



News release

19 July 2012

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

Interim results (unaudited) for six months to 30 June 2012

Breedon Aggregates, the UK’s largest independent aggregates business, announces its unaudited interim results for the six months ended 30 June 2012.

	30 June 2012	Change
Revenue	£83.0 million	- 2%
Underlying EBITDA [†]	£9.7 million	+ 16%
Underlying operating profit [†]	£3.9 million	+ 35%
Underlying profit before tax [†]	£2.2 million	
Total non-current assets	£150.2 million	

Highlights

- Underlying EBITDA margin improved by 1.8 points to 11.7%, reflecting continued downward pressure on costs, higher selling prices and careful selection of work
- Improving margins and good new business win-rate in England, backed by strong performances from recent acquisitions: former C&G Concrete and Nottingham Readymix
- Reducing dependence on public sector in Scotland, with significant new business successes in growing renewable energy sector
- Net cash inflow of £1.3 million and successful £15 million share placing: net debt reduced to £81.8 million (31 December 2011: £96.2 million)
- First acquisition in Scotland completed in July: sand & gravel quarry near Elgin
- Encouraging prospects in Group’s English regions, backed by commercial and industrial investment and recovery in house building
- Medium-term prospects in Scotland extremely good, supported by evidence of increased spending by Scottish Water and committed spending on major road projects
- Group expects to maintain and hopefully build on progress made in first half

Cont/d

Looking ahead Peter Tom CBE, Executive Chairman, commented:

“We continue to review a number of potential acquisition opportunities. The proposed Tarmac-Lafarge joint venture was approved by the Competition Commission in May subject to certain disposals being made and that divestment process is now underway. As previously stated, the Board will carefully assess this opportunity to determine whether additional value can be created for shareholders; however, our core strategy of organic improvement supplemented by bolt-on acquisitions remains very much on track and will continue to drive future earnings growth.

“Whilst we do not expect any significant recovery in construction output in the short term, the business has performed well in the first six months of 2012 and we are confident of making further progress in the second half.”

- ends -

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

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Breedon Aggregates Limited

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[†] *Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles, changes in the fair value of financial instruments and gains on bargain purchase. References to an underlying profit measure throughout this announcement are defined on this basis.*

Breedon Aggregates Limited

Interim results (unaudited) for the six months to 30 June 2012

Group Results

Breedon Aggregates Limited, the UK's largest independent aggregates business, today announces its results for the six months to 30 June 2012.

Group revenue for the half-year was broadly in line with the previous year at £83.0 million (30 June 2011: £84.7 million). Underlying Group EBITDA before our share of associated undertakings increased by 16 per cent to £9.7 million (30 June 2011: £8.4 million). The underlying EBITDA margin improved to 11.7 per cent (30 June 2011: 9.9 per cent), reflecting higher selling prices and sustained downward pressure on operating costs during the period.

Financial Highlights

	6 months 30 June 2012 £'m	6 months 30 June 2011 £'m	variance
Revenue			
England	44.1	38.3	15 %
Scotland	38.9	46.4	(16)%
Total	83.0	84.7	(2)%
Underlying EBITDA			
England	5.5	4.1	34%
Scotland	5.7	5.8	(2)%
Head Office	(1.5)	(1.5)	
Total	9.7	8.4	16%
Margin	11.7%	9.9%	

Operating Performance

Trading in the first half was in line with our expectations, which we view as a creditable performance given the exceptionally weak UK market conditions. Overall construction activity declined by 4 per cent in the first three months and the second quarter is expected to have shown a further decline. The Mineral Products Association reports that in the first five months crushed rock volumes declined by 10 per cent, asphalt by 14 per cent and ready-mixed concrete by 7 per cent.

Against this background, our first-half like-for-like volumes were lower than in the comparable period last year, which was boosted by the backlog of work caused by poor weather at the end of 2010. However, targeting better-priced work, tight control of costs and more stable fuel prices enabled us to improve our EBITDA margin by 1.8 points.

Our English business looks very different today from the business we acquired in 2010. We have a first-rate management team, improving margins and a very pleasing win-rate in a highly competitive market.

