash from operating activities	22,982	17,433	67,710
Cash flows used in investing activities			
Acquisition of businesses	(1,200)	-	(57,062)
Purchase of property, plant and equipment	(12,284)	(6,025)	(23,729)
Proceeds from sale of property, plant and equipment	1,790	940	10,070
Repayment of loan to joint venture	125	100	200
Interest received	-	35	63
Dividend from associate and joint venture	875	375	750
Net cash used in investing activities	(10,694)	(4,575)	(69,708)
Cash flows used in financing activities			
Proceeds from the issue of shares (net)	709	348	397
Proceeds from new loans raised	-	-	195,000
Repayment of loans	(1,337)	-	(205,090)
Repayment of finance lease obligations	(3,114)	(3,698)	(7,191)
Purchase of financial instrument - derivative	-	(11)	(12)
Net cash used in financing activities	(3,742)	(3,361)	(16,896)
Net increase/(decrease) in cash and cash equivalents	8,546	9,497	(18,894)
Cash and cash equivalents at beginning of period	4,628	23,522	23,522
Cash and cash equivalents at end of period	13,174	33,019	4,628

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Notes to the Condensed Consolidated Interim Financial Statements

1 Basis of preparation

Breedon Group plc is a company domiciled in Jersey.

These Condensed Consolidated Interim Financial Statements (the "Interim Financial Statements") consolidate the results of the Company and its subsidiary undertakings (collectively the "Group").

These Interim Financial Statements have been prepared in accordance with IAS 34 - Interim Financial Reporting, as adopted by the EU. The Interim Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required.

The Interim Financial Statements have been prepared applying the accounting policies and presentation that were applied in the presentation of the Company's Consolidated Financial Statements for the year ended 31 December 2016.

These Interim Financial Statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board's guidance on the review of interim financial information. These statements do not include all of the information required for full annual financial statements and should be read in conjunction with the full Annual Report for the year ended 31 December 2016.

The comparative figures for the financial year ended 31 December 2016 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor. The report of the auditor (i) was unqualified and (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

2 Going concern

The Group meets its day-to-day working capital and other funding requirements through its banking facility, which includes an overdraft facility, which expires in November 2019. The Group actively manages its financial risks and operates Board approved financial policies, including interest rate hedging policies, that are designed to ensure that the Group maintains an adequate level of headroom and effectively mitigates financial risks.

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

3 Financial risks, estimates, assumptions and judgements

In preparing these Interim Financial Statements, management have been required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expense. Actual results may differ from estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2016 as set out in note 27 of the Annual Report for that year.

The principal risks and uncertainties the Group faces are in respect of the following:

- Market conditions
- Competition and margins
- Acquisitions
- Financing and liquidity
- Legal and regulatory
- Health & safety and environment
- People
- IT and cyber security

Further details of these main risks are set out on pages 16 and 17 of the Group's Annual Report for the year ended 31 December 2016. The Directors consider that these are the risks that could impact the performance of the Group in the remaining six months of the current financial year. As in the previous year, these risks are being managed and their anticipated impact mitigated.

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4 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. As from January 2017 all aggregates, asphalt and concrete operations have been consolidated into our Breedon Northern and Breedon Southern businesses and all our cementitious operations are now housed within Hope Cement. Prior year comparisons have been restated. There are no other operating segments. The majority of revenues are earned from the sale of aggregates, cement, related products and services.

	Six months ended 30 June 2017		Six months ended 30 June 2016		Restated Year ended 31 December 2016	
	Revenue £000	EBITDA* £000	Revenue £000	EBITDA* £000	Revenue £000	EBITDA* £000
Income statement						
Breedon Northern	97,914	16,500	76,946	14,689	174,194	29,963
Breedon Southern	190,622	29,238	86,011	20,190	265,254	48,338
Hope Cement	71,505	16,255	-	-	52,115	16,152
Central administration	-	(8,044)	-	(3,461)	-	(10,803)
Eliminations	(33,752)	-	-	-	(36,875)	-
Group	326,289	53,949	162,957	31,418	454,688	83,650

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

Reconciliation to reported profit

Group EBITDA as above	53,949	31,418	83,650
Depreciation and mineral depletion	(19,349)	(9,011)	(25,413)

Underlying Operating Profit

Breedon Northern	10,711	10,027	19,909
Breedon Southern	22,692	15,851	38,113
Hope Cement	9,348	-	11,060
Central administration	(8,151)	(3,471)	(10,845)
	34,600	22,407	58,237

Share of profit of associate and joint ventures	1,196	434	1,374
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Underlying profit from operations (underlying EBIT)	35,796	22,841	59,611
Non-underlying items (note 5)	(1,305)	(788)	(8,372)
Profit from operations	34,491	22,053	51,239
Net financial expense	(3,264)	(1,196)	(4,477)
Profit before taxation	31,227	20,857	46,762
Taxation	(6,215)	(4,379)	(9,992)
Profit for the period	25,012	16,478	36,770

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Notes to the Condensed Consolidated Interim Financial Statements (continued)

5 Non-underlying items

As required by IFRS 3 – Business Combinations, acquisition related 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.

