BREEDON
AGGREGATES

Delivering on our strategy

Breedon Aggregates
Interim Report 2016

We are the UK's leading independent aggregates business. Our operations are fully integrated – processing aggregates from our quarries into high-quality construction materials and restoring the land we use. We aim to maximise our returns at each stage of our operations, in the knowledge that our resources are both scarce and valuable.
We achieve this by working as efficiently and competitively as possible, whilst respecting our customers, employees, suppliers and local communities.

Contents

For more information visit
www.breedonaggregates.com

Cover photograph: Tipper driver, Robert Mackenzie, at Breedon Aggregates' asphalt plant at Daviot quarry near Inverness in Scotland.

Highlights

Financial Highlights

Revenue
£163.0m
30 June 2015: £160.5 million **+2%**

Underlying EBIT*
£22.8m
30 June 2015: £18.9 million **+21%**

Profit before taxation
£20.9m
30 June 2015: £17.5 million **+19%**

Net cash/(debt)
£17.6m
30 June 2015: £(58.3) million **+£75.9 million**

Underlying basic earnings per share*
1.50p
30 June 2015: 1.29 pence **+16%**

* 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.

4.6m tonnes
of aggregates sold
30 June 2015: 4.5 million tonnes

0.9m tonnes
of asphalt sold
30 June 2015: 0.9 million tonnes

0.5m m^3
of ready-mixed concrete sold
30 June 2015: 0.4 million m^3

Operational Highlights

- Excellent first-half operating performance, with strong contributions from both England and Scotland
- Underlying EBIT margin improved to 14.0%
- Strong earnings growth and cash generation
- As planned, significant increase in capital expenditure as investment continued in expanding capacity and improving operational efficiency
- Integration planning for acquisition of Hope Construction Materials Limited well advanced and completion of acquisition expected on 1 August (subject to final clearance from the CMA)
- Further bolt-on acquisitions under consideration

How we are organised

We operate two autonomous businesses in England and Scotland, each focused on providing the highest possible levels of customer service to their local markets.

About Breedon Aggregates England

Headquarters

Breedon on the Hill,
Derbyshire

Regional coverage

Central and eastern England,
north and mid-Wales

535 employees

15 quarries

9 asphalt plants

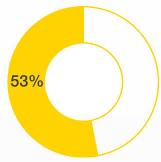
23 ready-mixed concrete and mortar plants

1 concrete products plant

2 regional contract surfacing operations

as at 30 June 2016

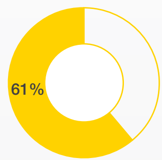
Revenue



£86.0m

30 June 2015: £84.1 million **+2%**

Underlying EBIT



£15.9m

30 June 2015: £12.6 million **+26%**

About Breedon Aggregates Scotland

Headquarters

Ethiebeaton
(near Dundee)

