



News release

17 July 2014

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

Interim results (unaudited) for six months to 30 June 2014

Breedon Aggregates, the UK’s largest independent aggregates business, announces its unaudited interim results for the six months ended 30 June 2014.

	30 June 2014	30 June 2013	Change
Revenue	£125.2 million	£100.2 million	+ 25%
Underlying EBITDA [†]	£17.8 million	£13.0 million	+ 37%
Underlying operating profit [†]	£10.4 million	£6.6 million	+ 57%
Underlying profit before tax [†]	£9.4 million	£5.3 million	+ 77%
Underlying basic EPS [†]	0.73 pence	0.55 pence	+ 33%

3.6 million tonnes of aggregates sold (30 June 2013: 2.7 million tonnes)

0.7 million tonnes of asphalt sold (30 June 2013: 0.6 million tonnes)

326,000 cubic metres of ready-mixed concrete sold (30 June 2013: 283,000 cubic metres)

Highlights

- Trading strongly ahead of comparable period in the prior year
- Volumes ahead in all key product groups
- Underlying EBITDA margin up over one percentage point to 14.2%
- Organic investment generating improved operational performance
- Mineral reserves enhanced with further extensions
- Agreement reached with the Competition & Markets Authority, paving way for integration of former Aggregate Industries businesses
- Successful bolt-on acquisition of Huntsmans
- Refinancing completed post-period-end

[†] 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.

Looking ahead Peter Tom CBE, Executive Chairman, commented:

“The business has performed well in the first half of the year and we expect to make further progress during the second half.

“The integration of the former AI business in Scotland will deliver synergy benefits and enable us to further improve service levels. There are a number of acquisitions and internal investment opportunities under review and we would anticipate further business development activity in the coming months.

“As always, we extend our thanks to all our colleagues for their contribution to the success of the business in the first six months of 2014 and we look forward to working with them to deliver another good result for the full year.”

- ends -

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

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Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2014

Group Results

Breedon Aggregates Limited, the UK's largest independent aggregates business, today announces its results for the six months to 30 June 2014.

Group results include a full six months' benefit from the acquisitions of the former Marshalls quarries in England and the former Aggregate Industries (AI) operations in Scotland, which were completed on 30 April 2013.

The results also include a month's contribution from Huntsman's Quarries ("Huntsmans"), which was acquired on 1 June 2014 for a cash consideration of £15 million, extending the Group's operations in Gloucestershire and into Worcestershire.

We are very pleased both with the performance of the underlying business and with last year's acquisitions, and are confident that Huntsmans will also represent an excellent investment for Breedon.

Group revenue for the half-year was 25% ahead of the comparable period including acquisitions and 14% excluding acquisitions. Underlying earnings before our share of associated undertakings, interest, tax, depreciation and amortisation ("EBITDA") increased by 37% to £17.8 million (30 June 2013: £13.0 million). Excluding acquisitions, underlying EBITDA increased by 16% and the underlying EBITDA margin improved to 14.2% (30 June 2013: 12.9%).

Financial Highlights

	6 months 30 June 2014 £'m	6 months 30 June 2013 £'m	variance
Revenue			
England	64.8	50.8	+ 27%
Scotland	60.4	49.4	+ 22%
Total	125.2	100.2	+ 25%
Underlying EBITDA			
England	10.6	7.2	+ 48%
Scotland	9.4	7.3	+ 28%
Head Office	(2.2)	(1.5)	
Total	17.8	13.0	+ 37%
Underlying EBITDA Margin	14.2%	12.9%	

Operating Performance

Trading during the first half was in line with expectations and strongly ahead of the first six months of 2013, driven primarily by a much improved first quarter compared to the same period last year, which was severely affected by poor weather. The UK construction sector continued to recover, with first-quarter output growing by 5.4% year on year and by 0.6% compared to the last quarter of 2013. Much of this growth was driven by housing, which in the first quarter was over 25% ahead year-on-year.

The Mineral Products Association ("MPA") has reported national volume increases of 15-18% for aggregates and asphalt and 5% for concrete in the first quarter of 2014.

The Group's first-half sales volumes were well ahead of last year, with aggregates up 31%, asphalt up 16% and concrete up 15%.