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
<i>Included in administrative expenses:</i>			
Redundancy and reorganisation costs	(1,729)	(126)	(5,326)
Acquisition costs	(39)	(704)	(3,119)
Gain on property disposals	571	59	185
Amortisation of acquisition intangible assets	(108)	(17)	(112)
Total non-underlying items (pre-tax)	(1,305)	(788)	(8,372)
Non-underlying taxation	260	16	1,206
Total non-underlying items (after tax)	(1,045)	(772)	(7,166)

6 Financial income and expense

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Interest income – bank deposits	-	35	63
Financial income	-	35	63
Interest expense – bank loans and overdrafts	(1,970)	(684)	(2,748)
Amortisation of prepaid bank arrangement fee	(393)	(129)	(497)
Interest expense – finance leases	(192)	(246)	(466)
Unwinding of discount on provisions	(709)	(172)	(829)
Financial expense	(3,264)	(1,231)	(4,540)

7 Taxation

The Company is resident in Jersey which has a zero per cent tax rate. The tax charge for the six months ended 30 June 2017 has been based on the estimated effective blended rate applicable for existing operations for the full year. This is based on an effective rate of 19.25 per cent on profits arising in the Group's UK subsidiary undertakings with no tax deduction for expenses arising in Jersey.

Reductions in the UK corporation tax rate from 20 per cent 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 from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future tax charge accordingly. The deferred tax liability at 30 June 2017 has been calculated based on these rates.

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

8 Interest-bearing loans and borrowings

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

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Non-current liabilities			
Secured bank loans	148,171	488	147,779
Finance lease liabilities	7,065	9,231	9,294
	155,236	9,719	157,073
Current liabilities			
Unsecured bank loans	-	-	1,336
Current portion of finance lease liabilities	4,716	5,666	5,557
	4,716	5,666	6,893

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 and which replaced the facilities previously in place. The new facility carried a rate of interest of between 1.5 per cent and 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

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Net (debt)/cash comprises the following items:			
Cash and cash equivalents	13,174	33,019	4,628
Current borrowings	(4,716)	(5,666)	(6,893)
Non-current borrowings	(155,236)	(9,719)	(157,073)
	(146,778)	17,634	(159,338)

9 Earnings per share

The calculation of earnings per share is based on the profit for the period attributable to ordinary shareholders of £24,988,000 (30 June 2016: £16,462,000, 31 December 2016: £36,719,000) and on the weighted average number of ordinary shares in issue during the period of 1,412,888,278 (30 June 2016: 1,150,048,780, 31 December 2016: 1,257,812,971).

The calculation of underlying earnings per share is based on the profit for the period attributable to ordinary shareholders, adjusted to add back the non-underlying items, of £26,033,000 (30 June 2016: £17,234,000, 31 December 2016: £43,885,000) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 1,453,486,340 (30 June 2016: 1,191,589,466, 31 December 2016: 1,299,537,417) shares and reflects the effect of all dilutive potential ordinary shares.

10 Acquisitions

There have been no material acquisitions in the period.

11 Related party transactions

Related parties are consistent with those disclosed in the Group's Annual Report for the year ended 31 December 2016. All related party transactions are on an arm's length basis.

Breedon Group plc
Interim results (unaudited) for the six months to 30 June 2017

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12 Stated capital

	Number of Ordinary Shares		
	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Issued ordinary shares at the beginning of the period	1,411,013,763	1,149,390,728	1,149,390,728
Issued in connection with:			
Acquisition of Hope Cement Limited	-	-	259,120,245
Vesting of Performance Share Plan awards	2,876,962	-	-
Exercise of savings-related share options	2,360,258	2,218,684	2,502,790
	1,416,250,983	1,151,609,412	1,411,013,763

During the period, the Company issued 2,360,258 ordinary shares of no par value raising £709,000 in connection with the exercise of certain savings-related share options. On 4 April 2017, the Company issued 2,876,962 ordinary shares of no par value in connection with the vesting of awards under the Performance Share Plan.

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.