Regional coverage

Eastern, northern, western and south west
Scotland and the Hebrides

728 employees

38 quarries

18 asphalt plants

37 ready-mixed concrete and mortar plants

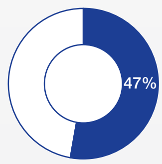
2 concrete products plants

6 regional contract surfacing operations

1 traffic management services company

as at 30 June 2016

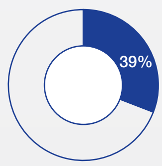
Revenue



£77.0m

30 June 2015: £76.4 million **+1%**

Underlying EBIT



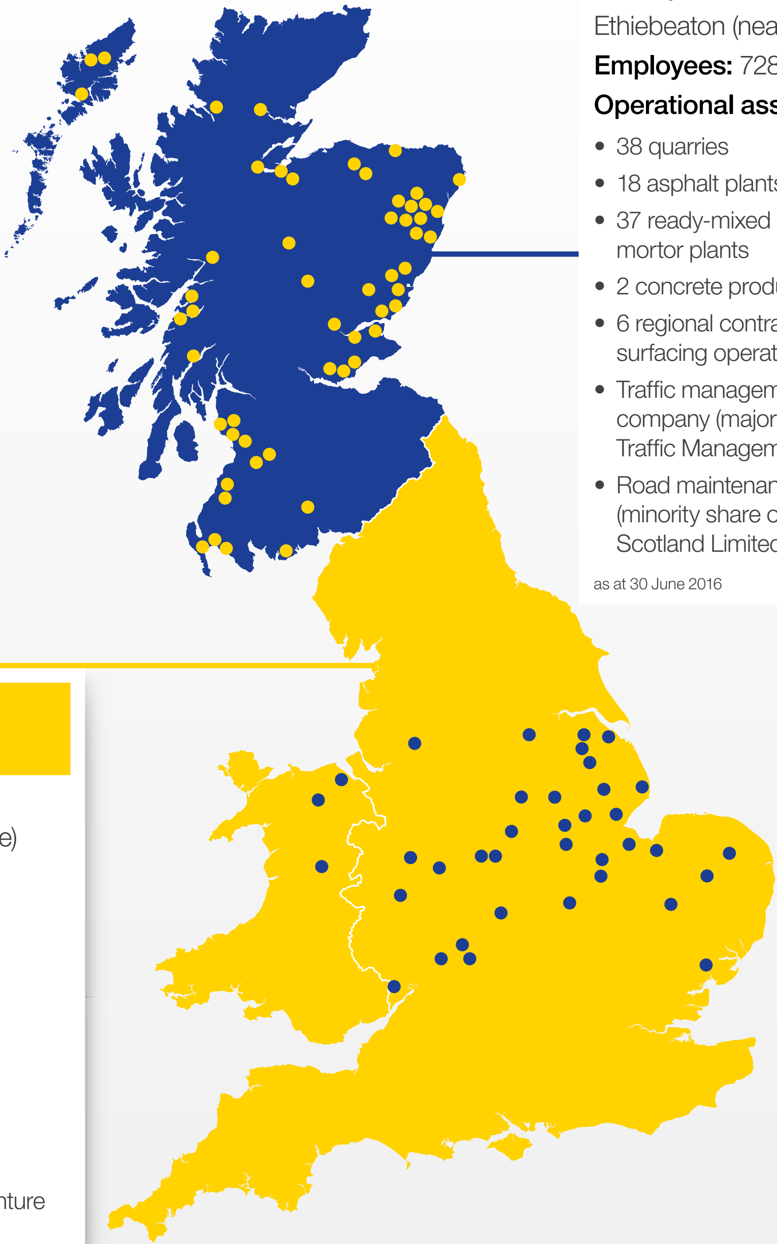
£10.0m

30 June 2015: £9.0 million **+12%**

Reserves and resources

Over 500m tonnes

of owned or controlled mineral reserves and resources



Breedon Aggregates Scotland

Headquarters:
Ethiebeaton (near Dundee)

Employees: 728

Operational assets:

- 38 quarries
- 18 asphalt plants
- 37 ready-mixed concrete and mortor plants
- 2 concrete products plants
- 6 regional contract surfacing operations
- Traffic management services company (majority share of Alba Traffic Management Limited)
- Road maintenance company (minority share of BEAR Scotland Limited)

as at 30 June 2016

Breedon Aggregates England

Headquarters:
Breedon on the Hill (Derbyshire)

Employees: 535

Operational assets:

- 15 quarries
- 9 asphalt plants
- 23 ready-mixed concrete and mortar plants
- 1 concrete products plant
- 2 regional contract surfacing operations
- Aggregates production joint venture company (50 per cent share of Breedon Bowen Limited)

as at 30 June 2016

Business Review

Peter Tom CBE
Executive Chairman

Pat Ward
Group Chief Executive

Group results

Breedon Aggregates, the UK's largest independent aggregates business, today announces its unaudited results for the six months to 30 June 2016.