The performance of C&G Concrete, acquired in July 2011, has been very encouraging. With the integration of this business largely completed before the year-end, we were free to focus in the first half on completing our investment in new plant and in updating the fleet, strengthening the management team and leveraging C&G's strong technical concrete capability across the group. Nottingham Readymix, acquired earlier this year, also had a good first half, benefiting from healthy public and private expenditure on a number of major on-going capital projects in the city of Nottingham.

1stMix, our new 'small load' ready-mixed concrete business which we set up in April, is now fully operational with a small fleet of trucks serving five local markets in the West and East Midlands. It is early days for this business, but it is currently performing in line with our expectations.

Trading conditions in Scotland have been appreciably more difficult, as public sector cuts continue to impact. Expenditure by Transport Scotland was particularly hard hit in the first half, although we succeeded in winning the only major contract that they awarded in our regions. Our Scottish business did well to mitigate the impact of Government budget reductions by winning new work in the private sector, particularly from the renewables industry. Most recently, we won a contract to supply 8,000 cubic metres of ready-mixed concrete to a major wind farm near Elgin.

The material for this contract will be supplied by our most recently acquired quarry at Rothes Glen. This is our third bolt-on acquisition and provides us with sand and gravel reserves in the Elgin area, complementing the supply of hard rock from our quarry at nearby Netherglen. We already operate a ready-mixed concrete plant on this site.

To capitalise further on the growing opportunity in the renewables sector we recently formed a joint venture, Mobile Concrete Solutions (MCS), with a leading construction services company to offer a mobile concrete batching service. Renewable energy projects are typically sited in remote locations and need a reliable partner who can put a ready-mixed concrete plant on site quickly and economically, supported by a reliable supply of aggregates and cement. MCS is one of a limited number of businesses in the UK able to meet this specialist need. We are already supplying 15,000 cubic metres of concrete to two wind farm sites in Scotland.

In May we were pleased to successfully complete, together with Transport Scotland, the first major UK trial of a new road surfacing material made partly from recycled waste tyres. Breedon Polymer R+ is the first modified asphalt of its kind in the UK and has received an excellent response from Transport Scotland. We now plan to roll out the product across the country and we have had strong interest from customers, due particularly to its carbon- and cost-reduction benefits.

Our associate company, BEAR Scotland, and our traffic management subsidiary, Alba Traffic Management, both reported good progress during the period.

Balance sheet and cash flow

Net assets at 30 June 2012 were £75.6 million compared to £59.0 million at 31 December 2011 and £58.0 million at 30 June 2011. During the first half of the year the Company completed a placing of 83,333,335 new shares, raising approximately £15.0 million before expenses to provide additional resources for future bolt-on acquisitions. Directors took up 2,777,778 of these shares.

Cash generated from operations was £2.7 million. The Group spent £3.8 million on acquisitions and capital expenditure and received £3.2 million from asset disposals. It also repaid £3.6 million of finance leases. The net cash inflow for the period was £1.3 million and net debt at 30 June 2012 was £81.8 million compared to £96.2 million at 31 December 2011.

Outlook

The general outlook for construction in the UK continues to be affected by eurozone worries and reduced public sector spending; however there are significant regional variations. London remains buoyant and our business in the Midlands has benefited from increased investment in the industrial and commercial sectors, together with a recovery in house building activity. Jaguar Landrover, Rolls Royce and JCB all continue to invest in their manufacturing facilities and the major upgrade of the A453 to Nottingham is due to start next year.

In Scotland there continues to be limited spending on the trunk road network, but we have managed to replace this work with supplies to the fast-growing renewables industry, with several large wind farm contracts secured. Evidence of increased spending by Scottish Water under our framework contract is also welcome. In the medium term the prospects for our business in Scotland are extremely good, with work on the Aberdeen ring road expected to start in 2014 and a recent commitment by the Scottish Government to begin the upgrade of the A9 between Perth and Inverness within the life of this parliament.

Our expectation is that product volumes in the second half of the year will be similar to 2011 and against this backdrop we continue to focus on tight control of costs and careful work selection. Improved prices have been achieved on all main products in both Scotland and England in the first half of the year and we expect to maintain these in the second half. The recent stabilisation in the oil price and consequent reductions in fuel costs will help in managing key input costs. We expect to maintain and hopefully build on the progress made in the first half of the year.