Market conditions in England generally remain stronger than in Scotland, although the Scottish business had a strong first quarter on the back of increased spending by Transport Scotland. We continue to focus on our core customers and markets, where we successfully differentiate our products by offering better quality and service. The improved market conditions have enabled us to increase prices, recovering input costs, and make up some of the ground lost during the recession.

We have finally come to the end of the long-running investigation by the Competition & Markets Authority (“CMA”) into the acquisition of the AI business in northern Scotland. This drawn-out process started at the end of April 2013 and, as previously reported, the CMA’s findings mean that we are obliged to sell one concrete plant and one asphalt plant in the Aberdeen area and enter into a price-control agreement on asphalt in the Inverness area. We have six months to comply with the findings. Pleasingly we are now able to fully integrate the business, which has been operating as a commercially independent entity for the past year, and we expect to deliver synergy benefits in the second half of this year.

We continue to invest in our core business and in the first half we acquired a new sand and gravel quarry at West Deeping in Lincolnshire and opened a new concrete plant at Cannock near Stafford. We also acquired, from AI, the concrete plant in our Clearwell quarry (purchased from Marshalls last year). In addition, we invested in a significant amount of capital equipment in the first half, including new processing plant at Craigenlow quarry in Scotland and a major investment to increase capacity at our large Norton Bottoms quarry near Newark. We continue to see good opportunities for further organic investment in the business at attractive returns.

Safety performance has continued to improve, with our key Long Term Injury Frequency Rate falling by almost 20% over the past 12 months. However, during the first six months of 2014 we reported two Lost Time Incidents compared with only one in the same period last year. While any increase is disappointing, the business is much larger than it was then and the trends continue to move in the right direction. Our target is a further 50% reduction in accident frequency in the full year.

Our associate company, BEAR Scotland, successfully retained the strategically important North East trunk road maintenance contract with Transport Scotland for a further 6-8 years. This follows it winning the North West contract last year and means that Breedon will continue to supply both areas for at least another five years.

Balance sheet and cash flow

Net assets at 30 June 2014 were £156.7 million, compared to £149.0 million at 31 December 2013 and £142.8 million at 30 June 2013.

Cash generated from operating activities was £13.0 million, after an increase in working capital of £4.1 million as a result of the seasonal requirements of the business. The Group spent £14.3 million on acquisitions and incurred £6.3 million on capital expenditure of which £4.2 million was spent in cash. The Group received £1.1 million from asset disposals and it repaid £2.8 million of finance leases. The net cash outflow for the period was £8.0 million and net debt at 30 June 2014 was £63.0 million, compared to £54.4 million at 31 December 2013 and £72.2 million at 30 June 2013.

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

Outlook

The general outlook for the UK economy and for the construction sector continues to be encouraging. GDP grew by 3.1% year on year in the first quarter of 2014, which is the fastest rate of growth since 2007. Unemployment continues to fall and the economy is now only 0.6% below its pre-recession peak. However, there are concerns that efforts to move towards a more balanced economy are meeting with limited success and the recovery remains heavily dependent on the housing market which could be adversely affected if interest rates increase later in the year.

The strong growth in construction in the first quarter looks set to continue and the MPA has recently revised upwards its forecast increase in national volumes to 5-6%. However, there are significant regional variations. London and the South East continue to lead the way, but the Midlands has also seen strong growth, which should continue to benefit our English business. It now seems certain that March 2013 will have been the trough of the construction recession.

There is cross-party political support for significant future investment in infrastructure and housing, with the announcement of £100 billion of investment up to 2020 and the reorganisation of transport funding as part of the Infrastructure Bill currently going through Parliament.

In England, we expect demand to remain strong in the second half of the year, with supplies continuing to the A453, the i54 Jaguar Land Rover project and the Nottingham Tramway. We also expect strong second-half performances from our recently acquired quarry in Gloucestershire and we have won a contract to supply Hereford County for the first time through Balfour Beatty. Other regional markets in Manchester and North Wales also remain busy.

In Scotland, underlying demand is not as strong as in England, but the North East market remains very busy and we have a significant presence there following the AI acquisition last year. We have recently secured a contract to extend Stornoway harbour with BAM Nuttall as main contractor. In addition, the £745 million Aberdeen Western Peripheral Route has moved a step closer with Connect Roads (a joint venture between Balfour Beatty, Galliford Try and Carillion) appointed preferred bidder in June. Work should start early in 2015.