Group revenue for the half-year of £163.0 million was 2 per cent ahead of the comparable period in 2015. Underlying earnings before interest and tax ("EBIT") increased by 21 per cent to £22.8 million (30 June 2015: £18.9 million) and the underlying EBIT margin, our principal performance measure, increased to 14.0 per cent (30 June 2015: 11.8 per cent).

Operating performance

The Group delivered an excellent operating performance in the first half, with both our businesses making strong contributions, improving revenues and EBIT margins despite a slow start to the year in Scotland, temporary delays to some major projects and the uncertainty leading up to, and since, the EU Referendum.

First-half underlying earnings before our share of associate and joint venture, interest, tax, depreciation and amortisation ("EBITDA") of £31.4 million was well ahead of the comparable period (30 June 2015: £27.3 million), driven by strong operational improvements and the benefit of lower hydrocarbon costs.

In Scotland, we won our largest-ever contract, valued at up to £55 million, in a joint venture with Whitemountain Quarries Limited to supply and lay asphalt on the £745 million Aberdeen Western Peripheral Route ("AWPR"). Despite being somewhat behind schedule, the AWPR is now drawing steady volumes from our business. We also began to supply dry stone, ready-mixed concrete and asphalt, under a £10 million contract with Wills Bros John Paul JV, to the £35 million first stage of the A9 dualling project. These two major projects have yet to peak and will ensure continuity of demand for our products over the next couple of years, underpinning our performance in Scotland.

In England, we supplied a number of high-profile projects, including Jaguar Land Rover's i54 development, the expansion of DHL's cargo hub at East Midlands Airport, Amazon's new distribution centre in Leicestershire, the Midland Metropolitan Hospital near Birmingham and the Worcester Southern Bypass.

This strong performance was delivered against subdued market conditions in which construction market demand for mineral products remained generally flat in the first quarter of the year compared with the final quarter of 2015. Compared with the first quarter of 2015, first-quarter market volumes increased for aggregates by 2% and for ready-mixed concrete by 3%, but asphalt fell by 9% due to a slowdown in renewals work.

Financial Highlights

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Variance
Revenue			
England	**86.0**	84.1	+2%
Scotland	**77.0**	76.4	+1%
Total	**163.0**	160.5	+2%
Underlying EBIT			
England	**15.9**	12.6	+26%
Scotland	**10.0**	9.0	+12%
Head Office	**(3.5)**	(3.0)	
Share of associate and joint venture	**0.4**	0.3	
Total	**22.8**	18.9	+21%
Underlying EBIT margin	**14.0%**	11.8%	

Capital investment

As planned, capital expenditure increased significantly in the first half as we continued to invest in expanding our capacity and improving operational efficiency. In Scotland, we completed the commissioning of Daviot asphalt plant near Inverness and completed construction of a second new asphalt plant at Tom's Forest near Aberdeen.

In England, we completed a major upgrade of the crushing equipment at Cloud Hill in the East Midlands. A mothballed quarry was reopened at Denbigh to expand our presence in North Wales and we erected a new concrete plant in Tewkesbury to take further advantage of the markets of Gloucestershire and the Forest of Dean.

Safety of colleagues

Safety remains a priority for the Board and senior management and our efforts in the first half were focused on a reinvigorated programme of Visible Felt Leadership. Our senior executive team have committed to spend even more time in the field, encouraging greater engagement among our colleagues as we seek to develop a strong culture of safe behaviour and push towards our goal of Zero Harm.

Acquisition of Hope Construction Materials

Following the conclusion of the Competition & Markets Authority's review, we expect to complete the acquisition of Hope Construction Materials Limited ("Hope") on 1 August 2016 (subject to final clearance from the CMA). We have made excellent progress on integration planning since the end of last year and we are confident that we can deliver the synergies to which we have committed and extract maximum value from this transformational opportunity both commercially and operationally.