We continue to review a number of potential acquisition opportunities. Our two earlier acquisitions are performing very well and are now fully integrated into our core business. The proposed Tarmac-Lafarge joint venture was approved by the Competition Commission in May subject to certain disposals being made and that divestment process is now underway. As previously stated, the Board will carefully assess this opportunity to determine whether additional value can be created for shareholders; however, our core strategy of organic improvement supplemented by bolt-on acquisitions remains very much on track and will continue to drive future earnings growth.

Whilst we do not expect any significant recovery in construction output in the short term, the business has performed well in the first six months of 2012 and we are confident of making further progress in the second half.

In closing, we would like to pay tribute to all our 800 employees, many of whom have been working outside in shocking weather conditions over the last few months and, despite the consequent drag on market demand, have continued to deliver a very resilient performance. On behalf of the Board, our thanks to them all.

Peter Tom CBE
Executive Chairman

Simon Vivian
Group Chief Executive

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2012

Condensed Consolidated Income Statement
for the six months ended 30 June 2012

	Six months ended 30 June 2012			Six months ended 30 June 2011			Year ended 31 December 2011		
	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	82,977	-	82,977	84,714	-	84,714	168,888	-	168,888
Cost of sales	(61,764)	-	(61,764)	(63,958)	-	(63,958)	(130,035)	-	(130,035)
Gross profit	21,213	-	21,213	20,756	-	20,756	38,853	-	38,853
Distribution expenses	(10,881)	-	(10,881)	(11,935)	-	(11,935)	(19,816)	-	(19,816)
Administrative expenses	(6,412)	570	(5,842)	(5,917)	(345)	(6,262)	(13,349)	(758)	(14,107)
Gain on bargain purchase	-	-	-	-	-	-	-	636	636
Group operating profit	3,920	570	4,490	2,904	(345)	2,559	5,688	(122)	5,566
Share of profit of associated undertaking (net of tax)	497	-	497	254	-	254	659	-	659
Profit from operations	4,417	570	4,987	3,158	(345)	2,813	6,347	(122)	6,225
Financial income	2	-	2	2	-	2	2	-	2
Financial expense	(2,255)	-	(2,255)	(2,392)	-	(2,392)	(4,842)	-	(4,842)
Profit before taxation	2,164	570	2,734	768	(345)	423	1,507	(122)	1,385
Taxation	(492)	(140)	(632)	(112)	63	(49)	(316)	130	(186)
Profit for the period	1,672	430	2,102	656	(282)	374	1,191	8	1,199
Attributable to:									
Equity holders of the parent	1,648	430	2,078	641	(282)	359	1,167	8	1,175
Non-controlling interests	24	-	24	15	-	15	24	-	24
Profit for the period	1,672	430	2,102	656	(282)	374	1,191	8	1,199
Basic earnings per ordinary share	0.28p		0.35p	0.12p		0.06p	0.21p		0.21p
Diluted earnings per ordinary share	0.25p		0.31p	0.11p		0.06p	0.20p		0.20p

* Non-underlying items represent acquisition-related expenses, redundancy and reorganisation costs, property items, impairments, amortisation of acquisition intangibles, changes in the fair value of financial instruments and gains on bargain purchases.

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2012

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2012

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Profit for the period	2,102	374	1,199
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	(96)	(207)	(201)
Taxation on items taken directly to other comprehensive income	24	54	52
Other comprehensive income for the period	(72)	(153)	(149)
Total comprehensive income for the period	2,030	221	1,050
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	2,006	206	1,026
Non-controlling interests	24	15	24
	2,030	221	1,050