The independence vote in Scotland in September is creating some uncertainty and whilst this is likely to continue as the referendum date approaches, we continue to believe that the medium-term prospects for infrastructure investment and housing look good, regardless of the outcome.

The business has performed well in the first half of the year and we expect to make further progress during the second half. The integration of the former AI business in Scotland will deliver synergy benefits and enable us to further improve service levels. There are a number of acquisitions and internal investment opportunities under review and we would anticipate further business development activity in the coming months.

As always, we extend our thanks to all our colleagues for their contribution to the success of the business in the first six months of 2014 and we look forward to working with them to deliver another good result for the full year.

Peter Tom CBE
Executive Chairman

Simon Vivian
Group Chief Executive

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2014

Condensed Consolidated Income Statement
for the six months ended 30 June 2014

	Six months ended 30 June 2014			Six months ended 30 June 2013			Year ended 31 December 2013		
	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	125,235	-	125,235	100,205	-	100,205	224,546	-	224,546
Cost of sales	(89,813)	-	(89,813)	(73,300)	-	(73,300)	(163,808)	-	(163,808)
Gross profit	35,422	-	35,422	26,905	-	26,905	60,738	-	60,738
Distribution expenses	(16,235)	-	(16,235)	(13,960)	-	(13,960)	(30,234)	-	(30,234)
Administrative expenses	(8,747)	(355)	(9,102)	(6,301)	(976)	(7,277)	(15,883)	(1,386)	(17,269)
Group operating profit	10,440	(355)	10,085	6,644	(976)	5,668	14,621	(1,386)	13,235
Share of profit of associated undertaking (net of tax)	701	-	701	535	-	535	1,383	-	1,383
Profit from operations	11,141	(355)	10,786	7,179	(976)	6,203	16,004	(1,386)	14,618
Financial income	26	-	26	26	-	26	43	-	43
Financial expense	(1,734)	-	(1,734)	(1,863)	-	(1,863)	(3,649)	-	(3,649)
Profit before taxation	9,433	(355)	9,078	5,342	(976)	4,366	12,398	(1,386)	11,012
Taxation	(2,069)	26	(2,043)	(1,202)	206	(996)	(2,705)	1,083	(1,622)
Profit for the period	7,364	(329)	7,035	4,140	(770)	3,370	9,693	(303)	9,390
Attributable to:									
Equity holders of the parent	7,328	(329)	6,999	4,116	(770)	3,346	9,651	(303)	9,348
Non-controlling interests	36	-	36	24	-	24	42	-	42
Profit for the period	7,364	(329)	7,035	4,140	(770)	3,370	9,693	(303)	9,390
Basic earnings per ordinary share	0.73p		0.69p	0.55p		0.45p	1.12p		1.08p
Diluted earnings per ordinary share	0.67p		0.64p	0.48p		0.39p	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.

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2014

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2014

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Profit for the period	7,035	3,370	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	69	21	(1)
Taxation on items taken directly to other comprehensive income	(5)	(4)	-
Other comprehensive income for the period	64	17	(1)
Total comprehensive income for the period	7,099	3,387	9,389
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	7,063	3,363	9,347
Non-controlling interests	36	24	42
	7,099	3,387	9,389

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2014

Condensed Consolidated Statement of Financial Position
at 30 June 2014

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Non-current assets			
Property, plant and equipment	194,262	187,198	183,542
Intangible assets	21,492	14,216	15,076
Investment in associated undertaking	1,284	1,422	1,332
Total non-current assets	217,038	202,836	199,950
Current assets			
Inventories	11,347	10,789	11,231
Trade and other receivables	58,067	52,921	49,233
Cash and cash equivalents	9,427	4,817	17,450
Total current assets	78,841	68,527	77,914
Total assets	295,879	271,363	277,864
Current liabilities			
Interest-bearing loans and borrowings	(5,194)	(4,642)	(4,330)
Trade and other payables	(48,635)	(38,820)	(43,400)
Current tax payable	(1,917)	-	(215)
Provisions	(436)	(232)	(103)
Total current liabilities	(56,182)	(43,694)	(48,048)
Non-current liabilities			
Interest-bearing loans and borrowings	(67,207)	(72,351)	(67,534)
Provisions	(9,303)	(9,240)	(9,316)
Deferred tax liabilities	(6,528)	(3,284)	(3,973)
Total non-current liabilities	(83,038)	(84,875)	(80,823)
Total liabilities	(139,220)	(128,569)	(128,871)
Net assets	156,659	142,794	148,993
Equity attributable to equity holders of the parent			
Stated capital	139,131	137,935	138,005
Cash flow hedging reserve	(108)	(154)	(172)
Capital reserve	1,516	1,516	1,516
Retained earnings	16,003	3,384	9,513
Total equity attributable to equity holders of the parent	156,542	142,681	148,862
Non-controlling interests	117	113	131
Total equity	156,659	142,794	148,993