On completion, the enlarged Group will be renamed Breedon Group plc, subject to approval by our shareholders at an Extraordinary General Meeting later today. The trading name of the enlarged Group will simultaneously change from 'Breedon Aggregates' to 'Breedon', which will give us greater flexibility in view of our broadening product portfolio.

All the Hope quarries, ready-mixed concrete plants and associated plant and vehicles will be rebranded 'Breedon' as soon as possible after completion. We will, however, be retaining the 'Hope' name for the cement plant and cementitious assets.

The enlarged Group will comprise three divisions:

- Breedon Northern will combine Breedon's Scottish operations with Hope's aggregates and ready-mixed concrete operations in Scotland and the north of England;
- Breedon Southern will combine Breedon's operations in England and Wales with Hope's remaining aggregates and ready-mixed concrete operations; and
- Hope Cement will comprise all of Hope's cementitious assets.

A new visual identity for the Group will be launched to coincide with completion of the acquisition.

Balance sheet and cash flow

Net assets at 30 June 2016 were £251.2 million, compared to £233.2 million at 31 December 2015 and £181.7 million at 30 June 2015.

Cash generated from operating activities was £21.9 million, after an increase in working capital of £9.4 million as a result of the increased trading performance and the seasonal requirements of the business. Group capital expenditure totalled £11.7 million, of which £6.0 million was spent in cash, with the balance funded by way of finance leases.

The Group received £0.9 million from asset disposals and repaid £3.7 million of finance leases. The net cash inflow for the period was £9.5 million and the Group had net cash at 30 June 2016 of £17.6 million, compared to net cash of £10.3 million at 31 December 2015 (reflecting the net £39.1 million inflow from the issue of shares in November 2015) and net debt of £58.3 million at 30 June 2015.

The consideration payable for Hope will be satisfied by the payment of £202 million in cash and the issue of 259,120,245 new shares (valued at £134 million at the time of the announcement of the acquisition). The cash consideration will be primarily financed by drawing down on our new £300 million revolving credit facility.

On completion of the Hope acquisition, we expect leverage (the ratio of net debt to pro forma EBITDA) to be less than 2 times and the Board expects the Group to remain strongly cash generative.

Outlook

Commentators have been quick to highlight the uncertainties created by the EU Referendum result. Direct evidence of the potential impact on the UK construction sector has been seen in the weakening share prices of a number of leading companies in the sector.

However, the need for investment in our infrastructure remains more urgent than ever and there are encouraging signs that the Government recognises this and is prepared to loosen fiscal policy to provide the necessary funding.

Over the past couple of years the MPA has consistently forecast modest annual growth in mineral product volumes for the next few years and, although we might see some softening in these expectations, there remains a good case to be made for continued volume growth.

Hydrocarbon costs have crept up in the first half of this year and should this trend continue there obviously may be some potential impact on margins. However, we have always sought to mitigate this impact through a strategic approach to purchasing.

Whatever the prognosis for the UK economy, we remain confident that we can continue to generate value for our shareholders. We have some major contracts which will help to underpin our performance during a period of uncertainty, along with a strong balance sheet and a record of strong cash generation in challenging markets. We have also demonstrated our ability to deliver a strong performance through determined self-help and we will maintain this discipline irrespective of market conditions.

The strategic rationale of the acquisition of Hope remains compelling and it will present new opportunities to deliver self-help improvements. It will also give us an even stronger platform for growth through a broader geographical footprint, increased scale, improved product mix, greater financial capacity and some highly talented people. We fully intend to use this strengthened platform to continue to pursue our strategy of consolidating the UK building materials market. Indeed, we believe that market uncertainty may create further opportunities for value-creating acquisitions and we are currently considering a number of potential bolt-ons.

Against this background we remain confident of meeting 2016 market expectations.

Finally, we would like to thank everyone at Breedon for their contributions to our results in the first half of the year. We look forward to working with them, along with all our new colleagues from Hope, to continue delivering the strong performance our shareholders expect from us.