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2012

Condensed Consolidated Statement of Financial Position
at 30 June 2012

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Non-current assets			
Property, plant and equipment	147,027	145,856	151,984
Intangible assets	2,305	3,998	1,648
Investment in associated undertaking	914	949	792
Total non-current assets	150,246	150,803	154,424
Current assets			
Inventories	9,240	7,706	8,001
Trade and other receivables	38,643	37,536	34,555
Cash and cash equivalents	712	1,204	921
Total current assets	48,595	46,446	43,477
Total assets	198,841	197,249	197,901
Current liabilities			
Interest-bearing loans and borrowings	(6,804)	(8,473)	(8,237)
Trade and other payables	(32,372)	(34,000)	(33,366)
Current tax payable	-	(5)	-
Provisions	(166)	(180)	(166)
Total current liabilities	(39,342)	(42,658)	(41,769)
Non-current liabilities			
Interest-bearing loans and borrowings	(75,717)	(84,761)	(88,869)
Provisions	(6,485)	(7,008)	(7,172)
Deferred tax liabilities	(1,667)	(4,783)	(1,059)
Total non-current liabilities	(83,869)	(96,552)	(97,100)
Total liabilities	(123,211)	(139,210)	(138,869)
Net assets	75,630	58,039	59,032
Equity attributable to equity holders of the parent			
Stated capital	77,109	62,715	62,715
Cash flow hedging reserve	(167)	(99)	(95)
Capital reserve	2,069	2,069	2,069
Retained earnings	(3,513)	(6,745)	(5,765)
Total equity attributable to equity holders of the parent	75,498	57,940	58,924
Non-controlling interests	132	99	108
Total equity	75,630	58,039	59,032

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2012

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2012

Six months ended 30 June 2012	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 2011	62,715	(95)	2,069	(5,765)	58,924	108	59,032
Shares issued	14,394	-	-	-	14,394	-	14,394
Total comprehensive income for the period	-	(72)	-	2,078	2,006	24	2,030
Credit to equity of share based payments	-	-	-	174	174	-	174
Balance at 30 June 2012	77,109	(167)	2,069	(3,513)	75,498	132	75,630
Six months ended 30 June 2011	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 2010	61,575	54	2,369	(7,261)	56,737	94	56,831
Shares issued	1,140	-	(300)	-	840	-	840
Dividend to non-controlling interest	-	-	-	-	-	(60)	(60)
Disposal of non-controlling interest without a change in control	-	-	-	108	108	50	158
Total comprehensive income for the period	-	(153)	-	359	206	15	221
Credit to equity of share based payments	-	-	-	49	49	-	49
Balance at 30 June 2011	62,715	(99)	2,069	(6,745)	57,940	99	58,039
Year ended 31 December 2011	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 2010	61,575	54	2,369	(7,261)	56,737	94	56,831
Shares issued	1,140	-	(300)	-	840	-	840
Dividend to non-controlling interest	-	-	-	-	-	(60)	(60)
Disposal of non-controlling interest without a change in control	-	-	-	108	108	50	158
Total comprehensive income for the year	-	(149)	-	1,175	1,026	24	1,050
Credit to equity of share based payments	-	-	-	213	213	-	213
Balance at 31 December 2011	62,715	(95)	2,069	(5,765)	58,924	108	59,032

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2012

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2012

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Cash flows from operating activities			
Profit for the period	2,102	374	1,199
<i>Adjustments for:</i>			
Depreciation, amortisation and impairments	5,801	5,534	11,537
Gain on bargain purchase	-	-	(636)
Financial income	(2)	(2)	(2)
Financial expense	2,255	2,392	4,842
Share of profit of associated undertaking (net of tax)	(497)	(254)	(659)
Gain on sale of property, plant and equipment	(719)	(426)	(853)
Equity settled share based payment expenses	174	49	213
Taxation	632	49	186
Operating cash flow before changes in working capital and provisions	9,746	7,716	15,827
Increase in trade and other receivables	(3,494)	(11,480)	(8,665)
Increase in inventories	(1,221)	(932)	(479)
(Decrease)/increase in trade and other payables	(1,597)	5,302	6,564
Decrease in provisions	(747)	(337)	(466)
Cash generated from operating activities	2,687	269	12,781
Interest paid	(1,549)	(1,366)	(2,903)
Interest element of finance lease payments	(618)	(891)	(1,687)
Dividend paid to non-controlling interest	-	(60)	(60)
Income taxes paid	-	-	(2)
Net cash from operating activities	520	(2,048)	8,129
Cash flows used in investing activities			
Acquisition of businesses	(847)	1,027	(9,770)
Purchase of property, plant and equipment	(2,959)	(1,745)	(6,711)
Proceeds from sale of asset held for resale	-	296	391
Proceeds from sale of property, plant and equipment	3,206	1,366	2,609
Proceeds from sale of non-controlling interest	-	165	158
Interest received	2	2	2
Dividend from associated undertaking	375	375	937
Net cash used in investing activities	(223)	1,486	(12,384)
Cash flows from financing activities			
Proceeds from the issue of shares (net)	14,394	840	840
Proceeds from new loans raised	1,900	-	11,000
Repayment of loans	(11,450)	(900)	(5,522)
Repayment of finance lease obligations	(3,564)	(3,260)	(5,953)
Purchase of financial instrument – derivative	(232)	-	-
Net cash from financing activities	1,048	(3,320)	365
Net increase/(decrease) in cash and cash equivalents	1,345	(3,882)	(3,890)
Cash and cash equivalents at beginning of period	(2,194)	1,696	1,696
Cash and cash equivalents at end of period	(849)	(2,186)	(2,194)
Cash and cash equivalents	712	1,204	921
Bank overdraft	(1,561)	(3,390)	(3,115)
Cash and cash equivalents at end of period	(849)	(2,186)	(2,194)