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2014

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2014

Six months ended 30 June 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 31 December 2013	138,005	(172)	1,516	9,513	148,862	131	148,993
Shares issued	1,126	-	-	(796)	330	-	330
Dividend to non-controlling interests	-	-	-	-	-	(50)	(50)
Total comprehensive income for the period	-	64	-	6,999	7,063	36	7,099
Credit to equity of share based payments	-	-	-	287	287	-	287
Balance at 30 June 2014	139,131	(108)	1,516	16,003	156,542	117	156,659

Six months ended 30 June 2013

	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 2012	77,586	(171)	1,945	(150)	79,210	139	79,349
Shares issued	62,629	-	(429)	-	62,200	-	62,200
Expenses of share issue	(2,280)	-	-	-	(2,280)	-	(2,280)
Dividend to non-controlling interests	-	-	-	-	-	(50)	(50)
Total comprehensive income for the period	-	17	-	3,346	3,363	24	3,387
Credit to equity of share based payments	-	-	-	188	188	-	188
Balance at 30 June 2013	137,935	(154)	1,516	3,384	142,681	113	142,794

Year ended 31 December 2013

	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 2012	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 interests	-	-	-	-	-	(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

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2014

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2014

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities			
Profit for the period	7,035	3,370	9,390
<i>Adjustments for:</i>			
Depreciation and amortisation	7,336	6,342	13,679
Financial income	(26)	(26)	(43)
Financial expense	1,734	1,863	3,649
Share of profit of associated undertaking (net of tax)	(701)	(535)	(1,383)
Net gain on sale of property, plant and equipment	(647)	(1,282)	(1,647)
Equity settled share based payment expenses	287	188	378
Taxation	2,043	996	1,622
Operating cash flow before changes in working capital and provisions	17,061	10,916	25,645
Increase in trade and other receivables	(7,485)	(16,449)	(12,478)
Decrease in inventories	3	863	309
Increase in trade and other payables	3,808	7,795	12,479
Decrease in provisions	(402)	(425)	(1,020)
Cash generated from operating activities	12,985	2,700	24,935
Interest paid	(1,244)	(1,183)	(2,476)
Interest element of finance lease payments	(334)	(514)	(939)
Dividend paid to non-controlling interest	(50)	(50)	(50)
Income taxes received	304	-	-
Net cash from operating activities	11,661	953	21,470
Cash flows used in investing activities			
Acquisition of businesses	(14,293)	(54,124)	(53,990)
Purchase of property, plant and equipment	(4,204)	(6,362)	(12,542)
Proceeds from sale of property, plant and equipment	1,129	2,025	4,644
Interest received	26	26	43
Dividend from associated undertaking	749	-	938
Net cash used in investing activities	(16,593)	(58,435)	(60,907)
Cash flows from financing activities			
Proceeds from the issue of shares (net)	330	59,920	59,927
Repayment of loans	(624)	(139)	(3,089)
Repayment of finance lease obligations	(2,797)	(2,530)	(4,999)
Net cash (used in)/from financing activities	(3,091)	57,251	51,839
Net (decrease)/increase in cash and cash equivalents	(8,023)	(231)	12,402
Cash and cash equivalents at beginning of period	17,450	5,048	5,048
Cash and cash equivalents at end of period	9,427	4,817	17,450
Cash and cash equivalents	9,427	4,817	17,450
Bank overdraft	-	-	-
Cash and cash equivalents at end of period	9,427	4,817	17,450

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2014

Notes to the Condensed Consolidated Interim Financial Statements

1 Basis of preparation

Breedon Aggregates Limited 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 2013 except for the following which became effective for periods beginning on or after 1 January 2014 and 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 – Impairment of Assets
- Amendments to IFRS 2 – Share Based Payments
- Amendments to IFRS 3 – Business Combinations

The adoption of the above standards and amendments has not had a material effect on the result for the period.