Peter Tom CBE
Executive Chairman

Pat Ward
Group Chief Executive

21 July 2016

Condensed Consolidated Income Statement

for the six months ended 30 June 2016

	Underlying £000	Non-underlying* (note 5) £000	Six months ended 30 June 2016 Total £000	Underlying £000	Non-underlying* (note 5) £000	Six months ended 30 June 2015 Total £000	Underlying £000	Non-underlying* (note 5) £000	Year ended 31 December 2015 Total £000
Revenue	**162,957**	**–**	**162,957**	160,529	–	160,529	318,452	–	318,452
Cost of sales	**(102,778)**	**–**	**(102,778)**	(108,107)	–	(108,107)	(211,395)	–	(211,395)
Gross profit	**60,179**	**–**	**60,179**	52,422	–	52,422	107,057	–	107,057
Distribution expenses	**(23,598)**	**–**	**(23,598)**	(21,610)	–	(21,610)	(43,737)	–	(43,737)
Administrative expenses	**(14,174)**	**(788)**	**(14,962)**	(12,260)	44	(12,216)	(26,266)	(3,754)	(30,020)
Group operating profit	**22,407**	**(788)**	**21,619**	18,552	44	18,596	37,054	(3,754)	33,300
Share of profit of associate and joint venture (net of tax)	**434**	**–**	**434**	329	–	329	728	–	728
Profit from operations	**22,841**	**(788)**	**22,053**	18,881	44	18,925	37,782	(3,754)	34,028
Financial income	**35**	**–**	**35**	9	–	9	25	–	25
Financial expense	**(1,231)**	**–**	**(1,231)**	(1,467)	–	(1,467)	(2,776)	–	(2,776)
Profit before taxation	**21,645**	**(788)**	**20,857**	17,423	44	17,467	35,031	(3,754)	31,277
Taxation	**(4,395)**	**16**	**(4,379)**	(3,744)	(63)	(3,807)	(6,347)	33	(6,314)
Profit for the period	**17,250**	**(772)**	**16,478**	13,679	(19)	13,660	28,684	(3,721)	24,963
Attributable to:									
Equity holders of the parent	**17,234**	**(772)**	**16,462**	13,645	(19)	13,626	28,629	(3,721)	24,908
Non-controlling interests	**16**	**–**	**16**	34	–	34	55	–	55
Profit for the period	**17,250**	**(772)**	**16,478**	13,679	(19)	13,660	28,684	(3,721)	24,963
Basic earnings per ordinary share	**1.50p**		**1.43p**	1.29p		1.28p	2.68p		2.33p
Diluted earnings per ordinary share	**1.45p**		**1.38p**	1.25p		1.24p	2.59p		2.25p

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

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2016

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Profit for the period	**16,478**	13,660	24,963
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Effective portion of changes in fair value of cash flow hedges	**(10)**	48	19
Taxation on items taken directly to other comprehensive income	**1**	(10)	(4)
Other comprehensive income for the period	**(9)**	38	15
Total comprehensive income for the period	**16,469**	13,698	24,978
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	**16,453**	13,664	24,923
Non-controlling interests	**16**	34	55
	16,469	13,698	24,978