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2012

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 2011 except for the following which became effective and were adopted by the Group:

- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after 1 July 2011).

The adoption of the above amendment has not had a material effect on the result for the period. The comparative figures for the six months ended 30 June 2011 have been amended to reflect the presentation applied in the Consolidated Financial Statements for the year ended 31 December 2011 in respect of the gain on the disposal of non-controlling interests without a change in control and in respect of movements in the Capital Reserve on the exercise of certain warrants.

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 2011.

The comparative figures for the financial year ended 31 December 2011 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 was (i) 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, and which expires in September 2015.

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 2011 as set out in note 28 of the Annual Report and Accounts for that year.

Details of the main risks the Group faces are set out on pages 17 and 18 of the Group's Annual Report and Accounts for the year ended 31 December 2011. 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 Aggregates Limited
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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 2012		Six months ended 30 June 2011		Year ended 31 December 2011	
	Revenue £'000	EBITDA* £'000	Revenue £'000	EBITDA* £'000	Revenue £'000	EBITDA* £'000
England	44,043	5,451	38,321	4,119	86,158	9,090
Scotland	38,934	5,737	46,393	5,803	82,730	10,316
Central administration	-	(1,504)	-	(1,565)	-	(2,343)
Group	82,977	9,684	84,714	8,357	168,888	17,063

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

Reconciliation to reported profit

Segmental profit as above	9,684	8,357	17,063
Depreciation	(5,764)	(5,453)	(11,375)
Non-underlying items	570	(345)	(122)
Reported operating profit	4,490	2,559	5,566
Share of profit of associated undertaking	497	254	659
Net financial expense	(2,253)	(2,390)	(4,840)
Profit before taxation	2,734	423	1,385
Taxation	(632)	(49)	(186)
Profit for the period	2,102	374	1,199

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, impairments, the amortisation of acquisition intangible assets, changes in the fair value of financial instruments and gains on bargain purchase.

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
<i>Included in administrative expenses:</i>			
Redundancy costs	(101)	(310)	(522)
Acquisition costs	(35)	-	(161)
Gain on property disposals	104	46	156
Release of provision for environmental and planning	639	-	-
Loss on disposal of asset held for resale	-	-	(69)
Amortisation of other intangible assets	(37)	(81)	(162)
	570	(345)	(758)
Gain on bargain purchase	-	-	636
Total non-underlying items (pre-tax)	570	(345)	(122)

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Notes to the Interim Financial Statements (continued)

6 Financial income and expense

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Interest income – bank deposits	2	2	2
Financial income	2	2	2
Interest expense – bank loans and overdrafts	(1,523)	(1,384)	(2,900)
Amortisation of prepaid bank arrangement fee	(54)	(50)	(123)
Interest expense – other	-	(2)	(5)
Interest expense – finance leases	(618)	(891)	(1,687)
Unwinding of discount on provisions	(60)	(65)	(127)
Financial expense	(2,255)	(2,392)	(4,842)

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 2012 has been based on the estimated effective blended rate applicable for existing operations for the full year. This is based on a zero per cent tax rate on profits arising in Jersey and an effective rate of 24.5% on profits arising in the Group's UK subsidiary undertakings.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. 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 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Non-current liabilities			
Secured bank loans	63,111	66,183	72,607
Finance lease liabilities	12,606	18,578	16,262
	75,717	84,761	88,869
Current liabilities			
Secured overdrafts	1,561	3,390	3,115
Current portion of finance lease liabilities	5,243	5,083	5,122
	6,804	8,473	8,237

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 September 2015.