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 2013.

The comparative figures for the financial year ended 31 December 2013 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. On 11 July 2014, the Group refinanced its bank borrowings (see note 13).

The Group actively manages its financial risks and operates Board approved 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 2013 as set out in note 27 of the Annual Report and Accounts for that year.

Details of the main risks the Group faces are set out on pages 23 to 25 of the Group's Annual Report and Accounts for the year ended 31 December 2013. 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.

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Notes to the 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. 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.

Income statement	Six months ended 30 June 2014		Six months ended 30 June 2013		Year ended 31 December 2013	
	Revenue £'000	EBITDA* £'000	Revenue £'000	EBITDA* £'000	Revenue £'000	EBITDA* £'000
England	64,792	10,623	50,821	7,166	114,886	15,760
Scotland	60,443	9,382	49,384	7,317	109,660	15,868
Central administration and Group properties	-	(2,248)	-	(1,510)	-	(3,361)
Group	125,235	17,757	100,205	12,973	224,546	28,267

*EBITDA represents underlying EBITDA before share of profit from associated undertaking.

Reconciliation to reported profit

Group profit as above	17,757	12,973	28,267
Depreciation	(7,317)	(6,329)	(13,646)

Underlying Operating Profit

England	7,024	3,975	8,969
Scotland	5,664	4,179	9,013
Central administration and Group properties	(2,248)	(1,510)	(3,361)
	10,440	6,644	14,621
Non-underlying items	(355)	(976)	(1,386)
Group operating profit	10,085	5,668	13,235
Share of profit of associated undertaking	701	535	1,383
Net financial expense	(1,708)	(1,837)	(3,606)
Profit before taxation	9,078	4,366	11,012
Taxation	(2,043)	(996)	(1,622)
Profit for the period	7,035	3,370	9,390

5 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 businesses. Non-underlying items also include property items, the amortisation of acquisition intangible assets and related tax items.

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
<i>Included in administrative expenses:</i>			
Redundancy costs	(147)	(184)	(275)
Acquisition costs	(213)	(1,338)	(1,251)
Competition authority referral	-	-	(1,148)
Gain on property disposals	24	559	524
Release of provision for environmental and planning	-	-	797
Amortisation of acquisition intangible assets	(19)	(13)	(33)
Total non-underlying items (pre-tax)	(355)	(976)	(1,386)
Non-underlying taxation	26	206	1,083
Total non-underlying items (after-tax)	(329)	(770)	(303)

Breedon Aggregates Limited
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Notes to the Interim Financial Statements (continued)

6 Financial income and expense

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Interest income – bank deposits	26	7	22
Interest income – other	-	19	21
Financial income	26	26	43
Interest expense – bank loans and overdrafts	(1,197)	(1,159)	(2,315)
Amortisation of prepaid bank arrangement fee	(65)	(64)	(129)
Interest expense - other	-	-	(18)
Interest expense – finance leases	(334)	(514)	(939)
Unwinding of discount on provisions	(138)	(126)	(248)
Financial expense	(1,734)	(1,863)	(3,649)

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 2014 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 21.50% on profits arising in the Group's UK subsidiary undertakings with no tax deduction for expenses arising in Jersey.

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly

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 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Non-current liabilities			
Secured bank loans	59,583	62,733	59,833
Finance lease liabilities	7,624	9,618	7,701
	67,207	72,351	67,534
Current liabilities			
Secured overdrafts	-	-	-
Current portion of finance lease liabilities	5,194	4,642	4,330
	5,194	4,642	4,330

The bank loans and overdrafts carry a rate of interest of 3% above LIBOR and are secured on the freehold and leasehold properties and other assets of the Company and its subsidiary undertakings and have a final repayment date of 5 September 2015. On 11 July 2014, the Group refinanced its bank borrowings (see note 13).