Condensed Consolidated Statement of Financial Position

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Non-current assets			
Property, plant and equipment	**213,108**	205,589	210,858
Intangible assets	**22,529**	22,566	22,546
Trade and other receivables	**–**	2,750	–
Investment in associate and joint venture	**5,037**	5,053	5,078
Total non-current assets	**240,674**	235,958	238,482
Current assets			
Inventories	**11,790**	12,858	12,569
Trade and other receivables	**71,264**	74,096	58,779
Cash and cash equivalents	**33,019**	9,722	23,522
Total current assets	**116,073**	96,676	94,870
Total assets	**356,747**	332,634	333,352
Current liabilities			
Interest-bearing loans and borrowings	**(5,666)**	(6,074)	(5,338)
Trade and other payables	**(67,072)**	(60,113)	(65,110)
Current tax payable	**(4,224)**	(3,942)	(3,391)
Provisions	**(184)**	(113)	(184)
Total current liabilities	**(77,146)**	(70,242)	(74,023)
Non-current liabilities			
Interest-bearing loans and borrowings	**(9,719)**	(61,981)	(7,934)
Provisions	**(11,717)**	(11,512)	(11,141)
Deferred tax liabilities	**(7,011)**	(7,226)	(7,012)
Total non-current liabilities	**(28,447)**	(80,719)	(26,087)
Total liabilities	**(105,593)**	(150,961)	(100,110)
Net assets	**251,154**	181,673	233,242
Equity attributable to equity holders of the parent			
Stated capital	**179,139**	139,338	178,637
Cash flow hedging reserve	**(45)**	(13)	(36)
Capital reserve	**1,516**	1,516	1,516
Retained earnings	**70,361**	40,686	52,958
Total equity attributable to equity holders of the parent	**250,971**	181,527	233,075
Non-controlling interests	**183**	146	167
Total equity	**251,154**	181,673	233,242

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 31 December 2015	178,637	(36)	1,516	52,958	233,075	167	233,242
Shares issued	514	–	–	(154)	360	–	360
Expenses of share issue	(12)	–	–	–	(12)	–	(12)
Dividend to non-controlling interests	–	–	–	–	–	–	–
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 six months ended 30 June 2015

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 31 December 2014	139,139	(51)	1,516	26,406	167,010	162	167,172
Shares issued	199	–	–	(78)	121	–	121
Dividend to non-controlling interests	–	–	–	–	–	(50)	(50)
Total comprehensive income for the period	–	38	–	13,626	13,664	34	13,698
Credit to equity of share-based payments	–	–	–	732	732	–	732
Balance at 30 June 2015	139,338	(13)	1,516	40,686	181,527	146	181,673

for the year ended 31 December 2015

	Stated capital £000	Cash flow hedging reserve £000	Capital reserve £000	Retained earnings £000	Attributable to equity holders of parent £000	Non-controlling interests £000	Total equity £000
Balance at 31 December 2014	139,139	(51)	1,516	26,406	167,010	162	167,172
Shares issued	41,194	–	–	(252)	40,942	–	40,942
Expenses of share issue	(1,696)	–	–	–	(1,696)	–	(1,696)
Dividend to non-controlling interests	–	–	–	–	–	(50)	(50)
Total comprehensive income for the year	–	15	–	24,908	24,923	55	24,978
Credit to equity of share-based payments	–	–	–	1,896	1,896	–	1,896
Balance at 31 December 2015	178,637	(36)	1,516	52,958	233,075	167	233,242

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2016

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Cash flows from operating activities			
Profit for the period	**16,478**	13,660	24,963
Adjustments for:			
Depreciation and amortisation	**9,028**	8,786	17,898
Financial income	**(35)**	(9)	(25)
Financial expense	**1,231**	1,467	2,776
Share of profit of associate and joint venture (net of tax)	**(434)**	(329)	(728)
Net gain on sale of property, plant and equipment	**(494)**	(945)	(1,320)
Equity settled share-based payment expenses	**1,095**	732	1,896
Taxation	**4,379**	3,807	6,314
Operating cash flow before changes in working capital and provisions	**31,248**	27,169	51,774
(Increase)/decrease in trade and other receivables	**(12,493)**	(11,130)	4,187
Decrease in inventories	**779**	169	458
Increase in trade and other payables	**1,948**	973	5,959
Increase/(decrease) in provisions	**404**	318	(264)
Cash generated from operating activities	**21,886**	17,499	62,114
Interest paid	**(660)**	(839)	(1,463)
Interest element of finance lease payments	**(246)**	(331)	(624)
Dividend paid to non-controlling interest	**–**	(50)	(50)
Income taxes paid	**(3,547)**	(2,501)	(5,767)
Net cash from operating activities	**17,433**	13,778	54,210
Cash flows used in investing activities			
Purchase of property, plant and equipment	**(6,095)**	(2,459)	(14,447)
Proceeds from sale of property, plant and equipment	**940**	1,267	4,501
Repayment of loan to joint venture	**100**	100	100
Interest received	**35**	9	25
Dividend from associate	**375**	–	375
Net cash used in investing activities	**(4,575)**	(1,083)	(9,446)
Cash flows used in financing activities			
Proceeds from the issue of shares (net)	**348**	121	39,246
Repayment of loans	**–**	(15,000)	(69,000)
Repayment of finance lease obligations	**(3,698)**	(3,820)	(7,214)
Purchase of financial instrument – derivative	**(11)**	(59)	(59)
Net cash used in financing activities	**(3,361)**	(18,758)	(37,027)
Net increase/(decrease) in cash and cash equivalents	**9,497**	(6,063)	7,737
Cash and cash equivalents at beginning of period	**23,522**	15,785	15,785
Cash and cash equivalents at end of period	**33,019**	9,722	23,522
Cash and cash equivalents	**33,019**	9,722	23,522
Bank overdraft	**–**	–	–
Cash and cash equivalents at end of period	**33,019**	9,722	23,522