Net debt

Net debt comprises the following items:

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Cash and cash equivalents	712	1,204	921
Current borrowings	(6,804)	(8,473)	(8,237)
Non-current borrowings	(75,717)	(84,761)	(88,869)
	(81,809)	(92,030)	(96,185)

Breedon Aggregates Limited
Interim results (unaudited) for the six months to 30 June 2012

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 £2,078,000 (30 June 2011: £359,000, 31 December 2011: £1,175,000) and on the weighted average number of ordinary shares in issue during the period of 592,140,986 (30 June 2011: 554,815,587, 31 December 2011: 557,935,958).

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 £1,648,000 (30 June 2011: £641,000, 31 December 2011: £1,167,000) and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 667,980,463 (30 June 2011: 569,901,109, 31 December 2011: 574,578,561) shares and reflects the effect of all dilutive potential ordinary shares.

10 Acquisitions

On 16 January 2012, the Group acquired the entire issued share capital of Nottingham Ready Mix Limited. This transaction has been accounted for as an asset acquisition.

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

	Book value	Fair value	Fair value on
	£'000	adjustments	acquisition
		£'000	£'000
Land and buildings	13	-	13
Plant and equipment	178	144	322
Inventories	18	-	18
Trade and other receivables	465	(7)	458
Cash	19	-	19
Trade and other payables	(576)	(53)	(629)
Other interest bearing loans – current liabilities	(29)	-	(29)
Total	88	84	172
Consideration:			
Cash			866
Goodwill			694

The provisional fair value adjustments comprise adjustments to plant and machinery to reflect its fair value at the date of acquisition; to trade and other receivables reflect recoverable amounts; and to trade and other payables to reflect contractual liabilities.

Prior year acquisitions

On 11 February 2011, the Group acquired the entire issued share capital of Enneurope Holdings Limited. This transaction has been accounted for as an asset acquisition. Details of the fair value of consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition of £nil, are given in note 27 on page 68 of the Group's Annual Report and Accounts for the year ended 31 December 2011. There have been no changes in the fair value adjustments in the six months to 30 June 2012.

On 22 July 2011, the Group acquired the trade and certain assets of C&G Concrete Limited. This transaction has been accounted for as a business combination. Details of the fair value of consideration paid and the consolidated net assets acquired, together with the gain on bargain purchase arising in respect of this acquisition of £636,000, are given in note 27 on page 69 of the Group's Annual Report and Accounts for the year ended 31 December 2011. There have been no changes in the provisional fair value adjustments in the six months to 30 June 2012.

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 2011. All related party transactions are on an arms length basis.

There have been no related party transactions in the first six months of the current financial year which have materially affected the financial position or performance of the Group.

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

12 Stated capital

	Ordinary Shares		
	Six months ended 30 June 2012 Number	Six months ended 30 June 2011 Number	Year ended 31 December 2011 Number
Issued ordinary shares at the beginning of the period	561,005,454	554,003,167	554,003,167
Issued in connection with placing	83,333,335	-	-
Issued in connection with exercise of warrants	-	7,002,287	7,002,287
	644,338,789	561,005,454	561,005,454

On 23 April 2012, the Company placed 83,333,335 ordinary shares of no par value at 18.0 pence per share wholly for cash.

13 Subsequent events

On 11 July 2012, the Company issued 2,891,426 ordinary shares of no par value at 12.0 pence per share in settlement of the exercise of certain warrants issued in September 2010 as part of the reverse takeover of Breedon Holdings Limited.

On 16 July 2012, the Group acquired the trade and assets of Speyside Sand & Gravel Quarries Limited for a consideration of £0.7 million. This acquisition will be accounted for as a business combination.

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.