Net debt

Net debt comprises the following items:

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Cash and cash equivalents	9,427	4,817	17,450
Current borrowings	(5,194)	(4,642)	(4,330)
Non-current borrowings	(67,207)	(72,351)	(67,534)
	(62,974)	(72,176)	(54,414)

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Notes to the Interim Financial Statements (continued)

9 Earnings per share

The calculation of earnings per share is based on the profit for the period attributable to ordinary shareholders of £6,999,000 (30 June 2013: £3,346,000, 31 December 2013: £9,348,000) and on the weighted average number of ordinary shares in issue during the period of 1,008,465,099 (30 June 2013: 751,125,117, 31 December 2013: 865,119,988).

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 £7,328,000 (30 June 2013: £4,116,000, 31 December 2013: £9,651,000) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 1,092,019,925 (30 June 2013: 863,538,602, 31 December 2013: 944,453,198) shares and reflects the effect of all dilutive potential ordinary shares.

10 Acquisitions

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	Fair value on
	£'000	adjustments	acquisition
		£'000	£'000
Mineral reserves and resources	2,825	6,725	9,550
Land and buildings	420	(105)	315
Plant and equipment	2,406	-	2,406
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)	-	(381)
Other interest bearing loans – current liabilities	(652)	-	(652)
Other interest bearing loans – non-current liabilities	(1,117)	-	(1,117)
Provisions - restoration	(408)	-	(408)
Deferred tax liabilities	(250)	(1,584)	(1,834)
Total	3,726	5,048	8,774
Consideration:			
Cash		15,000	
Deferred		208	
Total			15,208
Goodwill			6,434

The provisional fair value adjustments comprise adjustments to mineral reserves and resources, land and buildings and investments to reflect fair value at the date of acquisition; to inventories to reflect fair value; and to deferred tax balances.

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

During the period, this business contributed revenues of £940,000, underlying EBITDA of £280,000 and underlying operating profit of £208,000 to the Group's results. If this acquisition had occurred on 1 January 2014, the results of the Group would have shown revenue of £128,964,000, underlying EBITDA, before share of associated undertaking, of £18,553,000 and underlying operating profit for the period of £11,006,000

Prior year acquisitions

On 30 April 2013, the Group acquired certain trade and quarrying assets from Marshalls Mono Limited and on 30 April 2013, the Group acquired certain Scottish trade and assets from Aggregate Industries UK Limited. These transactions have been accounted for as business combinations. Details of the fair value of consideration paid and the net assets acquired, together with the goodwill arising in respect of these business combinations of £12,509,000, are given in note 26 on pages 82 and 83 of the Group's Annual Report and Accounts for the year ended 31 December 2013. There have been no changes in the provisional fair value adjustments in the six months to 30 June 2014.

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Notes to the Interim Financial Statements (continued)

11 Related party transactions

Related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 December 2013. All related party transactions are on an arm's length basis.

12 Stated capital

	Six months ended 30 June 2014	Ordinary Shares	
		Six months ended 30 June 2013	Year ended 31 December 2013
	Number	Number	Number
Issued ordinary shares at the beginning of the period	1,006,766,588	647,270,914	647,270,914
Issued in connection with:			
Placing	-	290,476,190	290,476,190
Exercise of savings related share options	2,010,804	-	45,798
Exercise of warrants	-	10,002,287	10,002,287
Exercise of Performance Share Plan	6,979,451	-	-
Purchase of Participation Shares	-	-	58,971,399
	1,015,756,843	947,749,391	1,006,766,588

During the period, the Company issued 51,749 ordinary shares of no par value at 15.0 pence per share and 1,959,055 ordinary shares of no par value at 16.4 pence per share in connection with the exercise of certain savings related share options.

On 3 June 2014, the Company issued 6,979,451 ordinary shares of no par value in connection with the Breedon Aggregates Performance Share Plan, details of which are given in note 19 on page 75 of the Group's Annual Report and Accounts for the year ended 31 December 2013

13 Post Balance sheet events

On 11 July 2014, the Group entered into a new four year £100 million, multicurrency revolving bank facility to refinance all its existing bank borrowings. The new facility will be secured by way of a floating charge on the Group's assets. Based on the Group's current leverage ratio, the initial interest rate applicable to the new facility is 1.7% above LIBOR.

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.