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 2015.

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 2015.

The comparative figures for the financial year ended 31 December 2015 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 July 2018. In November 2015, the Group entered into a new four year £300 million facility to become effective on the completion of the acquisition of Hope Construction Materials Limited and which will replace the existing facilities.

The Group actively manages its financial risks and operates Board approved polices, 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 judgements 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 2015 as set out in note 27 of the Annual Report and Accounts for that year.

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

- Market conditions
- Competition and margins
- Acquisitions
- Liquidity
- Legal and regulatory
- Health & safety and environment
- People
- IT

Further details of the main risks are set out on pages 18 to 19 of the Group's Annual Report and Accounts for the year ended 31 December 2015. 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.

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. 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	Revenue £000	Six months ended 30 June 2016 EBITDA* £000	Revenue £000	Six months ended 30 June 2015 EBITDA* £000	Revenue £000	Year ended 31 December 2015 EBITDA* £000
England	**86,011**	**20,190**	84,153	16,894	170,841	35,837
Scotland	**76,946**	**14,689**	76,376	13,402	147,611	25,092
Central administration and Group properties	**–**	**(3,461)**	–	(2,976)	–	(6,014)
Group	**162,957**	**31,418**	160,529	27,320	318,452	54,915

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

Reconciliation to reported profit			
Group EBITDA as above	**31,418**	27,320	54,915
Depreciation and mineral depletion	**(9,011)**	(8,768)	(17,861)
Underlying operating profit			
England	**15,851**	12,581	26,997
Scotland	**10,027**	8,955	16,088
Central administration and Group properties	**(3,471)**	(2,984)	(6,031)
	22,407	18,552	37,054
Share of profit of associate and joint venture	**434**	329	728
Underlying profit from operations (underlying EBIT)	**22,841**	18,881	37,782
Non-underlying items	**(788)**	44	(3,754)
Profit from operations	**22,053**	18,925	34,028
Net financial expense	**(1,196)**	(1,458)	(2,751)
Profit before taxation	**20,857**	17,467	31,277
Taxation	**(4,379)**	(3,807)	(6,314)
Profit for the period	**16,478**	13,660	24,963

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

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Included in administrative expenses:			
Redundancy costs	**(126)**	(115)	(306)
Acquisition costs	**(704)**	(249)	(3,837)
Gain on property disposals	**59**	426	426
Amortisation of other intangible assets	**(17)**	(18)	(37)
Total non-underlying items (pre-tax)	**(788)**	44	(3,754)
Non-underlying taxation	**16**	(63)	33
Total non-underlying items (after tax)	**(772)**	(19)	(3,721)

6 Financial income and expense

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Interest income – bank deposits	**35**	9	25
Financial income	**35**	9	25
Interest expense – bank loans and overdrafts	**(684)**	(864)	(1,567)
Amortisation of prepaid bank arrangement fee	**(129)**	(128)	(256)
Interest expense – finance leases	**(246)**	(331)	(624)
Unwinding of discount on provisions	**(172)**	(144)	(329)
Financial expense	**(1,231)**	(1,467)	(2,776)

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 2016 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 20.0 per cent 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 21 per cent to 20 per cent (effective from 1 April 2015) was substantially enacted on 2 July 2013. Further reductions to 19 per cent (effective from 1 April 2017) and to 18 per cent (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17 per cent (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the Group's future 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 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Non-current liabilities			
Secured bank loans	**488**	54,231	359
Finance lease liabilities	**9,231**	7,750	7,575
	9,719	61,981	7,934
Current liabilities			
Secured overdrafts	**–**	–	–
Current portion of finance lease liabilities	**5,666**	6,074	5,338
	5,666	6,074	5,338

The bank loans and overdrafts carried a rate of interest of between 1.7 per cent and 1.35 per cent above LIBOR and are secured by a floating charge over the assets of the Company and its subsidiary undertakings and have a final repayment date of 11 July 2018.
In November 2015, the Group entered into a new four year £300 million facility to become effective on the completion of the acquisition of Hope Construction Materials Limited and which will replace the existing facilities.

Net cash/(debt)

Net cash/(debt) comprises the following items:

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Cash and cash equivalents	**33,019**	9,722	23,522
Current borrowings	**(5,666)**	(6,074)	(5,338)
Non-current borrowings	**(9,719)**	(61,981)	(7,934)
	17,634	(58,333)	10,250

Notes to the Condensed Consolidated 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 £16,462,000 (30 June 2015: £13,626,000, 31 December 2015: £24,908,000) and on the weighted average number of ordinary shares in issue during the period of 1,150,048,780 (30 June 2015: 1,060,836,750, 31 December 2015: 1,069,794,307).

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 £17,234,000 (30 June 2015: £13,645,000, 31 December 2015: £28,629,000) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 1,191,589,466 (30 June 2015: 1,094,464,951, 31 December 2015: 1,106,582,360) shares and reflects the effect of all dilutive potential ordinary shares.

10 Acquisitions

There have been no acquisitions in the period or in the prior period.

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 2015. All related party transactions are on an arm's length basis.

12 Stated capital

	Number of Ordinary Shares		
	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Issued ordinary shares at the beginning of the period	**1,149,390,728**	1,022,540,561	1,022,540,561
Issued in connection with:			
Placing	**–**	–	78,782,825
Exercise of savings related share options	**2,218,684**	723,494	826,524
Employee bonus issue	**–**	–	304,750
Purchase of Participation Shares	**–**	46,936,068	46,936,068
	1,151,609,412	1,070,200,123	1,149,390,728

During the period, the Company issued 1,793,397 ordinary shares of no par value at 15.0 pence per share, 340,499 ordinary shares of no par value at 19.40 pence per share, 38,157 ordinary shares of no par value at 15.20 pence per share, 22,036 ordinary shares of no par value at 37.80 pence per share, 1,410 ordinary shares of no par value at 39.00 pence per share, 14,872 ordinary shares of no par value at 41.35 pence per share and 8,313 ordinary shares of no par value at 42.70 pence per share in connection with the exercise of certain savings related share options.

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.

Advisers and Company information

REGISTRAR AND TRANSFER OFFICE

The Company's Registrar is Capita Registrars (Jersey) Limited. The address of the Company's Registrar, to which all enquiries concerning shareholdings should be addressed, is Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Shareholder enquiries can also be made to 0871 664 0300. Calls cost 10 pence per minute plus network extras. Lines are open 8.30am to 5.30pm, Mondays to Fridays.

Enquiries from outside the UK should be made to +44 203 728 5000.

Email: ssd@capitaregistrars.com

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